

KPMG IT Advisory Limited

Directors' report and financial statements

Registered number 02807962

30 September 2018



Contents

Directors' report	1
Statement of directors' responsibilities in respect of the directors' report and the financial statements	3
Independent auditor's report to the members of KPMG IT Advisory Limited	4
Income statement	6
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes	10

Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2018. 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.

Business review

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 company provides 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 company's business is a part). There were therefore no specific KPI's relating solely to the performance of the company.

Performance and development during the year

Revenues during the year increased to £1,749,000 (2017: £1,687,000) reflecting a higher level of advisory engagements undertaken by the company. After recoverable expenses and charges from fellow group entities, the company reported an operating profit of £190,000 (2017: £268,000). No dividend was paid to the company's parent entity KPMG LLP in the current year (2017: £nil).

Financial position at the end of the year

The financial position of the company is satisfactory, with net assets of £1,021,000 at 30 September 2018 (2017: £864,000).

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 group 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 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.

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:

EN Barnicoat

P Long

SKG Willows

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. P Long is not a member of KPMG LLP and therefore has no residual interest in any of the 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 re-appointed 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

26 June 2019

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 (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.

Independent auditor's report to the members of KPMG IT Advisory Limited

Opinion

We have audited the financial statements of KPMG IT Advisory Limited (the 'company') for the year ended 30 September 2018 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 2018 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.

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.

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

Matters 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 directors' report.

Independent auditor's report to the members of KPMG IT Advisory Limited 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; or
- the directors were not entitled to take advantage of the small companies' exemptions from the requirement to prepare a strategic report.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement 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, 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.

Use of our report

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.

Jonathan Maile

Jonathan Maile BSc (Hons) FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Gatwick
28 June 2019



Grant Thornton

Income statement

For the year ended 30 September 2018

	Note	2018 £000	2017 £000
Revenue		1,749	1,687
Personnel costs	4	(1,087)	(1,053)
Other operating expenses	3	(472)	(366)
Operating profit		190	268
Financial income	5	2	-
Financial expense	5	-	(1)
Net financial income/(expense)		2	(1)
Profit before taxation		192	267
Tax expense	6	(35)	(41)
Profit for the financial year		157	226

Statement of comprehensive income

For the year ended 30 September 2018

	2018 £000	2017 £000
Profit for the financial year	157	226
Total comprehensive income for the year	157	226

Statement of financial position

At 30 September 2018

	<i>Note</i>	2018 £000	2017 £000
Assets			
Non-current assets			
Deferred tax assets	6	63	98
		<u>63</u>	<u>98</u>
Current assets			
Trade and other receivables	7	871	563
Cash and cash equivalents	8	429	351
		<u>1,300</u>	<u>914</u>
Total assets		<u>1,363</u>	<u>1,012</u>
Equity and liabilities			
Equity			
Share capital	10	1	1
Share premium account		408	408
Retained earnings		612	455
		<u>1,021</u>	<u>864</u>
Current liabilities			
Trade and other payables	9	342	148
Total equity and liabilities		<u>1,363</u>	<u>1,012</u>

These financial statements on pages 6 to 19 were approved by the board of directors on 26 June 2019 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 2018

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 October 2016	1	408	229	638
<i>Total comprehensive income</i>				
Profit for the financial year	-	-	226	226
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2017	1	408	455	864
<i>Total comprehensive income</i>				
Profit for the financial year	-	-	157	157
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2018	1	408	612	1,021

Statement of cash flows

For the year ended 30 September 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Profit for the financial year		157	226
Adjustments for:			
Financial income	5	(2)	-
Financial expense	5	-	1
Tax expense	6	35	41
		<u>190</u>	<u>268</u>
(Increase)/decrease in trade and other receivables		(308)	162
Increase/(decrease) in trade and other payables		<u>194</u>	<u>(371)</u>
Cash generated from operating activities		<u>76</u>	<u>59</u>
Cash flows from investing activities			
Interest received		<u>2</u>	<u>-</u>
Net cash flows from investing activities		<u>2</u>	<u>-</u>
Net increase in cash and cash equivalents		78	59
Cash and cash equivalents at the beginning of the year		<u>351</u>	<u>292</u>
Cash and cash equivalents at the end of the year	8	<u><u>429</u></u>	<u><u>351</u></u>

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 as adopted by the European Union (adopted IFRSs) and have been approved by the directors.

Accounting policies that relate to the financial statements as a whole are set out below, while those that relate to specific areas of the financial statements are shown in the corresponding note. All accounting policies have been applied consistently to all periods presented in these financial statements.

A number of amendments to adopted IFRSs have been endorsed by the European Union 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 that have been applied in the year ended 30 September 2018:

- Amendments to IAS 7: 'Disclosure Initiative'; effective for periods beginning on or after 1 January 2017.
- Annual Improvements to IFRSs 2014-2016 Cycle; effective for periods beginning on or after 1 January 2017.

The company elected to early adopt the following IFRSs and related amendments in the year ended 30 September 2018:

- Annual improvements to IFRSs 2014-2016 Cycle; effective for periods beginning on or after 1 January 2018.

These amendments had no impact on these financial statements.

There are no other standards, interpretations or amendments that required mandatory application in the current year.

Future developments

There are a number of standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) that have been endorsed by the European Union and 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.
- IFRS 15: 'Revenue from Contracts with Customers'; effective for periods beginning on or after 1 January 2018 and subsequent Clarifications to IFRS 15: 'Revenue from Contracts with Customers'.
- Annual Improvements to IFRSs 2015-2017 Cycle; effective for periods beginning on or after 1 January 2019.

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

Basis of preparation

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

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

Going concern

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.

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 retranslated 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.

Notes continued

1 Accounting policies continued

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.

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 (note 7), unbilled amounts for client work (note 7), cash and cash equivalents (note 8) and trade and other payables (note 9).

Impairment losses

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.

Notes continued

1 Accounting policies continued

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 cost to the company of settling professional service claims brought against the company.

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.

2 Accounting estimates and judgements

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, significant estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses.

These judgements and significant estimates are based on historical experience and other factors, including market data and expectations of future events that are believed to be reasonable and constitute management's best assessment at the date of the financial statements. They are continually re-evaluated and actual experience could differ from the estimates, resulting in adjustments being required in future periods. Where appropriate, present values are calculated using discount rates reflecting currency and maturity of the items being valued.

The directors of the company do not consider there to be any critical accounting judgements in applying the company's accounting policies. Estimates that may carry a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are considered as follows:

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. These estimates depend upon the outcome of future events and may need to be revised as circumstances change.

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 (2017: £5,000). The auditor provided no non-audit services during either year.

Notes continued

4 Personnel numbers and costs

Accounting policy

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.

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

	2018 Number	2017 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 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 £1,087,000 (2017: £1,053,000).

5 Financial income and expense

Accounting policy

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

	2018 £000	2017 £000
Recognised in profit or loss:		
Financial income: bank interest income	<u>2</u>	<u>-</u>
Financial expense: exchange losses	<u>-</u>	<u>(1)</u>

6 Tax expense

Accounting policy

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

6 Tax expense continued

Analysis of expense in the year:

	2018 £000	2017 £000
Deferred tax	(35)	(41)
Tax expense in income statement	(35)	(41)
Profit before taxation	192	267
Profit, multiplied by the average standard rate of corporation tax in the UK of 19% (2017: 19.5%)	36	52
Utilisation of losses brought forward	(36)	(52)
Deferred tax	(35)	(41)
Actual tax expense for the year, as above	(35)	(41)

Deferred tax assets of £63,000 have been recognised in respect of estimated tax losses totalling £333,000 (2017: £98,000 recognised in respect of estimated tax losses totalling £515,000). Given the profitability of the entity over the last four 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

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charges accordingly.

7 Trade and other receivables

Accounting policy

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

Unbilled amounts for client work relate to service contract receivables on completed work where the fee is 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 in note 1) less provision for foreseeable losses and net of amounts billed on account.

Notes continued

7 Trade and other receivables continued

	2018 £000	2017 £000
Trade receivables	585	145
Unbilled amounts for client work	286	201
Amount due from other UK group undertakings	-	217
	<u>871</u>	<u>563</u>

Trade and other receivables fall due within 12 months. Trade receivables are shown net of impairment losses amounting to £15,000 (2017: £nil); 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 2018 £000	Impairment 2018 £000	Gross 2017 £000	Impairment 2017 £000
Trade receivables				
Overdue 1-30 days	-	-	127	-
Overdue 31-180 days	9	-	-	-
More than 180 days	18	15	-	-
	<u>27</u>	<u>15</u>	<u>127</u>	<u>-</u>

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

	2018 £000	2017 £000
Balance at 1 October 2017	-	-
Impairment loss recognised	15	-
Balance at 30 September 2018	<u>15</u>	<u>-</u>

8 Cash and cash equivalents

Accounting policy

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

	2018 £000	2017 £000
Bank balances	429	351
Cash and cash equivalents in the statement of financial position	<u>429</u>	<u>351</u>

Notes continued

9 Trade and other payables

Accounting policy

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.

	2018 £000	2017 £000
Amounts billed on account	172	-
Amounts due to other UK group undertakings	103	145
Other taxes and social security	67	3
	<u>342</u>	<u>148</u>

10 Share capital

	2018 £	2017 £
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

The share capital of the company is entirely owned by the group through KPMG LLP (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.

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 year 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 2018 and 30 September 2017, largely owing to their short maturity. The basis for determining fair values of current financial assets and liabilities are disclosed throughout these financial statements. 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 2018 or 30 September 2017.

	Note	2018 £000	2017 £000
Loans and receivables			
Trade receivables	7	585	145
Unbilled amounts for client work	7	286	201
Amounts due from other UK group undertakings	7	-	217
Cash and cash equivalents	8	429	351
Total financial assets - loans and receivables		1,300	914
Non-derivative financial liabilities measured at amortised cost			
Amounts due to other UK group undertakings	9	103	145
Total net financial instruments		1,197	769

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 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 £4,000 (2017: £3,000). 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 and had no material receivable, payable or cash balances denominated in currencies other than sterling at either 30 September 2018 or 30 September 2017.

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 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 17.

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 17. 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.

12 Related parties

The company is wholly owned by KPMG LLP, a limited liability partnership incorporated and 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 2018 and 30 September 2017 is that of KPMG LLP and its subsidiaries. The group financial statements of KPMG LLP for the year ended 30 September 2018 and 30 September 2017 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:

	2018	2017
KPMG LLP	£000	£000
Management charges - use of facilities and other services	436	325
Time of members of KPMG LLP	3	4
KPMG UK Limited	1,084	1,049
Services of staff		

The company also paid a licence fee of £1 to KPMG LLP, for the use of KPMG LLP clients, during the years ended 30 September 2018 and 30 September 2017.

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

Notes continued

12 Related parties continued

No dividend was paid by the company to its parent entity during the year (2017: £nil).

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

	2018	2017
	£000	£000
Trade and other receivables		
Amounts due from other UK group undertakings	-	217
	<u> </u>	<u> </u>
Trade and other payables		
Amounts due to other UK group undertakings	103	145
	<u> </u>	<u> </u>

Transactions with key management personnel

The directors of the company at 30 September 2018 (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 2018 or 30 September 2017.