



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.10.2016 - 30.09.2017

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: 18.01.2019

Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert
År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

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, 01.05.2021



Resultatregnskap

Beløp i: GBP	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Revenue		88 584 000	96 546 000
Sum inntekter		88 584 000	96 546 000
Kostnader			
Personell costs	4	44 188 000	40 539 000
Amortisation	7	292 000	3 033 000
Other operating expenses	3	50 099 000	48 678 000
Sum kostnader		94 579 000	92 250 000
Driftsresultat		-5 995 000	4 296 000
Finansinntekter og finanskostnader			
Financial income	5	799 000	1 474 000
Sum finansinntekter		799 000	1 474 000
Financial expense	5	791 000	618 000
Sum finanskostnader		791 000	618 000
Netto finans		8 000	856 000
Ordinært resultat før skattekostnad		-5 987 000	5 152 000
Tax incom/ (expense)	6	-904 000	2 707 000
Ordinært resultat etter skattekostnad		-5 083 000	2 445 000
Årsresultat		-5 083 000	2 445 000
Overføringer og disponeringer			
Profit / (loss) for the financial year		-5 083 000	2 445 000
Sum overføringer og disponeringer		-5 083 000	2 445 000



Balanse

Beløp i: GBP	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Intangible assets	7	2 373 000	2 665 000
Sum immaterielle eiendeler		2 373 000	2 665 000
Finansielle anleggsmidler			
Investering i datterselskap	8	120 000	122 000
Sum finansielle anleggsmidler		120 000	122 000
Sum anleggsmidler		2 493 000	2 787 000
Omløpsmidler			
Varer			
Fordringer			
Trade and other receivables	9	49 146 000	51 814 000
Sum fordringer		49 146 000	51 814 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	10	863 000	115 000
Sum bankinnskudd, kontanter og lignende		863 000	115 000
Sum omløpsmidler		50 009 000	51 929 000
SUM EIENDELER		52 502 000	54 716 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	12	1 250 000	1 250 000
Sum innskutt egenkapital		1 250 000	1 250 000
Opptjent egenkapital			



Balanse

Beløp i: GBP	Note	2017	2016
Udekket tap		3 786 000	-1 297 000
Sum opptjent egenkapital		-3 786 000	1 297 000
Sum egenkapital		-2 536 000	2 547 000
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld	11	54 795 000	50 601 000
Corporation tax		243 000	1 568 000
Sum kortsiktig gjeld		55 038 000	52 169 000
Sum gjeld		55 038 000	52 169 000
SUM EGENKAPITAL OG GJELD		52 502 000	54 716 000



KPMG United Kingdom Plc

Directors' report and financial statements

Registered number 03513178

30 September 2017





KPMG United Kingdom Plc
Directors' report and financial statements
30 September 2017

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Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2017.

The company

KPMG United Kingdom Plc (the company) is a wholly owned subsidiary of KPMG Holdings Limited (see note 14). The company's ultimate controlling party is KPMG LLP (together with its subsidiary undertakings, the group).

Nature of the business

The company provides 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 13 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 notwithstanding the fact that the company has net liabilities of £2,536,000 at 30 September 2017 (2016: net assets £2,547,000). The company's immediate parent entity, KPMG Holdings Limited, has agreed to provide financial support for the foreseeable future and the directors are satisfied that KPMG Holdings Limited has sufficient resources to provide such support. 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	Resigned 31 July 2017
P Long	
MA McDonagh	Resigned 1 February 2017
SKG Willows	Appointed 1 February 2017
EN Barnicoat	Appointed 31 July 2017

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 previous year and therefore has no residual interest in any of the share capital of the company.

The company secretary is J Dean.



KPMG United Kingdom Plc
Directors' report and financial statements
30 September 2017

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

20 March 2018



KPMG United Kingdom Plc
Directors' report and financial statements
30 September 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 KPIs relating solely to the performance of the company.

Performance and development during the year

Revenues decreased to £88,584,000 from £96,546,000 in 2016, reflecting the one-off nature of the advisory engagements undertaken by the company.

The company incurred an operating loss of £5,995,000 (2016: operating profit £4,296,000) as a result of underperforming contracts and one off charges relating to these contracts. The directors expect the company to return to profitability during the year ending 30 September 2018.

The company's operating activities were cash generative during the year, largely as a result of the timing of payments to other UK group entities. Cash balances at 30 September 2017 totalled £863,000 (2016: £115,000).

A dividend of £51,000 was received from the company's subsidiary entity during the year (2016: £nil). No dividend was paid to the company's intermediate parent entity, KPMG Holdings Limited, during the year (2016: £nil).

Financial position at the end of the year

As a result of the underperforming contracts, the company has net liabilities of £2,536,000 at 30 September 2017 (2016: net assets £2,547,000). Accordingly, the company's immediate parent entity, KPMG Holdings Limited, has agreed to provide financial support for the foreseeable future.

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 to react to future changes in regulation;
- Failure to win key clients - the ability of the group to win and maintain key client relationships;
- Failure to maintain service quality - the ability of the group 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

20 March 2018



KPMG United Kingdom Plc
Directors' report and financial statements
30 September 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 (IFRSs) 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 IFRSs 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.



KPMG United Kingdom Plc
Directors' report and financial statements
30 September 2017

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

Opinion

We have audited the financial statements of KPMG United Kingdom Plc (the 'company') for the year ended 30 September 2017 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 notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its loss 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.

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 in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the director's report and strategic report, set out on pages 1 to 3 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 the other information 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.



KPMG United Kingdom Plc
Directors' report and financial statements
30 September 2017

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors 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 directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company 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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Charles Hutton-Potts
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
20 March 2018





KPMG United Kingdom Plc
Directors' report and financial statements
30 September 2017

Income statement

For the year ended 30 September 2017

	Note	2017 £000	2016 £000
Revenue		88,584	96,546
Personnel costs	4	(44,188)	(40,539)
Amortisation	7	(292)	(3,033)
Other operating expenses	3	(50,099)	(48,678)
Operating (loss)/profit		(5,995)	4,296
Financial income	5	799	1,474
Financial expense	5	(791)	(618)
Net financial income		8	856
(Loss)/profit before taxation		(5,987)	5,152
Tax income/(expense)	6	904	(2,707)
(Loss)/profit for the financial year		(5,083)	2,445

Statement of comprehensive income

For the year ended 30 September 2017

	2017 £000	2016 £000
(Loss)/profit for the financial year	(5,083)	2,445
Total comprehensive (loss)/income for the year	(5,083)	2,445



KPMG United Kingdom Plc
Directors' report and financial statements
30 September 2017

Statement of financial position

At 30 September 2017

	Note	2017 £000	2016 £000
Assets			
Non-current assets			
Intangible assets	7	2,373	2,665
Investments	8	120	122
		<u>2,493</u>	<u>2,787</u>
Current assets			
Trade and other receivables	9	49,146	51,814
Cash and cash equivalents	10	863	115
		<u>50,009</u>	<u>51,929</u>
Total assets		<u><u>52,502</u></u>	<u><u>54,716</u></u>
Equity and liabilities			
Equity			
Share capital	12	1,250	1,250
(Accumulated losses)/retained earnings		(3,786)	1,297
		<u>(2,536)</u>	<u>2,547</u>
Current liabilities			
Trade and other payables	11	54,795	50,601
Corporation tax		243	1,568
		<u>55,038</u>	<u>52,169</u>
Total equity and liabilities		<u><u>52,502</u></u>	<u><u>54,716</u></u>

These financial statements on pages 7 to 22 were approved by the board of directors on 20 March 2018 and were signed on its behalf by:

P Long
Director

KPMG United Kingdom Plc: 03513178



KPMG United Kingdom Plc
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30 September 2017

Statement of changes in equity

For the year ended 30 September 2017

	Share capital	Retained earnings /(accumulated losses)	Total equity
	£000	£000	£000
Balance at 1 October 2015	1,250	(1,148)	102
<i>Total comprehensive income</i> Profit for the financial year	-	2,445	2,445
Balance at 30 September 2016	1,250	1,297	2,547
<i>Total comprehensive income</i> Loss for the financial year	-	(5,083)	(5,083)
Balance at 30 September 2017	1,250	(3,786)	(2,536)



KPMG United Kingdom Plc
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Statement of cash flows

For the year ended 30 September 2017

	Note	2017 £000	2016 £000
Cash flows from operating activities			
(Loss)/profit for the financial year		(5,083)	2,445
Adjustments for:			
Financial income	5	(799)	(1,474)
Financial expense	5	791	618
Tax (income)/expense	6	(904)	2,707
Amortisation	7	292	3,033
Impairment losses on investment	8	2	250
		<u>(5,701)</u>	<u>7,579</u>
Decrease/(increase) in trade and other receivables		2,709	(18,229)
Increase in trade and other payables		5,222	8,977
		<u>2,230</u>	<u>(1,673)</u>
Cash generated from/(absorbed by) operating activities		2,230	(1,673)
Tax paid		(1,463)	32
Overseas taxes paid		(71)	(556)
Other financial expenses paid		-	(290)
		<u>696</u>	<u>(2,487)</u>
Net cash flows generated from/(absorbed by) operating activities		696	(2,487)
Cash flows from investing activities			
Interest received	5	1	1
Dividend received	5	51	-
Cash paid on acquisition of investments	8	-	(250)
Development of intangible assets	7	-	(1,587)
		<u>52</u>	<u>(1,836)</u>
Net cash flows from investing activities		52	(1,836)
Net increase/(decrease) in cash and cash equivalents		748	(4,323)
Cash and cash equivalents at the beginning of the year		115	4,438
		<u>863</u>	<u>115</u>
Cash and cash equivalents at the end of the year	10	863	115



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 14.

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 did not early adopt any IFRSs and related amendments in the year ended 30 September 2017. However, 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 2017 except for IFRS 9: 'Financial Instruments' and 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) and subsequent Clarifications to IFRS 15: 'Revenue from Contracts with Customers' (endorsed 31 October 2017).
- Amendments to IAS 7: 'Disclosure Initiative'; effective for periods beginning on or after 1 January 2017 (endorsed 6 November 2017).
- Annual Improvements to IFRSs 2014-2016 Cycle; effective for periods beginning on or after 1 January 2017/1 January 2018.
- IFRIC Interpretation 22: 'Foreign Currency Transactions and Advance Consideration' 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 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 notwithstanding the fact that the company has net liabilities of £2,536,000 at 30 September 2017 (2016: net assets £2,547,000). The company's immediate parent entity, KPMG Holdings Limited, has agreed to provide financial support for the foreseeable future and the directors are satisfied that KPMG Holdings Limited has sufficient resources to provide such support. 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.

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, the proportion of revenue recognised in the year equates to the proportion of cost incurred to total anticipated cost, 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 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 bank interest income, dividend income, other financial expense and foreign exchange gains and losses. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the group's right to receive payment is established.

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 and is 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 12. 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 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 recorded 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. 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 includes 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 CGUs. 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 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 £45,137,000 (2016: £47,312,000) 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.

Intangible assets

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 7. 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 £2,000 (2016: £250,000) relating to impairment of investments (see note 8), recoverable expenses incurred on client assignments and amounts paid to KPMG LLP for services rendered (see note 14). Amounts paid to the auditors in respect of the audit of these financial statements totalled £35,000 (2016: £35,000). 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:

	2017 Number	2016 Number
Statutory directors	3	3
Company secretary	1	1
	<u>4</u>	<u>4</u>

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 £44,188,000 (2016: £40,539,000).



KPMG United Kingdom Plc
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Notes continued

5 Financial income and expense

Recognised in profit or loss:	2017 £000	2016 £000
Bank interest income	1	1
Exchange gains	747	1,473
Dividends received	51	-
Financial income	799	1,474
Other financial expenses	(76)	(290)
Exchange losses	(715)	(328)
Financial expense	(791)	(618)

Following the decision to place the entity's related undertaking, Flareware System Limited into liquidation (see note 8), a dividend of £51,000 was received from the subsidiary.

The total interest income arising from financial assets that were not classified as fair value through profit or loss was £1,000 (2016: £1,000).

6 Tax (income)/expense

Analysis of (income)/expense in the year:

	2017 £000	2016 £000
Current year		
UK corporation tax on profits of the year 19.5% (2016: 20%)	-	1,609
UK corporation tax adjustments in respect of the prior year	(147)	145
Group relief receivable – current year	(1,105)	-
Group relief adjustments in respect of the prior year	-	306
Overseas taxes – current year	25	647
Overseas taxes – prior year adjustments	323	-
Tax (income)/expense in income statement	(904)	2,707
 (Loss)/profit before taxation	 (5,987)	 5,152
 (Loss)/profit multiplied by the average standard rate of corporation tax in the UK of 19.5% (2016: 20%)	 (1,167)	 1,030
Impact of items not taxable or relieviable	62	579
Adjustments in respect of prior periods	(147)	451
Overseas taxes	348	647
Actual tax (income)/expense for the year, as above	(904)	2,707



KPMG United Kingdom Plc
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Notes continued

6 Tax (income)/expense continued

Payment for group relief surrendered is generally made at 19.5% (2016: 20%). No deferred tax arose in either year.

Factors affecting the tax charge in future periods

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the company's future current tax charges accordingly.

7 Intangible assets

	Internally generated software £000	Customer relationships and similar items £000	Goodwill £000	Total £000
Cost				
Balance at 1 October 2016	2,380	1,874	1,533	5,787
Additions	-	-	-	-
Balance at 30 September 2017	2,380	1,874	1,533	5,787
Amortisation and impairment				
Balance at 1 October 2016	(2,380)	(742)	-	(3,122)
Charge for the year	-	(292)	-	(292)
Balance at 30 September 2017	(2,380)	(1,034)	-	(3,414)
Net book value				
At 30 September 2016	-	1,132	1,533	2,665
At 30 September 2017	-	840	1,533	2,373

Internally generated software comprises software developed for licensing to external clients. In the year ended 30 September 2016, 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	Goodwill £000
HRSD practice of Towers Watson Limited	30 September 2015	1,533

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

	2017 £000	2016 £000
Management Consulting	1,533	1,533

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 determined using values reflecting past experience; the initial three-year budgets are based on current pipeline activity and known plans for that particular part of the business, whilst the assumptions applied beyond three years are more prudent, as shown below:

	2017	2016
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%	9.3%



Notes continued

7 Intangible assets continued

The growth rates used in the value in use calculation reflects a prudent view given the uncertainties around integration and market growth. 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.

8 Investments

	£000
<i>Cost</i>	
At beginning of year	2,752
Additions	-
At end of year	<u>2,752</u>
<i>Impairment</i>	
At beginning of year	2,630
Additions	2
At end of year	<u>2,632</u>
<i>Net book value</i>	
At 30 September 2016	<u>122</u>
At 30 September 2017	<u>120</u>

At 30 September 2017 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

The registered office of both undertakings is 15 Canada Square, Canary Wharf, London, E14 5GL.

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

During the year the decision was taken to place the entity's subsidiary undertaking, Flareware System Limited into liquidation. Accordingly, an impairment loss of £2,000 has been recognised in the year within other operating expenses.

During the year ended 30 September 2016, the company acquired warrants over shares in Flexeye Limited, the company providing support in developing software (see note 7) for £250,000. These were initially classified as an investment, given the terms of the conversion. However, following the decision taken in the previous year to cease development, we no longer hold the warrants and the investment was therefore impaired in the year ended 30 September 2016, resulting in a loss of £250,000.

9 Trade and other receivables

	2017 £000	2016 £000
Trade receivables	6,798	12,905
Unbilled amounts for client work	38,339	34,407
Amounts due from other KPMG International member firms	3,979	4,460
Other receivables	30	42
	<u>49,146</u>	<u>51,814</u>



Notes continued

9 Trade and other receivables continued

All receivables fall due within 12 months. Trade receivables are shown net of impairment losses amounting to £251,000 (2016: £52,000); 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 2017 £000	Impairment 2017 £000	Gross 2016 £000	Impairment 2016 £000
Trade receivables				
Overdue 1-30 days	1,529	-	1,762	-
Overdue 31-180 days	1,770	-	1,755	-
More than 180 days	292	251	147	52
	<u>3,591</u>	<u>251</u>	<u>3,664</u>	<u>52</u>

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

	2017 £000	2016 £000
Balance at 1 October 2016	52	118
Impairment loss recognised/(reversed)	199	(66)
Balance at 30 September 2017	<u>251</u>	<u>52</u>

10 Cash and cash equivalents

	2017 £000	2016 £000
Bank balances	863	115
Cash and cash equivalents in the statement of financial position	<u>863</u>	<u>115</u>

11 Trade and other payables

	2017 £000	2016 £000
Amounts billed on account	18,391	30,259
Amounts due to other UK group undertakings	26,941	17,298
Accruals	9,429	3,044
Other taxes and social security	34	-
	<u>54,795</u>	<u>50,601</u>



Notes continued

12 Share capital

	2017	2016
	£000	£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 14). 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.

13 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 2017 and 30 September 2016, 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 2017 or 30 September 2016.

	Note	2017	2016
		£000	£000
Loans and receivables			
Trade receivables	9	6,798	12,905
Unbilled amounts for client work	9	38,339	34,407
Cash and cash equivalents	10	863	115
Amounts due from other KPMG International member firms	9	3,979	4,460
Other receivables	9	30	42
Total financial assets - loans and receivables		50,009	51,929
Non-derivative financial liabilities measured at amortised cost			
Amounts due to other UK group undertakings	11	26,941	17,298
Total non-derivative financial liabilities measured at amortised cost		26,941	17,298
Total net financial instruments		23,068	34,631



Notes continued

13 Financial instruments continued

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.

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.

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 £5,000 (2016: £23,000). This analysis assumes that all other variables remain constant.

Exchange rate risk

The functional currency of the company is pound 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 £2,880,000 receivable balances denominated in Euro (2016: £3,700,000) and £1,053,000 balances denominated in US dollar (2016: £1,500,000) at 30 September 2017. The company had no material payables or cash balances denominated in currencies other than sterling at either 30 September 2017 or 30 September 2016. A 5% movement in the euro or US dollar closing exchange rates would have increased (or decreased) profit by £152,000 (2016: £194,000) and £55,000 (2016: £80,000) 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 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 9. There are no impairment provisions against other classes of assets, other than the impairment loss recognised against the intangible assets (see note 7) and the investments (see note 8).

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 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

14 Related parties

The company's immediate controlling party is KPMG Holdings Limited, a company incorporated and 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 2017 and 30 September 2016 is that of KPMG LLP and its subsidiaries. The group financial statements of KPMG LLP for the year ended 30 September 2017 and 30 September 2016 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:

	2017 £000	2016 £000
KPMG LLP		
Management charges - use of facilities and other services	11,767	16,037
Time of members of KPMG LLP	5,887	3,550
	<u>17,654</u>	<u>19,587</u>
KPMG UK Limited		
Services of staff	38,301	36,989
Group relief - current year	(1,105)	-
Group relief - prior year adjustments	-	306
	<u>37,196</u>	<u>37,295</u>

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

A dividend of £51,000 was received from the company's subsidiary entity (2016: £nil). No dividend was paid by the company to its parent entity (2016: £nil).

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

	2017 £000	2016 £000
Trade and other payables		
Amounts due to other UK group undertakings	26,941	17,298
	<u>26,941</u>	<u>17,298</u>

Transactions with key management personnel

The directors of the company at 30 September 2017 (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 2017 or 30 September 2016.