

## **KPMG Holdings Plc**

### **Directors' report and financial statements**

30 September 2003

Registered number 03512757



## **Directors' report and financial statements**

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## Directors' report

The directors present their report and the audited financial statements of the company for the year ended 30 September 2003.

### Status and principal activities

The company acts as a holding and co-ordinating company for a number of companies associated with KPMG LLP which, as explained in note 10 to these financial statements, is the company's ultimate controlling party.

The principal investments of the company at 30 September 2003 are set out in note 5.

### Business review

The company acts as a holding company and is engaged solely with the transactions associated with this activity.

### Directors and directors' interests

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

MDV Rake

AH Anderson

Resigned 1 April 2003

MD Blake

Appointed 1 April 2003

JG Griffith-Jones

The company is a wholly owned subsidiary of KPMG LLP. The directors in office at the end of financial year therefore had no direct interest in the shares of the company or any other members of the KPMG Holdings group but, by virtue of their position as members of KPMG LLP, had an indirect interest in the entire share capital of the company and the group.

The company secretary is NK Challis.

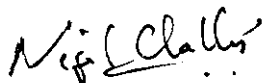
### Dividends

No dividend is proposed.

### Auditors

The auditors, Grant Thornton, are willing to continue in office and, in accordance with section 384 of the Companies Act 1985, a resolution for their re-appointment will be proposed at the forthcoming annual general meeting.

By order of the Board



Nigel Challis  
Company Secretary

2 December 2003

8 Salisbury Square  
London  
EC4Y 8BB

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which 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 1985. 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.

## Report of the independent auditors to the members of KPMG Holdings Plc

We have audited the financial statements of KPMG Holdings Plc for the year ended 30 September 2003, which comprise the profit and loss account, the balance sheet and notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 the 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 auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

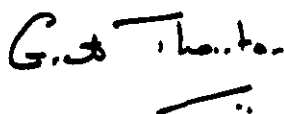
### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Grant Thornton  
Registered auditors  
Chartered accountants

2 December 2003  
London

**Profit and loss account**  
 for the year ended 30 September 2003

	<i>Note</i>	<b>2003</b> <b>£000</b>	2002 £000
<b>Turnover</b>		-	-
Operating expenses		-	-
Amounts written off investments		<b>(300)</b>	(9,850)
Operating result		<b>(300)</b>	(9,850)
Gain arising from disposal of associated undertaking		-	135
Interest payable to subsidiary undertaking		<b>(534)</b>	(499)
<b>Loss on ordinary activities before taxation</b>	<b>3</b>	<b>(834)</b>	(10,214)
Tax on loss on ordinary activities	<b>4</b>	<b>519</b>	499
<b>Loss for the financial year transferred to reserves</b>		<b>(315)</b>	(9,715)
Accumulated losses brought forward		<b>(10,859)</b>	(1,144)
Accumulated losses carried forward		<b>(11,174)</b>	(10,859)

For both financial years:

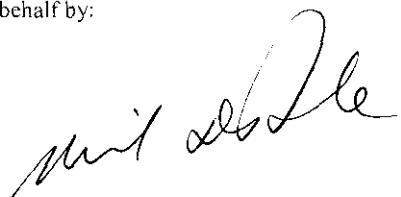
- there were no recognised gains or losses other than the loss for the year;
- the turnover and loss were derived from continuing activities which were unchanged during the year;
- the historical cost result is the same as the result reported above.

## Balance sheet

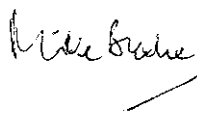
at 30 September 2003

	Notes	£000	2003 £000	£000	2002 £000
<b>Fixed assets</b>					
Investments	5		9,740		8,900
<b>Current assets</b>					
Debtors	6	783		764	
Cash at bank and in hand		46		45	
			<u>829</u>	<u>809</u>	
<b>Creditors: amounts falling due within one year</b>	7	<b>(10,793)</b>		<b>(9,618)</b>	
<b>Net current liabilities</b>			<b>(9,964)</b>		<b>(8,809)</b>
<b>Net assets / (liabilities)</b>			<b>(224)</b>		<b>91</b>
<b>Capital and reserves</b>					
Called up equity share capital	8		10,950		10,950
Profit and loss account			(11,174)		(10,859)
<b>Equity shareholders' funds</b>	9		<b>(224)</b>		<b>91</b>

The financial statements on pages 4 to 9 were approved by the board of directors on 2 December 2003 and were signed on its behalf by:



**Mike Rake**  
 Chairman



**Mike Blake**  
 Finance director

## Notes

(forming part of the financial statements)

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting convention.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group. Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Despite the company's net liabilities at the year end, the financial statements have been prepared on the going concern basis because the company's creditors are fellow group undertakings that are unlikely to seek settlement in the short term and because KPMG LLP has committed to provide financial support, as explained in note 11.

#### *Fixed asset investments*

Fixed asset investments are carried at cost less any provision for impairment.

#### *Taxation*

The charge for taxation is based on the result for the year and takes into account amounts receivable from fellow group companies for the surrender of losses under group relief as well as taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

### 2 Staff numbers and costs

The company employed no staff during the period. Management services are carried out on behalf of the company by fellow group undertakings; no charges are levied for these services.

No remuneration was paid to the directors for their services to the company.

### 3 Loss on ordinary activities before taxation

	2003	2002
	£000	£000
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for audit work	-	-

The auditors' remuneration of £3,500 (2002: £6,000) was borne by KPMG LLP.

## Notes (continued)

### 4 Taxation

	2003 £000	2002 £000
Amount receivable from subsidiary undertaking for surrender of group relief	519	499
	<hr/>	<hr/>
	2003 £000	2002 £000
<b>Reconciliation of tax credit</b>		
Loss on ordinary activities before taxation, multiplied by standard rate of UK Corporation tax of 30% (2002: 30%)	250	3,064
Impact of items not allowable for corporation tax	(90)	(2,914)
	<hr/>	<hr/>
Additional amounts receivable for group relief	160 359	150 349
	<hr/>	<hr/>
Actual tax credit for the year as above	519	499
	<hr/>	<hr/>
No deferred tax arose in either year.		

### 5 Fixed asset investments

	Subsidiaries Shares £000	Associated undertakings Shares £000	Total £000
<b>Cost</b>			
At the beginning of the year	17,681	1,069	18,750
Additions	1,140	-	1,140
	<hr/>	<hr/>	<hr/>
<b>At the end of the year</b>	<b>18,821</b>	<b>1,069</b>	<b>19,890</b>
	<hr/>	<hr/>	<hr/>
<b>Provisions</b>			
At the beginning of the year	(9,850)	-	(9,850)
Made during the year	(300)	-	(300)
	<hr/>	<hr/>	<hr/>
<b>At the end of the year</b>	<b>(10,150)</b>	<b>-</b>	<b>(10,150)</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>30 September 2003</b>	<b>8,671</b>	<b>1,069</b>	<b>9,740</b>
	<hr/>	<hr/>	<hr/>
30 September 2002	7,831	1,069	8,900
	<hr/>	<hr/>	<hr/>

Impairment is measured by comparing the carrying value of each fixed asset with the higher of its net realisable value and value in use.

## Notes (continued)

### 5 Fixed asset investments (continued)

At 30 September 2003, the principal companies in which the company had a significant interest were as follows:

Company	Principal activity	Percentage of ordinary shares
<i>Subsidiary undertakings</i>		
KPMG Audit Plc	Statutory audits and related services	100.0
KPMG United Kingdom Plc	Specialist advisory services	100.0
KPMG UK Limited	Employment company	100.0
KPMG Corporate Finance LLC	Specialist advisory services	60.4
<i>Associated undertakings</i>		
Tax Computer Systems Limited	Tax software provider	50.0

All of the above subsidiary and associated undertakings make up their accounts to 30 September, except Tax Computer Systems Limited, which makes up its accounts to 30 November each year.

All of these companies are incorporated in England and Wales, except KPMG Corporate Finance LLC, which is incorporated in the United States of America.

### 6 Debtors

	2003 £000	2002 £000
Amounts owed by fellow group undertakings	783	764

All amounts are due within one year.

### 7 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Amounts owed to fellow group undertakings	10,793	9,618

### 8 Share capital

	2003 £000	2002 £000
<i>Authorised</i>		
Equity: 10,950,000 ordinary shares of £1 each (2002: 10,950,000 shares)	10,950	10,950
<i>Allotted, called up and fully paid</i>		
Equity: 10,950,000 ordinary shares of £1 each (2002: 10,950,000 shares)	10,950	10,950

**Notes (continued)**

**9 Reconciliation of movement in equity shareholders' funds**

	2003 £000	2002 £000
Loss for the financial year transferred to reserves	(315)	(9,715)
Allotment of shares	-	10,900
	<hr/>	<hr/>
Net increase / (decrease) in equity shareholders' funds	(315)	1,185
Opening equity shareholders' funds	91	(1,094)
	<hr/>	<hr/>
<b>Closing equity shareholders' funds</b>	<b>(224)</b>	<b>91</b>
	<hr/>	<hr/>

**10 Ultimate parent undertaking**

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

The largest group in which the results of the company are included is that of KPMG LLP. The accounts of KPMG LLP are available to the public and may be obtained from the principal place of business, 8 Salisbury Square, London, EC4Y 8BB.

Accordingly the company has taken advantage of the exemption in FRS 8 not to disclose transactions with other entities that are part of, or an investee of, the KPMG LLP group.

**11 Financial support**

KPMG LLP has committed to provide financial support to the company for at least twelve months from the date of approval of these financial statements.