

IN THE MATTER OF

THE EXECUTIVE COUNSEL TO THE FINANCIAL REPORTING COUNCIL

-and-

(1) PRICEWATERHOUSECOOPERS LLP

(2) MR SIMON BRADBURN

SETTLEMENT AGREEMENT

1. This Settlement Agreement ("**Agreement**") is made on the 22nd day of August 2016 between Gareth Rees QC as the Executive Counsel of the Financial Reporting Council ("**FRC**"), of 8th Floor, 125 London Wall, London, EC2Y 5AS ("**the Executive Counsel**") of the first part, PricewaterhouseCoopers LLP ("**PwC**") of 1 Embankment Place, London, WC2N 6RH of the second part and Mr Simon Bradburn ("**Mr Bradburn**") of the third part. The Executive Counsel, PwC and Mr Bradburn together are described as "**the Parties**".
2. The Agreement is evidenced by the signatures of Executive Counsel on his own behalf, by Margaret Cole on behalf of PwC and by Mr Bradburn on his own behalf.
3. The Particulars of Fact and Acts of Misconduct admitted by PwC and Mr Bradburn ("**the Particulars**") as a member firm and member respectively of the Institute of Chartered Accountants in England and Wales, were prepared by the Executive Counsel in accordance with the FRC Accountancy Scheme ("**the Scheme**") and are annexed. The Particulars relate to the conduct of PwC and Mr Bradburn in relation to the audit of the financial statements for the year ended 2007 of Cattles Plc ("**Cattles**") and Welcome Financial Services Limited ("**WFS**") (together "**the Companies**"). More specifically, the conduct of each of PwC and Mr Bradburn fell significantly short of the standards reasonably to be expected of them in issuing unqualified audit opinions in respect of the 2007 Cattles financial statements and the 2007 WFS financial statements in circumstances where PwC and Mr Bradburn: (i) had insufficient audit evidence as to the adequacy of the loan loss provision and (ii) had failed to identify the fact that the impairment policy was not adequately disclosed and that the disclosures in the Companies' 2007 financial statements were not in compliance with IFRS 7.

4. The Parties have agreed the terms of settlement set out below with respect to the Particulars.
5. The Parties recognise that the determination to be made in this case is a matter for the Tribunal member in accordance with paragraph 8(4)(ii) of the Scheme.

PwC - sanction

6. The Executive Counsel and PwC have agreed the following terms of settlement:

A Fine of £3,500,000 adjusted for aggregating and mitigating factors and discounted for settlement to £2,300,000, and a Severe Reprimand. The Fine shall be paid not later than 28 days after the date when the Settlement Agreement takes effect.

7. In reaching this Agreement with PwC, the Executive Counsel considered the following stages and took account of the following factors in accordance with the FRC's Sanctions Guidance ("**the Sanctions Guidance**"):

Nature and seriousness of the Misconduct

- a. The Misconduct risked the loss of significant sums of money;
- b. The Misconduct was not dishonest, deliberate or reckless;
- c. The Misconduct did not involve a failure to act or conduct business with integrity;
- d. The Misconduct involved a failure to comply with professional standards;
- e. The standards breached are of fundamental importance in upholding the quality of auditing in the UK;
- f. The Misconduct adversely affected or potentially adversely affected a significant number of people in the United Kingdom. Cattles was a publicly listed company and at the time of the 2007 audit was a member of the FTSE 250;
- g. The Misconduct could undermine confidence in the standards of conduct in general of Member Firms; and
- h. Mr Bradburn held a senior position and had supervisory responsibilities.

Identification of sanction

Having assessed the seriousness of the Misconduct, the Executive Counsel has determined that a Fine of £3,500,000 and a Severe Reprimand is an appropriate sanction. The Executive Counsel has then taken into account any aggravating and mitigating factors that exist (to the extent that they have not already been taken into account in relation to the seriousness of the Misconduct). Having considered those additional factors set out below, Executive Counsel had determined that the Fine should be reduced by 10% to £3,150,000.

Aggravating factors

- a. The Member Firm was fined £1.4m in 2011 by the Accounting and Actuarial Disciplinary Board following admitted misconduct in relation to its role in reporting to the FSA on JP Morgan Securities Limited's compliance with the FSA's Client Money Rules, which govern the segregation and protection of client money.

Mitigating Factors

- a. The Member Firm cooperated during the investigation of the Misconduct by the FRC;
- b. The Member Firm was deliberately misled by third parties; and
- c. The Member Firm did not stand to gain any profit or benefit from the Misconduct.

Deterrence

No adjustment for deterrence is required in this case.

Discount for admissions and settlement

Having taken into account the admissions made by PwC in the Particulars and the stage at which those admissions were made (in Stage 1 of the case in accordance with paragraph 59 of the Sanctions Guidance), the Executive Counsel has determined that a reduction to the Fine of £850,000 (approximately 27%) as a settlement discount is appropriate.

Other Considerations

In accordance with paragraph 32 (ii) of the Sanctions Guidance, the Executive Counsel has taken into account the size and financial resources of PwC and the effect of a Fine on its business and whether there are arrangements that would result in part or all of the Fine being paid or indemnified by insurers.

PwC - costs

8. The Executive Counsel and PwC have agreed the following terms of settlement:

A sum of £750,000 to be paid by PwC as a contribution towards the Executive Counsel's costs of, and incidental to, the investigation. The costs shall be paid not later than 28 days after the date when the Settlement Agreement takes effect.

In accordance with paragraph 62 of the Sanctions Guidance, the Executive Counsel has taken into account PwC's financial position and the impact of the Fine, and whether there are arrangements that would result in part or all of any award of costs being paid or indemnified by insurers.

Mr Bradburn - sanction

9. The Executive Counsel and Mr Bradburn have agreed the following terms of settlement:

A Fine of £120,000 adjusted for mitigating factors and discounted for settlement to £75,600 and a Severe Reprimand. The Fine shall be paid not later than 28 days after the date when the Settlement Agreement takes effect.

In reaching this Agreement with Mr Bradburn, the Executive Counsel considered the following stages and took account of the following factors in accordance with the Sanctions Guidance:

Nature and seriousness of the Misconduct

- a. The Misconduct risked the loss of significant sums of money;
- b. The Misconduct was not dishonest, deliberate or reckless;
- c. The Misconduct did not involve a failure to act or conduct business with integrity;
- d. The Misconduct involved a failure to comply with professional standards;
- e. The standards breached are of fundamental importance in upholding the quality of auditing in the UK;
- f. The Misconduct adversely affected or potentially adversely affected a significant number of people in the United Kingdom. Cattles was a publicly listed company and at the time of the 2007 audit was a member of the FTSE 250;

- g. The Misconduct could undermine confidence in the standards of conduct in general of Members; and
- h. Mr Bradburn held a senior position and had supervisory responsibilities.

Identification of sanction

Having assessed the seriousness of the Misconduct, the Executive Counsel has determined that a Fine of £120,000 and a Severe Reprimand is an appropriate sanction. Executive Counsel has then taken into account the mitigating factors that exist (to the extent that they have not already been taken into account in relation to the seriousness of the Misconduct). Having considered those additional factors set out below, Executive Counsel has determined that the Fine should be reduced by 10% to £108,000.

Aggravating Factors

There are no aggravating factors in relation to Mr Bradburn's Misconduct.

Mitigating Factors

- a. Mr Bradburn cooperated during the investigation of the Misconduct by the FRC;
- b. Mr Bradburn was deliberately misled by third parties;
- c. Mr Bradburn holds a good compliance history and disciplinary record; and
- d. Mr Bradburn did not stand to gain any profit or benefit from the Misconduct.

Deterrence

No adjustment for deterrence is required in this case.

Discount for admissions and settlement

Having taken into account the admissions by Mr Bradburn in the Particulars and the stage at which those admissions were made (in Stage 1 of the case in accordance with paragraph 59 of the Sanctions Guidance), the Executive Counsel determined that a reduction to the fine of £32,400 (30%) as to the Fine as a settlement discount is appropriate.

Other Considerations

In accordance with paragraph 35 of the Sanctions Guidance the Executive Counsel has established that there are arrangements which will result in all of the Fine against Mr

Bradburn being paid by PwC. The existence of these arrangements has not been considered a ground for increasing the Fine beyond the level that would otherwise have been considered appropriate by the Executive Counsel.

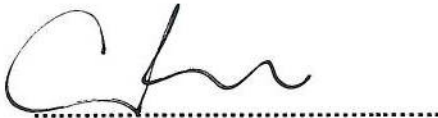
Mr Bradburn - costs

10. The Executive Counsel and Mr Bradburn have agreed the following terms of settlement:

No contribution towards the Executive Counsel's costs of, and incidental to, the investigation.

11. If the decision of the Tribunal member is to approve the Agreement, including the sanctions set out above, then the Agreement shall take effect from the next working day after the date on which the notice of the decision is sent to PwC and Mr Bradburn in accordance with paragraph 8(4)(iv) of the Scheme.

12. The Agreement and annex will remain confidential until publication in accordance with paragraph 8(6) of the Scheme.

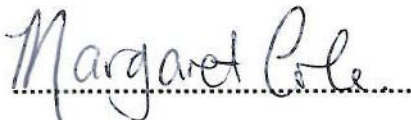


Gareth Rees

Executive Counsel

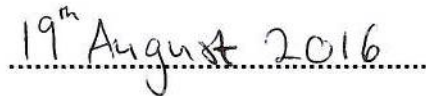


Date




Margaret Cole

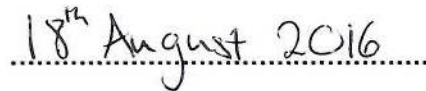
On behalf of PwC LLP



Date



Mr Simon Bradburn



Date