# Årsregnskap for regnskapsåret 2016

| | |
|---|---|
| Organisasjonsnr: | 916 463 227 |
| Navn/foretaksnavn: | KPMG UNITED KINGDOM PLC |
| Forretningsadresse: | 15 Canada Square |
| | LONDON E14 5GL |

Brønnøysundregistrene
01.05.2021

100168

Brønnøysundregistrene – Regnskapsregisteret

## VEDLEGG TIL ÅRSREGNSKAP 2016

| | | |
|---|---|---|
| KPMG UNITED KINGDOM PLC<br>c/o KPMG Law Advokatfirma AS<br>Postboks 7000 Majorstuen<br>0306 OSLO | Organisasjonsnr.<br>916 463 227 | NUF |

| Registrerte opplysninger per 06.06.2019 | | Eventuelle endringer dette regnskapsåret | |
|---|---|---|---|
| Startdato: 01.01.2016 | Avslutningsdato: 31.12.2016 | Startdato: | Avslutningsdato: |
| Konsernforhold: Foreninger som følger regler for frivillig virksomhet, kan ikke være morselskap | Morselskap: NEI | Endret konsernforhold: ☐ Morselskap | ☐ Ikke morselskap |

**Kun for aksjeselskap som har meldt fravalg av revisjon**

- Selskapet har besluttet at årsregnskapet ikke skal revideres ☐ Ja
- Årsregnskapet er utarbeidet av ekstern autorisert regnskapsfører ☐ Ja
- Ekstern autorisert regnskapsfører har i løpet av regnskapsåret bistått ved den løpende regnskapsføringen eller utført andre tjenester for selskapet enn å utarbeide årsregnskapet ☐ Ja

Årsregnskapet er satt opp etter reglene for frivillig virksomhet ☐ Avkrysning er kun aktuelt for foreninger (FLI) som er registrert i Frivillighetsregisteret

Hvis enheten ikke følger norsk regnskapslov eller frivillighetsregisterloven, kryss av ☐ IFRS selskap ☐ IFRS konsern

Hvis enheten velger å avvike fra regnskapsloven § 6-1, kryss av ☐ Funksjon selskap ☐ Funksjon konsern

Følges regnskapsreglene for små foretak? ☒ Ja ☐ Nei

Jeg bekrefter at vedlagte årsregnskap er fastsatt av kompetent organ den Dato

Sted/dato, Underskrift av representant for enheten

vedl.

**Bare til bruk for Regnskapsregisteret** SKN NUF Utla

G ☒ NYVE ☐ Admr ☐ Kregn Ja ☐ Nei ☒ Aktiv. regn ☐

M ☐ Rets ☐ Ant.s 28

☐ ov.b ☐ årsb ☐ res ☐ bal ☐ e.bal ☐ gj.bal ☐ rev ☐ i-rev ☐ k-res ☐ k-bal ☐ k-n ☐ k-rev ☐ i-k-rev ☐ n

☐ k-regn ☐ kto ☐ d.k ☐ ik-fv ☐ konsf ☐ ifrs ☐ fr-rev ☐ ☐ ☐ ☐ ☐ ☐ funk ☐ u.off ☐ brev

BR-1001-11

Brønnøysundregistrene

# ÅRSREGNSKAP FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

| | |
|---|---|
| Journalnummer: | 2019 383732 |

**Enheten**

| | |
|---|---|
| Organisasjonsnummer: | 916 463 227 |
| Organisasjonsform: | Norskreg. utenlandsk foretak |
| Foretaksnavn: | KPMG UNITED KINGDOM PLC |
| Forretningsadresse: | 15 Canada Square<br>LONDON E14 5GL |

**Regnskapsår**

| | |
|---|---|
| Årsregnskapets periode: | 05.03.2016 - 30.09.2016 |

**Konsern**

| | |
|---|---|
| Morselskap i konsern: | Nei |

**Regnskapsregler**

| | |
|---|---|
| Regler for små foretak benyttet: | Ja |
| Benyttet ved utarbeidelsen av årsregnskapet til selskapet: | Regnskapslovens alminnelige regler |

**Årsregnskapet fastsatt av kompetent organ**

| | |
|---|---|
| Bekreftet av representant for selskapet: | Joanne Dean |
| Dato for fastsettelse av årsregnskapet: | 16.01.2019 |

**Grunnlag for avgivelse**

År 2016: Årsregnskap er elektronisk innlevert.
År 2015: Tall er hentet fra elektronisk innlevert årsregnskap fra 2016.

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 06.06.2019

**Brønnøysundregistrene**
Postadresse: Postboks 900, 8910 Brønnøysund
Telefoner: Opplysningstelefonen 75 00 75 00 Administrasjonen 75 00 75 09 Telefaks 75 00 75 05
E-post: firmapost@brreg.no Internett: www.brreg.no
Organisasjonsnummer: 974 760 673

Organisasjonsnr: 916 463 227
KPMG UNITED KINGDOM PLC

## RESULTATREGNSKAP

| Beløp i: GBP | Note | 2016 | 2015 |
|---|---|---|---|
| **RESULTATREGNSKAP** | | | |
| **Inntekter** | | | |
| Revenue | | 96 546 000 | 85 042 000 |
| **Sum inntekter** | | **96 546 000** | **85 042 000** |
| **Kostnader** | | | |
| Personell costs | 4 | 40 539 000 | 34 133 000 |
| Amortisation | 8 | 3 033 000 | 89 000 |
| Other operating expenses | 3 | 48 678 000 | 53 135 000 |
| **Sum kostnader** | | **92 250 000** | **87 357 000** |
| **Driftsresultat** | | **4 296 000** | **-2 315 000** |
| **Finansinntekter og finanskostnader** | | | |
| Financial income | 5 | 1 474 000 | 1 204 000 |
| **Sum finansinntekter** | | **1 474 000** | **1 204 000** |
| Financial expense | 5 | 618 000 | 763 000 |
| **Sum finanskostnader** | | **618 000** | **763 000** |
| **Netto finans** | | **856 000** | **441 000** |
| **Ordinært resultat før skattekostnad** | | **5 152 000** | **-1 874 000** |
| Tax (expense)/income | 6 | 2 707 000 | -725 000 |
| **Ordinært resultat etter skattekostnad** | | **2 445 000** | **-1 149 000** |
| **Årsresultat** | | **2 445 000** | **-1 149 000** |
| **Overføringer og disponeringer** | | | |
| Profit /(loss) for the financial year | | 2 445 000 | -1 149 000 |
| **Sum overføringer og disponeringer** | | **2 445 000** | **-1 149 000** |

Organisasjonsnr: 916 463 227
KPMG UNITED KINGDOM PLC

## BALANSE

| Beløp i: GBP | Note | 2016 | 2015 |
|---|---|---|---|
| BALANSE - EIENDELER | | | |
| Anleggsmidler | | | |
| Immaterielle eiendeler | | | |
| Intangible assets | 8 | 2 665 000 | 4 128 000 |
| Sum immaterielle eiendeler | | 2 665 000 | 4 128 000 |
| Finansielle anleggsmidler | | | |
| Investering i datterselskap | 9 | 122 000 | 122 000 |
| Sum finansielle anleggsmidler | | 122 000 | 122 000 |
| Sum anleggsmidler | | 2 787 000 | 4 250 000 |
| Omløpsmidler | | | |
| Varer | | | |
| Fordringer | | | |
| Trade receivables and other receivables | 10 | 51 814 000 | 32 647 000 |
| Sum fordringer | | 51 814 000 | 32 647 000 |
| Bankinnskudd, kontanter og lignende | | | |
| Cash and cash equivalents | 11 | 115 000 | 4 438 000 |
| Sum bankinnskudd, kontanter og lignende | | 115 000 | 4 438 000 |
| Sum omløpsmidler | | 51 929 000 | 37 085 000 |
| SUM EIENDELER | | 54 716 000 | 41 335 000 |
| BALANSE - EGENKAPITAL OG GJELD | | | |
| Egenkapital | | | |
| Innskutt egenkapital | | | |
| Share capital | 13 | 1 250 000 | 1 250 000 |
| Sum innskutt egenkapital | | 1 250 000 | 1 250 000 |
| Opptjent egenkapital | | | |
| Retained earnings / accumulated loss | | 1 297 000 | -1 148 000 |
| Sum opptjent egenkapital | | 1 297 000 | -1 148 000 |
| Sum egenkapital | | 2 547 000 | 102 000 |
| Sum langsiktig gjeld | | 0 | 0 |

| | | | |
|---|---|---|---|
| **Kortsiktig gjeld** | | | |
| Leverandørgjeld | 12 | 50 601 000 | 41 233 000 |
| Corporation tax | | 1 568 000 | 0 |
| **Sum kortsiktig gjeld** | | **52 169 000** | **41 233 000** |
| **Sum gjeld** | | **52 169 000** | **41 233 000** |
| **SUM EGENKAPITAL OG GJELD** | | **54 716 000** | **41 335 000** |

# KPMG United Kingdom Plc

## Directors' report and financial statements

Registered number 03513178

30 September 2016

WEDNESDAY

*L60AWZRL*

LD3 15/02/2017 #43

COMPANIES HOUSE

**Contents**

## Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2016.

**The company**

KPMG United Kingdom Plc (the company) is a wholly owned subsidiary of KPMG Holdings Limited (see note 15). The company's ultimate controlling party is KPMG LLP (together with its subsidiary undertakings, the group).

**Nature of the business**

The activity of the company is the provision of specialist advisory services, particularly one-off projects for clients overseas.

**Treasury policies**

The company's treasury policies focus on ensuring that there are sufficient funds to finance the business. Full details of the impact for the company of these treasury policies and management of the associated risks are given in note 14 to the financial statements.

**Relationships and resources**

***Relationships with clients***

The company seeks to achieve excellent client relationships through the delivery of high quality services. Relationships with clients are monitored through the group's routine client service reviews.

***Relationships with employees***

The employees of the company comprise the directors, within the meaning of the Companies Act 2006 (as listed below) and the company secretary. Certain other individuals are authorised to enter into engagements on behalf of the company and these include individuals who are separately members of KPMG LLP. They receive no remuneration from KPMG United Kingdom Plc for services performed for the company.

Charges are received from KPMG UK Limited, a fellow group undertaking set up for staff employment purposes, for the provision of the services of employees working on the assignments of KPMG United Kingdom Plc. Charges are also received from KPMG LLP in respect of services provided to the company by the members of KPMG LLP.

The group makes every effort to ensure that there is no discrimination, direct or indirect, against disabled persons in any human resources policies or actions, including recruitment. Employees who become disabled will, wherever possible, be retained in employment with the same opportunities for training and career development.

Considerable emphasis is placed on open and effective communication between the leadership of the group and the employees of KPMG UK Limited. This communication operates principally through regular meetings, newsletters and electronic mail bulletins.

***Relationships with the community***

All community support work of the group in the UK is channelled through KPMG LLP. Similarly, environmental matters in the UK are managed through KPMG LLP. The company made no political or charitable contributions in either the current or prior year.

**Going concern**

The financial position of the company, its cash flows and liquidity position are discussed in the strategic report on page 3. The company has access to a broad range of business expertise within the group and as a consequence, the Board believes that the company is well placed to manage its business risks successfully. After making enquiries, the Board has reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing these financial statements.

**Directors and directors' interests**

The directors who held office during the year were as follows:

SJ Collins

P Long

JW Marsh    Resigned 1 October 2015

MA McDonagh    Appointed 1 October 2015

Subsequent to the year end, on 1 February 2017, MA McDonagh resigned as a director of the company and SKG Willows was appointed.

The directors in office at the end of the financial year had no direct interest in the shares of the company or any other members of the KPMG Holdings group (being KPMG Holdings Limited and its subsidiary undertakings) but, by virtue of their position as members of KPMG LLP, had an indirect interest in the entire share capital of the company. P Long retired as a member of KPMG LLP during the year and therefore has no residual interest in any of the share capital of the company.

The company secretary is J Dean.

**Directors' report** continued

**Disclosure of information to the auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Auditor**

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Grant Thornton UK LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

**J Dean**
*Company Secretary*

15 Canada Square
London
E14 5GL

9 February 2017

## Strategic report

### Strategy

The company's strategy reflects that of KPMG LLP. The purpose of the group is to turn knowledge into value for the benefit of its clients, its people and the capital markets. More specifically, the defined strategy for KPMG United Kingdom Plc is to focus on the quality and integrity of advisory services.

The group's business plan continues to focus on people, client relationships, quality and reputation, and profitable growth. Performance of the group is monitored regularly throughout the year using a range of key performance indicators (KPIs) including matters relevant to the group's advisory practice (including those conducted through the company). There were therefore no specific KPI's relating solely to the performance of the company.

### Performance and development during the year

Revenues increased to £96,546,000 from £85,042,000 in 2015, the company continuing to benefit from a higher level of overseas work.

The company generated an operating profit of £4,296,000 (2015: operating loss £2,315,000); the return to profitability as expected following a number of one-off charges relating to investments (see note 3) and overseas engagements in the prior year.

The company's activities absorbed cash during the year, largely as a result of the timing of payments to other UK group entities. Cash balances at 30 September 2016 totalled £115,000 (2015: £4,438,000).

No dividend was received from the company's subsidiary entity during the year (2015: £520,000), and no dividend was paid to the company's intermediate parent entity, KPMG Holdings Limited, during the year (2015: £3,783,000). No profit share was received in the previous year from KPMG LLP, in which the company was a corporate member until 25 March 2015, when the company resigned.

### Financial position at the end of the year

The financial position of the company is strong, with net assets of £2,547,000 at 30 September 2016 (2015: £102,000), the improvement year on year reflecting the higher profits generated in the year, as set out above.

The company's main financial assets are amounts due from clients and related unbilled amounts for client work. These assets continue to be monitored regularly as part of the working capital management of the group.

### Future development and performance

Risk management and internal control systems exist within the group to ensure that risks affecting the future development and performance of the group are mitigated. A number of risks generic to the group are also relevant to the future development and performance of the company:

- Regulatory changes - the ability of the group, and of the company, to react to future changes in regulation;
- Failure to win key clients - the ability of the group, and of the company, to win and maintain key client relationships;
- Failure to maintain service quality - the ability of the company to consistently deliver high standards of client service.

Each of these risk areas is considered by the board of KPMG LLP as part of the overall risk management of the group.

By order of the Board

**J Dean**
*Company Secretary*

15 Canada Square
London
E14 5GL

9 February 2017

## Statement of directors' responsibilities in respect of the directors' report, strategic report and the financial statements

The directors are responsible for preparing the directors' report, strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## Independent auditor's report to the members of KPMG United Kingdom Plc

We have audited the financial statements of KPMG United Kingdom Plc for the year ended 30 September 2016 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the directors and auditor**

As explained more fully in the statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report and strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Charles Hutton-Potts

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
10 February 2017

Grant Thornton

**Income statement**
*For the year ended 30 September 2016*

| | Note | 2016 £000 | 2015 £000 |
|---|---|---|---|
| **Revenue** | | **96,546** | 85,042 |
| Personnel costs | 4 | **(40,539)** | (34,133) |
| Amortisation | 8 | **(3,033)** | (89) |
| Other operating expenses | 3 | **(48,678)** | (53,135) |
| **Operating profit/(loss)** | | **4,296** | (2,315) |
| Financial income | 5 | **1,474** | 1,204 |
| Financial expense | 5 | **(618)** | (763) |
| **Net financial income** | | **856** | 441 |
| **Profit/(loss) before taxation** | | **5,152** | (1,874) |
| Tax (expense)/income | 6 | **(2,707)** | 725 |
| **Profit/(loss) for the financial year** | | **2,445** | (1,149) |

**Statement of comprehensive income**
*For the year ended 30 September 2016*

| | 2016 £000 | 2015 £000 |
|---|---|---|
| **Profit/(loss) for the financial year** | **2,445** | (1,149) |
| **Total comprehensive income/(expense) for the year** | **2,445** | (1,149) |

## Statement of financial position

*At 30 September 2016*

| | Note | 2016 £000 | 2015 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 8 | 2,665 | 4,128 |
| Investments | 9 | 122 | 122 |
| | | 2,787 | 4,250 |
| **Current assets** | | | |
| Trade and other receivables | 10 | 51,814 | 32,647 |
| Cash and cash equivalents | 11 | 115 | 4,438 |
| | | 51,929 | 37,085 |
| **Total assets** | | 54,716 | 41,335 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 13 | 1,250 | 1,250 |
| Retained earnings/(accumulated losses) | | 1,297 | (1,148) |
| | | 2,547 | 102 |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 50,601 | 41,233 |
| Corporation tax | | 1,568 | - |
| | | 52,169 | 41,233 |
| **Total equity and liabilities** | | 54,716 | 41,335 |

These financial statements on pages 6 to 22 were approved by the board of directors on 9 February 2017 and were signed on its behalf by:

**P Long**
*Director*

**KPMG United Kingdom Plc: 03513178**

## Statement of changes in equity

*For the year ended 30 September 2016*

| | Note | Share capital £000 | (Accumulated losses)/ retained earnings £000 | Total equity £000 |
|---|---|---|---|---|
| Balance at 1 October 2014 | | 1,250 | 3,784 | 5,034 |
| *Total comprehensive income* | | | | |
| Loss for the financial year | | - | (1,149) | (1,149) |
| *Transactions with owners* | | | | |
| Dividend paid during the year | 15 | - | (3,783) | (3,783) |
| Balance at 30 September 2015 | | 1,250 | (1,148) | 102 |
| *Total comprehensive income* | | | | |
| Profit for the financial year | | - | 2,445 | 2,445 |
| **Balance at 30 September 2016** | | **1,250** | **1,297** | **2,547** |

## Statement of cash flows

*For the year ended 30 September 2016*

| | Note | 2016 £000 | 2015 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss)for the financial year | | 2,445 | (1,149) |
| *Adjustments for:* | | | |
| Financial income | 5 | (1,474) | (1,204) |
| Financial expense | 5 | 618 | 763 |
| Tax (expense)/income | 6 | 2,707 | (725) |
| Amortisation | 8 | 3,033 | 89 |
| Impairment losses on investment | 9 | 250 | 900 |
| | | 7,579 | (1,326) |
| (Increase)/decrease in trade and other receivables | | (18,229) | 4,757 |
| Increase in trade and other payables | | 8,977 | 9,470 |
| **Cash (absorbed by)/generated from operating activities** | | (1,673) | 12,901 |
| Tax and group relief received/(paid) | | 32 | (568) |
| Compensation payment paid to group undertakings | | - | (27) |
| Overseas taxes paid | | (556) | |
| Other financial expenses paid | | (290) | |
| **Net cash flows (absorbed by)/generated from operating activities** | | (2,487) | 12,306 |
| **Cash flows from investing activities** | | | |
| Interest received | 5 | 1 | 3 |
| Dividends received | 5 | - | 520 |
| Cash paid on acquisition of investments | 7 | (250) | (4,202) |
| Development of intangible assets | 8 | (1,587) | (793) |
| **Net cash flows from investing activities** | | (1,836) | (4,472) |
| **Cash flows from financing activities** | | | |
| Dividend paid | 15 | - | (3,783) |
| **Net cash flows from financing activities** | | - | (3,783) |
| Net (decrease)/increase in cash and cash equivalents | | (4,323) | 4,051 |
| Cash and cash equivalents at the beginning of the year | | 4,438 | 387 |
| **Cash and cash equivalents at the end of the year** | 11 | 115 | 4,438 |

## Notes

*Forming part of the financial statements*

### 1 Accounting policies

KPMG United Kingdom Plc (the company) is a company incorporated in the United Kingdom. In accordance with the exemption available in IAS 27, these financial statements present information about the company as a separate entity and not about its group. Details of the group in which the results of the company are consolidated are given in note 15.

The company's financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as adopted by the European Union (adopted IFRSs) and have been approved by the directors.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Whilst there are a number of new standards, interpretations and amendments to adopted IFRSs, all of these have effective dates such that they do not yet fall to be applied by the company.

The company elected to early adopt the following IFRSs and related amendments in the year ended 30 September 2016:

- Amendments to IAS 16 and IAS 38: 'Clarification of Acceptable Methods of Depreciation and Amortisation': effective for periods beginning on or after 1 January 2016.
- Improvements to IFRSs 2012- 2014 Cycle; effective for periods beginning on or after 1 January 2016.
- Amendments to IAS 1: 'Disclosure Initiative'; effective for periods beginning on or after 1 January 2016.
- Amendments to IAS 27: Equity Method in Separate Financial Statements effective for periods beginning on or after 1 January 2016.

These amendments had no impact on these financial statements

There are no other standards, interpretations or amendments that required mandatory application or were available for early adoption at 30 September 2016 except for IFRS 15: 'Revenue from Contracts with Customers' (see below).

**Future developments**

There are a number of new standards, interpretations and amendments issued by the IASB that are effective for financial statements after this reporting period. The most relevant are:

- IFRS 9: 'Financial Instruments'; effective for periods beginning on or after 1 January 2018 (endorsed 22 November 2016).
- IFRS 15: 'Revenue from Contracts with Customers'; effective for periods beginning on or after 1 January 2018 (endorsed 22 September 2016).
- Amendments to IAS 7: 'Disclosure Initiative'; effective for periods beginning on or after 1 January 2017.
- Clarifications to IFRS 15 'Revenue from Contracts with Customers'; effective for periods beginning on or after 1 January 2018

Based on preliminary assessments the adoption of these standards, interpretations and amendments is not expected to have a significant impact on the company's results, financial position or disclosures.

**Basis of preparation**

The financial position of the company, its cash flows and liquidity position are discussed in the strategic report. The company has access to a broad range of business expertise within the group and as a consequence, the Board believes that the company is well placed to manage its business risks successfully. After making enquiries, the Board has reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing these financial statements.

The financial statements have been prepared on the historical cost basis.

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Judgements made by management in the application of adopted IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

The functional and presentation currency of the company is pound sterling. The financial statements are presented in thousands of pounds (£000) unless stated otherwise.

## Notes continued

### 1 Accounting policies continued

**Business combinations**

For business combinations, fair values that reflect conditions at the date of the business combination and the terms of each business combination are attributed to the identifiable assets, liabilities and contingent liabilities acquired. For business combinations achieved in stages, the company revalues its investment to the fair value reflecting the conditions at the date of acquisition of the controlling share with any resultant gain or loss recognised in the income statement. Consideration for the business combination is measured at the fair value of assets transferred to and liabilities incurred on behalf of the previous owners of the acquiree. Goodwill is recognised where the consideration for the business combination exceeds the fair values of identifiable assets, liabilities and contingent liabilities acquired. Where the excess is positive, it is treated as an intangible asset, subject to annual impairment testing.

Transaction costs that the company incurs in connection with a business combination, such as legal fees, are expensed as incurred.

Non-controlling interests arise where the company holds less than 100% of the shares in the entities acquired or, as a result of agreements in place, is entitled to less than 100% of profits or losses arising. Non-controlling interests are measured on initial recognition at their share of the relevant net assets.

Intangible assets have been recognised in respect of customer relationships and are amortised over their estimated useful life of 4-10 years.

**Foreign currency**

Transactions in currencies other than the company's functional currency are recorded at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement within financial income or expense, as appropriate.

**Revenue**

Revenue represents the fair value of the consideration receivable in respect of professional services provided during the year, inclusive of recoverable expenses incurred on client assignments but excluding value added tax. Where the outcome of a transaction can be estimated reliably, revenue associated with the transaction is recognised in the income statement by reference to the stage of completion at the year end, provided that a right to consideration has been obtained through performance. Consideration accrues as contract activity progresses by reference to the value of work performed. Hence, revenue in respect of service contracts represents the cost appropriate to the stage of completion of each contract plus attributable profits, less amounts recognised in previous years where relevant.

Where the outcome of a transaction cannot be estimated reliably, revenue is recognised only to the extent that the costs of providing the service are recoverable. No revenue is recognised where there are significant uncertainties regarding recovery of the consideration due or where the right to receive payment is contingent on events outside the control of the company. Costs incurred are carried within 'Unbilled amounts for client work' but appropriately provided until such a time as the contingency is removed. Expected losses are recognised as soon as they become probable based on latest estimates of revenue and costs.

Unbilled revenue is included in trade and other receivables as 'Unbilled amounts for client work'. Amounts billed on account in excess of the amounts recognised as revenue are included in 'Trade and other payables'.

Recoverable expenses represent charges from other KPMG International member firms, sub-contractors and out of pocket expenses incurred in respect of assignments and expected to be recovered from clients.

**Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement or statement of comprehensive income under the relevant heading and any related balances are carried as tax payable or receivable in the statement of financial position.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year end, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year end.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**Notes** continued

**1 Accounting policies** continued

**Financial income and expense**

Financial income and expense comprises dividends received, bank interest income, other financial expense and foreign exchange gains and losses. Interest income is recognised as it accrues, using the effective interest method.

**Intangible assets**

Expenditure on research is recognised in the income statement as an expense as incurred. Development expenditure on internally generated software is capitalised only if development costs can be measured reliably, if the product or process is technically and commercially feasible, future economic benefits are probable, and the company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads directly attributable to developing the intangible. Other development expenditure is recognised in the income statement as an expense as incurred.

Internally generated software has a finite useful life are measured at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life of internally generated software is generally five to eight years.

Goodwill and customer relationships are discussed in 'Business combinations' on page 11. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Customer relationships are stated at cost less accumulated amortisation and impairment.

**Investments**

Investments in subsidiaries are stated at cost less provision for impairment.

**Non-derivative financial instruments**

The company initially recognises loans and receivables on the date that they are originated. The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the company is recognised as a separate asset or liability.

Non-derivative financial instruments comprise trade and other receivables, unbilled amounts for client work, cash and cash equivalents and trade and other payables.

*Trade and other receivables*

Trade and other receivables (except unbilled amounts for client work) are initially recognised at fair value, based upon discounted cash flows at prevailing interest rates for similar instruments or at their nominal amount if due in less than 12 months. Subsequent to initial recognition, trade and other receivables are valued at amortised cost less impairment losses.

*Unbilled amounts for client work*

Unbilled amounts for client work relate to service contract receivables on completed work where the fee has yet to be issued or where the service contract is such that work performed falls into a different accounting period to when the fee is issued.

Unbilled amounts for client work are stated at cost plus profit recognised to date (in accordance with the revenue accounting policy above) less provision for foreseeable losses and net of amounts billed on account.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. The cash and cash equivalents are stated at their nominal values as this approximates to amortised cost.

*Trade and other payables*

Trade and other payables are initially recognised at fair value, based upon the nominal amount outstanding. Subsequent to initial recognition, they are recorded at amortised cost.

**Notes** continued

**1 Accounting policies** continued

**Impairment**

*Financial assets (including receivables)*

The carrying amounts of the company's financial assets are reviewed at each year end to determine whether there is any objective evidence that there is an indication of impairment which include default by a debtor or adverse changes in the payment status of debtors or issuers. If any such indication exists, the assets' recoverable amounts are estimated.

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (being the effective interest rate computed at initial recognition of these financial assets). Receivables with a duration of less than 12 months are not discounted.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. An impairment loss in respect of a financial asset carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

*Non-financial assets*

The carrying amounts of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit' (or 'CGU')). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGU's. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**Insurance arrangements**

Insurance cover is maintained by the group in respect of professional service claims. This cover is principally written through mutual insurance companies. Premiums are expensed as they fall due with prepayments or accruals being recognised accordingly.

Where appropriate, provision is made for the uninsured cost to the company of settling professional service claims. Separate disclosure is not made of insured costs and related recoveries on the grounds that such disclosure would be seriously prejudicial to the position of the company in any dispute with other parties.

**Staff costs**

Staff costs represent the charges for services provided by KPMG UK Limited, a company set up by KPMG LLP for staff employment purposes, and for the time of members of KPMG LLP.

**Property, plant and equipment and depreciation**

The company does not own or lease any property, plant and equipment. The property and equipment which it uses in the course of its business are provided by KPMG LLP. KPMG LLP renders charges to the company which include the use of such assets.

**Notes** continued

### 2 Accounting estimates and judgements

The directors of the company do not consider there to be any critical accounting judgements in applying the company's accounting policies. However, there are the following key sources of estimation uncertainty:

*Revenue from service contracts*

In calculating revenue from service contracts, the company makes certain estimates as to the stage of completion of those contracts. In doing so, the company estimates the remaining time and external costs to be incurred in completing contracts and the client's willingness and ability to pay for the services provided. A different assessment of the outturn on a contract may result in a different value being determined for revenue and also a different carrying value being determined for unbilled amounts for client work.

*Trade and other receivables*

The total carrying amount of trade receivables and unbilled amounts for client work is £47,312,000 (2015: £28,960,000) net of impairment losses on trade receivables and after giving consideration to the clients' willingness to pay those amounts accrued in respect of incomplete contracts. A different assessment of the recoverability of either balance, with reference to either the ability or willingness of the client to pay, may result in different values being determined.

*Claims*

The company from time to time receives claims in respect of professional service matters. It defends such claims where appropriate but makes provision for the possible amounts considered likely to be payable, up to the deductible amount under related insurance arrangements. A different assessment of the likely outcome in each case or of the possible cost involved may result in a different provision and cost.

*Acquisition accounting*

Under IFRS 3, 'Business Combinations', the acquirer is required to determine fair values (reflecting conditions at the date of the business combination and its terms) for the identifiable assets, liabilities and contingent liabilities acquired. Within such items will be intangible assets reflecting the current value of anticipated income streams from the customer relationships and the trademark of the businesses acquired. In assessing the value of such items, the group has to make assumptions on matters such as the future profits likely to arise after reflecting charges for the services of the workforce as well as the anticipated period over which benefits from existing customer relationships may endure.

Goodwill arising on acquisitions is capitalised with an indefinite useful life and tested annually for impairment. For the purposes of impairment testing, goodwill is allocated to the cash generating units (CGU's) that are expected to benefit from the business combination in which the goodwill arose. The recoverable amount of a CGU is calculated with reference to its value in use. In assessing value in use, the group applies a growth rate to the relevant CGU, as set out in note 8. A different assessment of the growth rate in each case may result in a different assessment of impairment arising.

### 3 Other operating expenses

Other operating expenses include £250,000 (2015: £900,000) relating to impairment of investments (see note 9), recoverable expenses incurred on client assignments and amounts paid to KPMG LLP for services rendered (see note 15). Amounts paid to the auditors in respect of the audit of these financial statements totalled £35,000 (2015: £25,000). The auditors provided no non-audit services during either year.

### 4 Personnel numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

| | **2016 Number** | 2015 Number |
|---|---|---|
| Statutory directors | 3 | 3 |
| Company secretary | 1 | 1 |
| | 4 | 4 |

No payroll costs (including directors' emoluments) were payable by the company in either year, in respect of these persons. No pension contributions are payable by the company.

In addition, as explained in note 1, KPMG United Kingdom Plc is charged for the use of services provided by KPMG UK Limited and for the time of members of KPMG LLP. The total amount charged to the company in respect of the year was £40,539,000 (2015: £34,133,000).

## Notes continued

### 5 Financial income and expense

| Recognised in profit or loss: | 2016 £000 | 2015 £000 |
|---|---|---|
| Bank interest income | 1 | 3 |
| Dividends received | - | 520 |
| Exchange gains | 1,473 | 681 |
| Financial income | 1,474 | 1,204 |
| Other financial expenses | (290) | - |
| Exchange losses | (328) | (763) |
| Financial expense | (618) | (763) |

The total interest arising from financial assets and liabilities that were not classified as fair value through profit or loss was £1,000 income (2015: £3,000).

### 6 Tax expense/(income)

Analysis of charge in the year:

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Current year | | |
| UK corporation tax on profits of the year 20% (2015: 20.5%) | 1,609 | - |
| Group relief receivable | - | (306) |
| UK corporation tax adjustments in respect of the prior year | 145 | (499) |
| Compensation payments/group relief adjustments in respect of the prior year | 306 | 20 |
| Overseas taxes | 647 | 60 |
| Tax expense/(income) in income statement | 2,707 | (725) |

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Profit/(loss) before taxation | 5,152 | (1,874) |
| Profit/ (loss) multiplied by the average standard rate of corporation tax in the UK of 20% (2015: 20.5%) | 1,030 | (384) |
| Impact of items not taxable or relievable | 579 | 78 |
| Adjustments in respect of prior periods | 451 | (479) |
| Overseas taxes | 647 | 60 |
| Actual tax expense/(income) for the year, as above | 2,707 | (725) |

**Notes** continued

**6 Tax expense** continued

Payment for group relief surrendered is generally made at 20% (2015: 20.5%). No deferred tax arose in either year.

***Factors affecting the tax charge in future periods***

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted on 26 October 2015 and 15 September 2016 respectively. These changes will reduce the company's future current tax charges accordingly.

**7 Acquisitions**

No acquisitions took place in the year ended 30 September 2016. The detail set out below provides the information required under IFRS 3 'Business combinations' for acquisitions that occurred during the year ended 30 September 2015. If the 2015 acquisitions had occurred on 1 October 2014, the impact on the company's revenue and profit for the year would have been £3,241,000 and £nil respectively.

It is the strategy of the company and group to acquire third party businesses where the activity and client base of those businesses are such that the company and group can expect to benefit from the synergies to be obtained in enhanced client service delivery and cost efficiency. This strategy is evident in the acquisitions made by the company in the previous year.

*Towers Watson Limited:*

On 14 August 2015, the company acquired the Human Resource Service Delivery (HRSD) practice of the HR professional services firm Towers Watson, for a consideration of £4 million. The consideration represented payment for transfer of employees and certain client relationships. It is intended that the acquisition will provide the group and company with the necessary qualification and market recognition as a HR transformation provider. Intangible assets of £1,859,000 relating to customer relationships and similar items and goodwill of £1,550,000 were recognised in accounting for this acquisition. Goodwill is attributable to the skills and knowledge of the workforce and the synergies expected to be achieved from integrating the acquired business, which are not assets recognisable under IFRSs.

*Flareware Systems Limited:*

On 18 September 2015, the company acquired 100% of the shares in Flareware Systems Limited, a UK-based software development company specialising in tax reporting systems, for consideration of £502,000; £202,000 of the consideration was paid in the year ended 30 September 2015 and a further £100,000 was paid in the year ended 30 September 2016. A further £200,000 is payable in future instalments. The assets of the company were integrated fully into the current group structure and the cost was therefore written off to the income statement (see note 9) in the year ended 30 September 2015.

**8 Intangible assets**

| | Internally generated software £000 | Customer relationships and similar items £000 | Goodwill £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 October 2015 | 793 | 1,874 | 1,550 | 4,217 |
| Additions | 1,587 | - | - | 1,587 |
| Acquisitions | - | - | - | - |
| Adjustment | - | - | (17) | (17) |
| **Balance at 30 September 2016** | 2,380 | 1,874 | 1,533 | 5,787 |
| **Amortisation and impairment** | | | | |
| Balance at 1 October 2015 | - | (89) | - | (89) |
| Charge for the year | (2,380) | (653) | - | (3,033) |
| **Balance at 30 September 2016** | (2,380) | (742) | - | (3,122) |
| **Net book value** | | | | |
| At 30 September 2015 | 793 | 1,785 | 1,550 | 4,128 |
| At 30 September 2016 | - | 1,132 | 1,533 | 2,665 |

**Notes** continued

**8 Intangible assets continued**

Internally generated software comprises software developed for licensing to external clients. Following a review of the relationship with the third party providing support in developing that software, the decision was taken to cease development and the asset was therefore impaired, resulting in an impairment loss of £2,380,000.

Goodwill has been recognised in respect of the following business acquisition:

| Acquisition | Year of acquisition | Note | Goodwill £000 |
|---|---|---|---|
| HRSD practice of Towers Watson Limited | 30 September 2015 | 7 | 1,550 |

Further information received on the value of trade and other receivables acquired and recognised at 30 September 2015 in respect of the above acquisition resulted in an adjustment to goodwill of £17,000, recognised in June 2016.

Goodwill has been allocated to the company's functions which are considered to be its cash generating units (CGU):

| | **2016 £000** | 2015 £000 |
|---|---|---|
| Management Consulting | **1,533** | 1,550 |

The recoverable amount of the CGU has been calculated with reference to its value in use, using cash flow projections of the relevant CGU based on budgets approved by management. The key assumptions of this calculation are shown below:

| | **2016** | 2015 |
|---|---|---|
| Period on which management approved forecasts are based | **3 years** | 3 years |
| Growth rate applied beyond approved forecast period | **0%** | 0% |
| Discount rate | **9.3%** | 6% |

The growth rates used in the value in use calculation reflects a prudent view given the uncertainties around integration and market growth in these functions. The calculated recoverable amount is greater than the carrying value and therefore no impairment arises. A reasonable change in the key assumptions does not have a significant impact on the difference between value in use and carrying value.

**9 Investments**

| | **£000** |
|---|---|
| ***Cost*** | |
| At beginning of year | 2,502 |
| Additions | 250 |
| At end of year | 2,752 |
| ***Impairment*** | |
| At beginning of year | 2,380 |
| Impairment loss charged during the year | 250 |
| At end of year | 2,630 |
| ***Net book value*** | |
| At 30 September 2015 | 122 |
| At 30 September 2016 | 122 |

**Notes** continued

**9 Investments** continued

At 30 September 2016 the company had an interest in the following entities:

| Subsidiary undertaking | Principal activity | Percentage of shares held |
|---|---|---|
| KPMG Business Intelligence Limited | Advisory services | 100 |
| Flareware Systems Limited | Dormant | 100 |

KPMG Business Intelligence makes up its accounts to 30 September each year and is incorporated in England and Wales.

At 30 September 2015 the recoverable amount of the investment in KPMG Business Intelligence Limited, determined using the 'value in use' basis, was assessed to be less than the carrying value of the investment based on anticipated profit levels. It was therefore considered appropriate to write down the cost of investment accordingly and an impairment loss of £400,000 was recognised during the previous year. No such impairment was considered necessary at 30 September 2016.

As discussed in note 7, the investment of £500,000 in Flareware Systems Limited was written off during 2015.

During the year, the company also acquired warrants over shares in Flexeye Limited, the company providing support in developing software (see note 8). These were initially classified as an investment, given the terms of the conversion. However, following the decision to cease development, we no longer hold the warrants and the investment has therefore been impaired, resulting in a loss of £250,000.

The company was also a corporate member of KPMG LLP until 25 March 2015, when the company resigned as a corporate member.

**10 Trade and other receivables**

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Trade receivables | 12,905 | 6,932 |
| Unbilled amounts for client work | 34,407 | 22,028 |
| Amount due from other UK group undertakings | - | 10 |
| Amounts due from other KPMG International member firms | 4,460 | 3,082 |
| Other prepayments | - | 595 |
| Other receivables | 42 | - |
| | 51,814 | 32,647 |

Trade and other receivables fall due within 12 months. Trade receivables are shown net of impairment losses amounting to £52,000 (2015: £118,000); the movement for the year is recognised in 'Other operating expenses'. An aged analysis of overdue trade receivables and the movement in the allowance for impairment in respect of trade receivables are given below.

**Impairment losses**

The ageing of trade receivables that were overdue at the reporting date was:

| | Gross 2016 £000 | Impairment 2016 £000 | Gross 2015 £000 | Impairment 2015 £000 |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| Overdue 1-30 days | 1,762 | - | 200 | - |
| Overdue 31-180 days | 1,755 | - | 1,726 | - |
| More than 180 days | 147 | 52 | 141 | 118 |
| | 3,664 | 52 | 2,067 | 118 |

**Notes** continued

**10 Trade and other receivables** continued

The movement in the allowance for impairment in respect of receivables during the year was as follows:

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Balance at 1 October 2016 | 118 | 176 |
| Impairment loss reversed | (66) | (58) |
| Balance at 30 September 2016 | 52 | 118 |

**11 Cash and cash equivalents**

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Bank balances | 115 | 4,438 |
| Cash and cash equivalents in the statement of financial position | 115 | 4,438 |

**12. Trade and other payables**

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Amounts billed on account | 30,259 | 19,786 |
| Amounts due to other UK group undertakings | 17,298 | 17,905 |
| Accruals | 3,044 | 3,304 |
| Other taxes and social security | - | 238 |
| | 50,601 | 41,233 |

**13 Share capital**

| | 2016 £000 | 2015 £000 |
|---|---|---|
| ***Authorised*** | | |
| 5,000,000 Ordinary share of £1 each | 5,000 | 5,000 |
| ***Allotted*** | | |
| 5,000,000 Ordinary share of £1 each, 25p called up and paid | 1,250 | 1,250 |

The share capital of the company is entirely owned by the group through KPMG Holdings Limited (see note 15). Capital requirements are considered by the group from time to time. The share capital of the company is considered to be the only capital to be managed, the objectives for managing capital being to ensure that the company remains solvent. As a public limited company, KPMG United Kingdom Plc is required to maintain a minimum level of capital, being £50,000.

**Notes** continued

**14 Financial instruments**

Financial instruments held by the company arise directly from its operations. The main purpose of these financial instruments is to finance the operations of the company. It is, and has been throughout the period under review, the policy of the company and the group that no trading in financial instruments shall be undertaken.

The company has exposure to market risk, credit risk and liquidity risk arising from its use of financial instruments. This note presents information about the company's exposure to each of the above risks. The company adheres to group objectives, policies and processes for measuring and managing risk.

The KPMG LLP board has overall responsibility for the establishment and oversight of the group's risk management framework. The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Further quantitative disclosures are included throughout these financial statements.

**a) Accounting classifications and fair values**

The estimated fair values of the company's financial assets and liabilities approximate their carrying values at 30 September 2016 and 2015, largely owing to their short maturity. The basis for determining fair values are disclosed in note 1. The following table shows the classification and carrying amounts of the company's financial assets and financial liabilities. The company has no financial instruments carried at fair value at either 30 September 2016 or 30 September 2015.

| | *Note* | **2016** | 2015 |
|---|---|---|---|
| | | **£000** | £000 |
| **Loans and receivables** | | | |
| Trade receivables | *10* | **12,905** | 6,932 |
| Unbilled amounts for client work | *10* | **34,407** | 22,028 |
| Cash and cash equivalents | *11* | **115** | 4,438 |
| Amounts due from other KPMG International member firms | *10* | **4,460** | 3,082 |
| Amounts due from other UK group undertakings | *10* | **-** | 10 |
| Other receivables | *10* | **42** | - |
| **Total financial assets - loans and receivables** | | **51,929** | 36,490 |
| **Non-derivative financial liabilities measured at amortised cost** | | | |
| Amounts due to other UK group undertakings | *12* | **17,298** | 17,905 |
| **Total non-derivative financial liabilities measured at amortised cost** | | **17,298** | 17,905 |
| **Total financial instruments** | | **34,631** | 18,585 |

**b) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The company uses derivatives on a case by case basis in order to manage market risks. The company does not hold or issue derivative financial instruments for trading purposes.

*Interest rate risk*

The company faces interest rate risks from investing and financing activities. The positions held are closely monitored by the Treasury function and proposals are discussed to align the positions with market expectations. Use of interest rate options is considered but no such derivatives were in fact entered into during either the current or prior year.

The financial assets and liabilities of the company are non-interest bearing, with the exception of cash and cash equivalents which are variable rate instruments.

## Notes continued

**14 Financial instruments** continued

**b) Market risk** continued

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates during the year would have increased or decreased profit by £23,000 (2015: £24,000). This analysis assumes that all other variables remain constant.

*Exchange rate risk*

The functional currency of the company is pounds sterling. However, certain expenses and charges from other KPMG International member firms or other international relationships are denominated in other currencies. In addition, some fees are rendered in other currencies where this is requested by the clients involved.

The company has access to group currency cash balances in order to cover exposure to existing foreign currency receivables and payables and also to committed future transactions denominated in a foreign currency.

As set out above, the company generally trades in its functional currency. The company had £3,700,000 receivable balances denominated in Euro (2015: £3,300,000) and £1,500,000 balances denominated in US dollar (2015: £nil) at 30 September 2016. The company had no material payables or cash balances denominated in currencies other than sterling at either 30 September 2016 or 30 September 2015. A 5% movement in the euro or US dollar closing exchange rates would have increased (or decreased) profit by £194,000 (2015: £175,000) and £80,000 (2015: £nil) respectively.

**c) Credit risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from clients.

*Trade and other receivables*

Exposure to credit risk is monitored on a routine basis and credit evaluations are performed on clients as appropriate. The company does not require security in respect of financial assets.

The company's exposure to credit risk is influenced mainly by the individual characteristics of each client. Credit risk is monitored frequently, with close contact with each client and by routine billing and cash collection for work done.

The company establishes allowances for impairment that represent its estimate of incurred losses in respect of trade and other receivables. Impairment information is included in note 10. There are no impairment provisions against other classes of assets, other than the impairment loss recognised against the intangible assets (see note 8) and the investments (see note 9).

The maximum exposure to credit risk is represented by the carrying amount of the company's financial assets as set out in section a) on page 20.

**d) Liquidity risk**

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the group's reputation.

The focus of the group's treasury policy is to ensure that there are sufficient funds to finance the business. Surplus funds are normally invested according to the assessment of rates of return available through the money market.

The Treasury function monitors the company's cash position daily and it is the group's policy to use finance facilities or to invest surplus funds efficiently. Limits are maintained on amounts to be deposited with each banking counterpart and these are reviewed regularly in the light of market changes.

The company has non-derivative financial liabilities as set out in the table in section a) on page 20. All of those financial liabilities are measured at amortised cost.

None of the company's financial liabilities are interest bearing. Hence, the contractual cash flows in all cases equal the carrying amounts. All financial liabilities are repayable within 12 months.

**Notes** continued

**15 Related parties**

The company's immediate controlling party is KPMG Holdings Limited, a company registered in England and Wales. KPMG Holdings Limited is wholly owned by KPMG LLP, a limited liability partnership registered in England and Wales. KPMG LLP is the company's ultimate controlling party.

The largest group in which the results of the company are consolidated for the year ended 30 September 2016 and 30 September 2015 is that of KPMG LLP and its subsidiaries. The group financial statements of KPMG LLP for the year ended 30 September 2016 and 30 September 2015 are available to the public at www.kpmg.com/uk.

The company has a related party relationship with its fellow group undertakings. The company also has a related party relationship with key management, considered to be the statutory directors of the company.

*Transactions with other UK group undertakings*

Transactions with other UK group undertakings during the year were as follows:

| | 2016 £000 | 2015 £000 |
|---|---|---|
| **KPMG LLP** | | |
| Management charges - use of facilities and other services | 16,037 | 17,441 |
| Time of members of KPMG LLP | 3,550 | 4,052 |
| **KPMG UK Limited** | | |
| Services of staff | 36,989 | 30,081 |
| Corporation tax compensation payments - prior year adjustments | - | 20 |
| Group relief - current year | - | (306) |
| Group relief – prior year adjustments | 306 | - |

Such transactions reflect appropriate charges for the costs of shared services.

No dividend was received from the company's subsidiary entity (2015: £520,000) and no dividend was paid by the company to its parent entity (2015: £3,783,000).

At the year end, balances with fellow UK group undertakings were as follows:

| | 2016 £000 | 2015 £000 |
|---|---|---|
| **Trade and other receivables** | | |
| Amounts due from other UK group undertakings | - | 10 |
| **Trade and other payables** | | |
| Amounts due to other UK group undertakings | 17,298 | 17,905 |

*Transactions with key management personnel*

The directors of the company at 30 September 2016 (with the exception of P Long) are all separately members of KPMG LLP and therefore have an interest in the transactions set out above.

Key management personnel receive no directors' emoluments for their services to the company. There are no other transactions with key management personnel. There were no balances due to or from key management at either 30 September 2016 or 30 September 2015.