KPMG IT Advisory Limited

Directors' report and financial statements

Registered number 02807962

30 September 2015

Contents

Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2015. In accordance with Section 414B of the Companies Act 2006, the company is entitled to the small companies' exemption in relation to the strategic report and hence no separate strategic report is presented.

The company

KPMG IT Advisory Limited (the company) is a wholly owned subsidiary of KPMG LLP (together with its subsidiary undertakings, the group). KPMG LLP is the company's ultimate controlling party (see note 12).

Nature of the business

The activity of the company is the provision of specialist advisory services.

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 IT Advisory Limited 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 Risk Consulting practice (of which the substantial proportion of the company's business forms a part). There were therefore no specific KPI's relating solely to the performance of the company.

Performance and development during the year

Revenues decreased during the year to £2,866,000 (2014: £3,538,000). After recoverable expenses and charges from fellow group entities, the company reported an operating profit of £182,000 (2014: £454,000). A dividend of £1,028,000 was paid in the current year (2014: £nil).

Financial position at the end of the year

The financial position of the company is satisfactory, with net assets of £546,000 at 30 September 2015 (2014: £1,438,000), the reduction year on year resulting from the dividend paid (see above). During the prior year ended 30 September 2014, the share capital of the company was reduced from £3,150,000 to £1,000 (see note 10).

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.

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 11 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 IT Advisory Limited 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 IT Advisory Limited. 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.

Directors' report continued

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.

Going concern

The financial position of the company, its cash flows and liquidity position are discussed above. 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

Subsequent to the year end, on 1 October 2015, J W Marsh resigned as director of the company and M A McDonagh was appointed.

The directors in office at the end of the financial year had no direct interest in the shares of the company but, by virtue of their position as members of KPMG LLP, had an indirect interest in the entire share capital of the company.

The company secretary is J Dean.

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 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Grant Thornton UK LLP will therefore continue in office.

By order of the Board

J Dean
Company Secretary

15 Canada Square
London
E14 5GL

27 June 2016

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

The directors are responsible for preparing the directors' 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 IT Advisory Limited

We have audited the financial statements of KPMG IT Advisory Limited for the year ended 30 September 2015 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 3, 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 2015 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 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Grant Thornton UK LLP

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

Gatwick
29 June 2016

Grant Thornton

Income statement

For the year ended 30 September 2015

	Note	2015 £000	2014 £000
Revenue		**2,866**	3,538
Personnel costs	4	**(1,568)**	(1,741)
Other operating expenses	3	**(1,116)**	(1,343)
Operating profit		**182**	454
Financial income	5	**9**	9
Financial expense	5	**(2)**	(2)
Net financial income		**7**	7
Profit before taxation		**189**	461
Tax (expense)/income	6	**(53)**	227
Profit for the financial year		**136**	688

Statement of comprehensive income

For the year ended 30 September 2015

	2015 £000	2014 £000
Profit for the financial year	**136**	688
Total comprehensive income for the year	**136**	688

Statement of financial position

At 30 September 2015

	Note	2015 £000	2014 £000
Assets			
Non-current assets			
Deferred tax assets	6	**175**	227
		175	227
Current assets			
Trade and other receivables	7	**1,201**	1,185
Cash and cash equivalents	8	**254**	1,260
		1,455	2,445
Total assets		**1,630**	2,672
Equity and liabilities			
Equity			
Share capital	10	**1**	1
Share premium account		**408**	408
Retained earnings		**137**	1,029
		546	1,438
Current liabilities			
Trade and other payables	9	**1,084**	1,234
Total equity and liabilities		**1,630**	2,672

These financial statements on pages 5 to 18 were approved by the board of directors on 27 June 2016 and were signed on its behalf by:

P Long
Director

KPMG IT Advisory Limited: 02807962

Statement of changes in equity

For the year ended 30 September 2015

	Note	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 October 2013		3,150	408	(2,809)	749
Total comprehensive income					
Profit for the financial year		-	-	688	688
Transactions with owners of the company					
Cancellation of shares	*10*	(3,150)	-	3,150	-
Issue of shares	*10*	1	-	-	1
Balance at 30 September 2014		1	408	1,029	1,438
Total comprehensive income					
Profit for the financial year		-	-	136	136
Transactions with owners					
Dividend paid during the year	*12*	-	-	(1,028)	(1,028)
Balance at 30 September 2015		**1**	**408**	**137**	**546**

Statement of cash flows

For the year ended 30 September 2015

	Note	2015 £000	2014 £000
Cash flows from operating activities			
Profit for the financial year		**136**	688
Adjustments for:			
Financial income	5	**(9)**	(9)
Financial expense	5	**2**	2
Tax expense/(income)	6	**53**	(227)
		182	454
(Increase)/decrease in trade and other receivables		**(8)**	28
(Decrease)/increase in trade and other payables		**(152)**	506
Net cash flows generated from operating activities		**22**	988
Cash flows from financing activities			
Dividend paid	12	**(1,028)**	-
Net cash flows from financing activities		**(1,028)**	-
Net (decrease)/increase in cash and cash equivalents		**(1,006)**	988
Cash and cash equivalents at the beginning of the year		**1,260**	272
Cash and cash equivalents at the end of the year	8	**254**	1,260

Notes

Forming part of the financial statements

1 Accounting policies

KPMG IT Advisory Limited (the company) is a company incorporated in the United Kingdom.

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. Recent changes to adopted IFRSs have resulted in a number of new standards, amendments and interpretations with effective dates such that they fall to be applied by the company.

The following amendments to published standards are the only changes of relevance to these financial statements and have been applied in the year ended 30 September 2015:

- Improvements to IFRSs 2010- 2012 Cycle (issued by IASB in December 2013): effective for periods beginning on or after 1 July 2014.
- Improvements to IFRSs 2011- 2013 Cycle (issued by IASB in December 2013): effective for periods beginning on or after 1 July 2014.

These amendments had no impact on these financial statements.

The company early adopted the following IFRSs and related amendments in the year ended 30 September 2014:

- Amendments to IAS 32: 'Offsetting financial assets and liabilities'; effective for periods beginning on or after 1 January 2014.

This amendment had no impact on these financial statements.

There are no other adopted IFRSs, amendments or interpretations that required mandatory application or were available for early adoption at 30 September 2015.

Future developments

There are a number of new standards, amendments and interpretations issued by the IASB that are effective for financial statements after this reporting period but have either been endorsed by the European Union since 30 September 2015 or have not yet been endorsed by the European Union and so are not yet available for adoption by the company:

- Improvements to IFRSs 2012- 2014 Cycle; effective for periods beginning on or after 1 January 2016 (endorsed 15 December 2015).
- Amendments to IAS 1: 'Disclosure initiative'; effective for periods beginning on or after 1 January 2016 (endorsed 18 December 2015).
- IFRS 9: 'Financial instruments': effective for periods beginning on or after 1 January 2018.
- 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, amendments and interpretations 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 directors' 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 pounds sterling. The financial statements are presented in thousands of pounds (£000) unless stated otherwise.

Notes *continued*

1 Accounting policies continued

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 year end 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.

Financial income and expense

Financial income and expense comprises foreign exchange gains and losses.

Non-derivative financial instruments

The company initially recognises loans and receivables on the date that they 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.

Notes continued

1 Accounting policies continued

Non-derivative financial instruments continued

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 less impairment losses 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. 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.

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.

Insurance arrangements

Insurance cover is maintained by the group in respect of professional negligence 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 negligence 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 on service contracts

In calculating revenue on 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 £1,039,000 (2014: £930,000) 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.

Deferred tax asset

The company has recognised a deferred tax asset of £175,000 (2014: £227,000) as the directors expect the entity to be profitable in future periods. A different assessment of the future profitability may result in a different value being determined for deferred tax.

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.

3 Other operating expenses

Other operating expenses include recoverable expenses incurred on client assignments and amounts paid to KPMG LLP for services rendered (see note 12). Amounts paid to the auditor in respect of the audit of these financial statements totalled £5,000 (2014: £5,000). The auditor 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:

	2015 Number	2014 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 IT Advisory Limited is charged for 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 £1,568,000 (2014: £1,741,000).

Notes continued

5 Financial income and expense

Recognised in profit or loss:	2015 £000	2014 £000
Financial income: exchange gains	**9**	9
Financial expense: exchange losses	**(2)**	(2)

6 Tax (expense)/income

Analysis of (charge)/credit in the year:

	2015 £000	2014 £000
Current year		
Deferred tax - recognition of previously unrecognised tax losses	**(52)**	227
Compensation payment adjustments in respect of the prior year	**(1)**	-
Tax (expense)/income in income statement	**(53)**	227

	2015 £000	2014 £000
Profit before taxation	**189**	461
Profit, multiplied by the average standard rate of corporation tax in the UK of 20.5% (2014: 22%)	**39**	101
Utilisation of losses brought forward	**(39)**	(101)
Deferred tax	**(52)**	227
Adjustments in respect of prior periods	**(1)**	-
Actual tax (charge)/credit for the year, as above	**(53)**	227

Deferred tax assets of £175,000 have been recognised in respect of estimated tax losses totalling £899,000 (2014: £227,000 recognised in respect of estimated tax losses totalling £1,032,000). Given the profitability of the entity over the last three years, the directors believe there to be sufficient certainty of recoverability against future taxable profits, such that it is appropriate to record a deferred tax asset.

Factors affecting the tax charge in future periods

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017), and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charges accordingly. The deferred tax asset at 30 September 2015 has been calculated based on the rate of 19.5% being the rate expected to be in force at the time the losses are anticipated to be utilised.

Notes continued

7 Trade and other receivables

	2015 £000	2014 £000
Trade receivables	**749**	336
Unbilled amounts for client work	**290**	594
Amount due from other UK group undertakings	**28**	-
Amounts due from other KPMG International member firms	**134**	255
	1,201	1,185

Trade and other receivables fall due within 12 months.

There were no impairment provisions against trade receivables at 30 September 2015 or 30 September 2014. An aged analysis of overdue trade receivables is given below.

Impairment losses

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

	Gross 2015 £000	Impairment 2015 £000	Gross 2014 £000	Impairment 2014 £000
Trade receivables				
Overdue 1-30 days	**193**	-	27	-
Overdue 31-180 days	-	-	180	-
More than 180 days	**30**	-	-	-
	223	-	207	-

No impairment losses were recognised in the year to 30 September 2015 or 30 September 2014.

8 Cash and cash equivalents

	2015 £000	2014 £000
Bank balances	**254**	1,260
Cash and cash equivalents in the statement of financial position	**254**	1,260

Notes continued

9 Trade and other payables

	2015 £000	2014 £000
Amounts billed on account	8	84
Amounts due to other UK group undertakings	1,021	1,143
Other taxes and social security	55	7
	1,084	1,234

10 Share capital

	2015 £	2014 £
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	1,000	1,000

The share capital of the company is entirely owned by the group (see note 12). 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. There are no externally imposed capital requirements

During the year ended 30 September 2014, the company cancelled its 3,150,000 redeemable ordinary shares and issued a further 998 ordinary shares at £1 each.

11 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.

Notes continued

11 Financial instruments continued

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 2015 and 2014, largely owing to their short maturity. The basis for determining fair values of current financial assets and liabilities 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 2015 or 30 September 2014.

	Note	**2015** **£000**	2014 £000
Loans and receivables			
Trade receivables	*7*	**749**	336
Unbilled amounts for client work	*7*	**290**	594
Amounts due from other UK group undertakings	*7*	**28**	-
Cash and cash equivalents	*8*	**254**	1,260
Amounts due from other KPMG International member firms	*7*	**134**	255
Total financial assets - loans and receivables		**1,455**	2,445
Non-derivative financial liabilities measured at amortised cost			
Amounts due to other UK group undertakings	*9*	**1,021**	1,143
Total financial instruments		**434**	1,302

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 or swaps 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 any 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 £8,000 (2014: £8,000). 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 £106,500 receivable balances denominated in Euro at 30 September 2015 (2014: £nil). The company had no material payables or cash balances denominated in currencies other than sterling at either 30 September 2015 or 30 September 2014. A 5% movement in the euro closing exchange rate would have increased (or decreased) profit by £5,600.

Notes continued

11 Financial instruments continued

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 7. There are no impairment provisions against other classes of assets.

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 16.

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 16. 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.

12 Related parties

The company's immediate controlling party is KPMG LLP, a limited liability partnership registered in England and Wales. KPMG LLP was controlled by KPMG Europe LLP (ELLP) until 26 September 2014; with effect from that date, KPMG LLP became the ultimate controlling party of the company

The largest group in which the results of the company are consolidated for the year ended 30 September 2015 and 30 September 2014 is that of KPMG LLP and its subsidiaries. The group financial statements of KPMG LLP for the year ended 30 September 2015 and 30 September 2014 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:

	2015 £000	2014 £000
KPMG LLP		
Management charges - use of facilities and other services	**924**	920
Time of members of KPMG LLP	**36**	106
Licence fee	**1**	1
KPMG UK Limited		
Services of staff	**1,532**	1,635
Corporation tax compensation payments - prior year adjustments	**1**	-

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

During the year ended 30 September 2014, the company received charges from fellow ELLP group undertakings totalling £4,000 in respect of client engagements. As noted above, with effect from 26 September 2014, ELLP no longer controlled the company and therefore transactions with ELLP entities during 2015 are not disclosed as these entities are no longer considered to be related parties.

Notes continued

12 Related parties continued

A dividend of £1,028,000 was paid by the company to its parent entity during the year (2014: £nil).

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

	2015	2014
	£000	£000
Trade and other receivables		
Amounts due from other UK group undertakings	**28**	-
Trade and other payables		
Amounts due to other UK group undertakings	**1,021**	1,143

Transactions with key management personnel

The directors of the company at 30 September 2015 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 2015 or 30 September 2014.