# KPMG Holdings Limited

(formerly KPMG Holdings Plc)

## Directors' report and financial statements

Registered number 03512757

30 September 2010

## Contents

# Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2010

## Business review

### Nature of the business

On 31 August 2010 the company was re-registered as a private limited company and accordingly changed its name to KPMG Holdings Limited Following the change in status the share capital of the company was reduced from £10 95 million to £100 000 in recognition that although the company was then and continues to be solvent the company s accumulated losses represent a permanent loss of much of this capital

The company acts as a holding and co-ordinating company for a number of companies associated with KPMG LLP which as explained in note 14 to these financial statements is the company s immediate controlling party During the year the company was appointed a corporate member of KPMG LLP

The principal investments of the company at 30 September 2010 are set out in note 7

### Strategy

The company is part of the KPMG Europe LLP group (the group) The purpose of the group is to turn knowledge into value for the benefit of its clients its people and the capital markets The group s business plan for the year ended 30 September 2010 continued 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)

The company acts as a holding company within the group and is engaged solely with the transactions associated with this activity Hence there were no specific KPI s relating solely to the performance of the company

### Performance and development during the year

The company generated a small profit for the year ended 30 September 2010 There was no dividend paid or received in the year ended 30 September 2010 (2009 dividend received £3 306 000 dividend paid £3 890 000)

### Financial position at the end of the year

The net assets of the company were £3 600 000 at 30 September 2010 (2009 £3 586 000)

The company has no external receivables or payables The movement in gross assets and liabilities from year to year is wholly due to transactions with subsidiaries

### Events after the year end

In February 2011 the company acquired 100% ownership of Equaterra Europe Limited a provider of advisory services (see note 15)

### Treasury policies

The company s treasury policies focus on ensuring that there are sufficient funds to finance the business Full details of the impact for the company of these treasury policies and management of the associated risks are given in note 13 to the financial statements

### Relationships and resources

*Relationships with 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 years

### Directors and directors' interests

The directors who held office during the year were as follows

R Bennison

JG Griffith-Jones

MD Blake — Resigned 29 September 2010

AH Anderson — Appointed 29 September 2010

## Directors' report continued

The company is a wholly owned subsidiary of KPMG LLP The company's ultimate controlling party is KPMG Europe LLP (ELLP) The directors in office at the end of the 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 ELLP had an indirect interest in the entire share capital of the company

The company secretary is NK Challis

**Disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information

**Auditors**

In accordance with Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and Grant Thornton will therefore continue in office

By order of the Board

**Nigel Challis**
*Company Secretary*

15 Canada Square
London
E14 5GL

28 March 2011

## 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 European Union

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

## Report of the independent auditor to the members of KPMG Holdings Limited

We have audited the financial statements of KPMG Holdings Limited for the year ended 30 September 2010 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 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 on page 2 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 the applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board s (APB) s Ethical Standard for Auditors

**Scope of the audit of financial statements**
A description of the scope of an audit of financial statements is provided on the APB s website at www frc org uk/apb/scope/private cfm

**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 2010 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 requirement of the Companies Act 2006

**Opinion on other matters 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

Grant Thornton UK LLP

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

London
31 March 2011

Grant Thornton

## Income statement
*for the year ended 30 September 2010*

| | Note | 2010 £000 | 2009 £000 |
|---|---|---|---|
| **Revenue** | | - | - |
| Other operating expenses | 4 | - | (7 389) |
| **Operating loss** | | - | (7 389) |
| Financial income | 5 | 331 | 3 948 |
| Financial expense | 5 | (312) | (607) |
| Net financial income | | 19 | 3 341 |
| **Profit/(loss) before taxation** | | 19 | (4 048) |
| Tax expense | 6 | (5) | (10) |
| **Profit/ (loss) for the financial year** | | 14 | (4 058) |

## Statement of comprehensive income
*for the year ended 30 September 2010*

| | 2010 £000 | 2009 £000 |
|---|---|---|
| **Profit/(loss) for the financial year** | 14 | (4 058) |
| **Total comprehensive income for the year** | 14 | (4 058) |

## Statement of financial position
*at 30 September 2010*

| | *Note* | 2010 £000 | 2009 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments | *7* | **1,301** | 1 301 |
| Non-current loans and receivables | *8* | **15,446** | 16,380 |
| | | **16,747** | 17,681 |
| **Current assets** | | | |
| Investments | *7* | **-** | 1 362 |
| Trade and other receivables | *9* | **13,489** | 13,226 |
| Cash and cash equivalents bank balances | | **-** | 32 |
| | | **13,489** | 14,620 |
| **Total assets** | | **30,236** | 32,301 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | *12* | **100** | 10,950 |
| Retained earnings | | **3,500** | (7,364) |
| | | **3,600** | 3 586 |
| **Non-current liabilities** | | | |
| Loan payable | *10* | **15,446** | 16,380 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **11,190** | 12,335 |
| **Total equity and liabilities** | | **30,236** | 32,301 |

The financial statements on pages 4 to 17 were approved by the board of directors on 28 March 2011 and were signed on its behalf by

**Adele Anderson**
*Director*

**KPMG Holdings Limited 03512757**

## Statement of changes in equity
*at 30 September 2010*

| | *Note* | Share capital £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|
| Balance at 1 October 2008 | | 10 950 | 584 | 11 534 |
| Total comprehensive income – loss for the financial year | | - | (4 058) | (4 058) |
| Dividend paid during the year | | - | (3 890) | (3 890) |
| Balance at 30 September 2009 | | 10 950 | (7 364) | 3 586 |
| Total comprehensive income – profit for the financial year | | - | 14 | 14 |
| Cancellation of shares | *12* | (10 850) | 10 850 | - |
| **Balance at 30 September 2010** | | **100** | **3,500** | **3,600** |

## Statement of cash flows

*for the year ended 30 September 2010*

| | Note | 2010 £000 | 2009 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) for the financial year | | 14 | (4 058) |
| *Adjustments for* | | | |
| Provisions against investments and receivables | 4 | - | 7 389 |
| Financial income | 5 | (331) | (3 948) |
| Financial expense | 5 | 312 | 607 |
| Tax expense | 6 | 5 | 10 |
| **Operating result before changes in working capital** | | - | - |
| Decrease in trade and other receivables | | 13 | 163 |
| (Decrease)/increase in trade and other payables | | (1,472) | 505 |
| **Cash (absorbed by)/generated from operations** | | (1,459) | 668 |
| Group relief received/(paid) | | 49 | (111) |
| Compensation payments received from group undertakings | | 15 | 1 |
| **Net cash (absorbed by)/generated from operating activities** | | (1,395) | 558 |
| **Cash flows from investing activities** | | | |
| Dividends received | | - | 3 306 |
| Interest received | | 1 | 3 |
| Disposal of investments | | 1,362 | - |
| Loans advanced | | - | (16 380) |
| **Net cash flows from investing activities** | | 1,363 | (13 071) |
| **Cash flows from financing activities** | | | |
| Dividends paid | | - | (3 890) |
| Loans received | | - | 16 380 |
| **Net cash flows from financing activities** | | - | 12 490 |
| Net decrease in cash and cash equivalents | | (32) | (23) |
| Cash and cash equivalents at the beginning of the year | | 32 | 55 |
| **Cash and cash equivalents at the end of the year** | | - | 32 |

# Notes
*forming part of the financial statements*

## 1 Accounting policies

KPMG Holdings Limited (the company) is a company incorporated in the UK In accordance with the exemption available in IAS 27 these financial statements present information about the company as a separate entity and not about its group Details of the group in which the results of the company are consolidated are given in note 14

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements A number of amendments and interpretations to published standards have been endorsed by the European Union with effective dates such that they fall to be applied by the company Most notably the following amendments and interpretations to published standards have been applied by the company

- Improvements to IFRSs (issued by the IASB in May 2008) various effective dates all of which are mandatory for the year ended 30 September 2010
- Amendment to IFRS 7 Improving Disclosures about Financial Instruments effective for periods beginning on or after 1 January 2009
- Improvements to IFRSs (issued by the IASB in April 2009) various effective dates some of which are for periods beginning on or after 1 July 2009 others for periods beginning on or after 1 January 2010 The latter have been voluntarily adopted in these financial statements

These amendments have had no impact on these financial statements

The company has previously voluntarily adopted the following adopted IFRSs and related amendments and interpretations

- Revision to IAS 1 Presentation of Financial Statements Revised 2007 voluntarily adopted in the year ended 30 September 2009 This standard is effective for financial years beginning on or after 1 January 2009
- Amendments to IAS 32 and IAS 1 Puttable financial instruments and obligations arising on liquidation voluntarily adopted in the year ended 30 September 2009 This standard is effective for financial years beginning on or after 1 January 2009

There are no other adopted IFRSs amendments or interpretations that require mandatory application The following amendment has been endorsed and will be adopted by the company in the year ending 30 September 2011

- Revised IAS 24 Related Party Disclosures effective for periods beginning on or after 1 January 2011

It is expected that this change will result in a small number of insignificant changes to disclosures but otherwise have no impact

### Basis of preparation

These financial statements have been prepared in accordance with adopted IFRSs The financial statements have been approved by the directors The financial statements are 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 the pound sterling The financial statements are presented in thousands of pounds (£000) unless otherwise specified

## Notes continued

### 1 Accounting policies continued

**Foreign currency**

Transactions in foreign currencies 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 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

**Taxation**

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

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

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

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

**Financial income and expense**

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

**Non-derivative financial instruments**

Non-derivative financial instruments comprise

*Investments*

Non-current and current investments are stated at cost less provision for impairment

*Non-current loans and receivables*

Non-current loans and receivables are initially recognised at fair value based upon the estimated present value of future cash flows discounted at the market rate of interest at the year end Subsequent to initial recognition non-current loans and receivables are recorded at amortised cost

*Trade and other receivables*

Trade and other receivables are recognised at fair value based upon discounted cash flows at prevailing interest rates 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

*Loans payable*

Loans payable are initially recognised at fair value based upon the estimated present value of future cash flows discounted at the market rate of interest at the year end Subsequent to initial recognition loans payable are recorded at amortised cost

*Trade and other payables*

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

*Cash and cash equivalents*

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

## Notes continued

### 1 Accounting policies continued

**Impairment**

The carrying amounts of the company s assets are reviewed at each year end to determine whether there is any indication of impairment If any such indication exists the asset s recoverable amount is 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 short duration are not discounted

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its 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

### 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 the following is considered a key source of estimation uncertainty

*Carrying value of investments*

In considering the carrying value of investments the company considers the estimated future profitability of its subsidiaries A different assessment of the future profitability may result in a different value being determined for investments

### 3 Personnel 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

### 4 Other operating expenses

Other operating expenses comprise impairment provisions against investments of £nil (2009 £7 328 000) and £nil (2009 £61 000) against amounts due from other LLLP group undertakings

The auditor s remuneration of £5 000 (2009 £4 000) was borne by KPMG LLP

**Notes** continued

**5 Financial income and expense**

| **Recognised in profit or loss** | **2010 £000** | 2009 £000 |
|---|---|---|
| Interest income | 1 | 3 |
| Dividends received | - | 3 306 |
| Loan interest income (see note 8) | 330 | 639 |
| Financial income | 331 | 3 948 |
| Loan interest expense (see note 10) | (265) | (607) |
| Exchange losses | (47) | - |
| Financial expense | (312) | (607) |

**6 Tax expense**

Analysis of tax charge in the year

| | **2010 £000** | 2009 £000 |
|---|---|---|
| *Current year* | | |
| Group relief payable | 17 | 24 |
| Compensation payments receivable | (12) | (14) |
| Tax expense in income statement | 5 | 10 |

| | **2010 £000** | 2009 £000 |
|---|---|---|
| *Current year tax reconciliation* | | |
| Profit/(loss) before taxation | 19 | (4 048) |
| Profit/(loss) multiplied by average standard rate of corporation tax in the UK of 28% (2009 28%) | 5 | (1 133) |
| Impact of items not taxable | - | 1 143 |
| UK corporation tax arising on transfer pricing adjustments | 12 | 14 |
| Compensation payments receivable relating to transfer pricing adjustments | (12) | (14) |
| Actual tax charge for the year as above | 5 | 10 |

The tax charge largely results from the impact of UK transfer pricing legislation However a payment to compensate KPMG Holdings Limited is made by fellow group undertakings where appropriate

Payment for group relief surrendered is generally made at 28% (2009 28%) No deferred tax arose in either year

**Notes** continued

**7 Investments**

| | Shares in group undertakings £000 |
|---|---|
| *Cost* | |
| At beginning and end of year | 11 746 |
| *Provisions* | |
| At beginning and end of year | 10 445 |
| *Net book value* | |
| **At 30 September 2010** | **1,301** |
| At 30 September 2009 | 1 301 |

At 30 September 2010 the principal entities in which the company had a significant interest were

| Subsidiary undertakings | Principal activity | Percentage of ordinary shares |
|---|---|---|
| *Held directly* | | |
| KPMG United Kingdom Plc | Specialist advisory services | 100 |
| KPMG UK Limited | Employment company | 100 |
| *Held indirectly* | | |
| KPMG Audit Plc | Statutory audits and related services | 100 |

All of the above subsidiaries make up their accounts to 30 September each year and all are incorporated in England and Wales

During the year the company s investment in KPMG Corporate Finance LLC (a US incorporated entity providing specialist advisory services) was sold for consideration of £1 362 000 which matched the carrying value of the investment (after appropriate impairment provisions) held as a current asset investment at 30 September 2009

During the year the company was appointed a corporate member of KPMG LLP No payment was required and the company has not contributed capital to KPMG LLP

## Notes continued

### 8 Non-current loans and receivables

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Amounts due from other ELLP group undertakings | **15,446** | 3 640 |
| Amounts due from other KPMG International member firms | - | 12 740 |
| | **15,446** | 16 380 |

Amounts due from other ELLP group undertakings are denominated in euros and are due for repayment on the earlier of 10 years from 1 October 2008 or the date the member firm leaves the ELLP group The loans attract interest at a rate of 3% above Euribor

One of these loans was classified in 2009 as an amount due from other KPMG International member firms as the company involved was not then part of the ELLP group

### 9 Trade and other receivables

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Amounts due from other ELLP group undertakings | **13,489** | 12 741 |
| Amounts due from other KPMG International member firms | - | 485 |
| | **13,489** | 13 226 |

All receivables fall due within one year

### 10 Loan payable

The loan payable relates to a loan advanced by a fellow ELLP group undertaking This loan is also denominated in euros is subject to the same repayment terms as the loans receivable (see note 8) and so is classified as a non-current liability The loan attracts interest at a rate of 1% above Euribor

### 11 Trade and other payables

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Amounts due to other ELLP group undertakings | **11,190** | 12 335 |

# Notes continued

## 12 Capital

*Share capital*

| | 2010 £000 | 2009 £000 |
|---|---|---|
| ***Authorised*** | | |
| 100 000 (2009 10 950 000) Ordinary shares of £1 each | **100** | 10 950 |
| ***Allotted, called up and fully paid*** | | |
| 100 000 (2009 10 950 000) Ordinary shares of £1 each | **100** | 10 950 |

The share capital of the company is entirely owned by KPMG LLP (see note 14) Capital requirements are considered by the group from time to time The share capital of the company is considered to be the only capital to be managed the objectives for managing capital being to ensure that the company remains solvent There are no externally imposed capital requirements

During the year the company was re-registered from a public limited company to a private company and subsequently 10 850 000 shares were cancelled following a capital reduction

## 13 Financial instruments

Financial instruments held by the company arise directly from its operations The main purpose of these financial instruments is to finance the operations of the company It is and has been throughout the period under review the group s policy 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 ELLP board has overall responsibility for the establishment and oversight of the group s risk management framework The group s risk management policies are established to identify and analyse the risks faced by the group to set appropriate risk limits and controls and to monitor risks and adherence to limits Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group s activities The group through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations

Further quantitative disclosures are included throughout these financial statements

### a) 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 department 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 the year

*Exchange rate risk*

The functional currency of the company is the pound sterling However certain expenses and charges from other KPMG International member firms are denominated in other currencies

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

## Notes continued

### 13 Financial instruments continued

#### b) Credit risk

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

**Exposure to credit risk**

The maximum exposure to credit risk is represented by the carrying amount of the company s financial assets as set out in the table below

| | 2010 £000 | 2009 £000 |
|---|---|---|
| **Loans and receivables** | | |
| Non-current assets amounts due from other ELLP group undertakings | **15,446** | 3 640 |
| Non-current assets amounts due from other KPMG International member firms | - | 12 740 |
| Current assets amounts due from other ELLP group undertakings | **13,489** | 12 741 |
| Current assets amounts due from other KPMG International member firms | - | 485 |
| Current investments | - | 1 362 |
| Bank balances | - | 32 |
| **Total financial assets** | **28,935** | 31 000 |

There were no significant impairment provisions against the company s financial assets The non-current receivables due from other ELLP group undertakings rank after other unsecured creditors of the relevant KPMG member firms in Spain

#### c) 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 department 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 the following non-derivative financial liabilities measured at amortised cost

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Non-current liabilities loan payable | **15,446** | 16 380 |
| Current liabilities amounts due to other ELLP group undertakings | **11,190** | 12 335 |
| | **26,636** | 28 715 |

## Notes continued

### 13 Financial instruments continued

None of the company's current financial liabilities are interest bearing. Hence the contractual cash flows equal the carrying amount. Whilst the company's non-current liabilities bear interest at 1% above Euribor this is matched by amounts receivable bearing interest at 3% above Euribor. Since the repayment terms of both these loans are matched the directors do not consider there to be any liquidity risk.

#### d) Interest rate risk

The financial assets of the company are non interest bearing with the exception of the non-current loans and receivables and bank balances which are variable rate instruments. The interest risk arising from the variable rate non-current loans and receivables is matched with a variable rate non-current liability. Hence no cash flow sensitivity is presented in this regard.

*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 £200 (2009 £400). This analysis assumes that all other variables remain constant.

#### e) Exchange rate risk

As set out above the company generally trades in its functional currency. The company has Euro denominated non-current loans and receivables matched by equal Euro denominated non-current liabilities such that no exchange rate risk is deemed to arise on these balances. The company has no other material receivables or payables denominated in currencies other than sterling at either 30 September 2010 or 2009.

#### f) Fair values

The estimated fair values of the company's financial assets and liabilities approximate their carrying values at 30 September 2010 and 2009 largely owing to their short maturity. The company's non-current assets and liabilities are interest bearing at interest rates that approximate the relevant discount rates. Hence the fair value of these balances also approximates their carrying values at 30 September 2010. The bases for determining fair values are disclosed in note 1.

### 14 Related party disclosures

The company is wholly owned by KPMG LLP, a limited liability partnership registered in England and Wales, in which it is also a corporate member.

In October 2007 KPMG LLP and the KPMG International member firm in Germany merged their previously independent practices. As a result of the merger the company's ultimate controlling party became ELLP.

The largest group in which the results of the company were consolidated at 30 September 2010 was that of ELLP. The accounts of ELLP are available to the public and may be obtained from the principal place of business Marie-Curie-Strasse 30, 60439 Frankfurt am Main, Germany and at www.kpmg.eu/annualreport. No other group accounts include the results of the company.

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 group undertakings*

Whilst management services are carried out on behalf of the company by fellow group undertakings no charges are levied for these services.

## Notes continued

### 14 Related party disclosures continued

Transactions with group undertakings during the year were as follows

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Loan interest receivable | **330** | 639 |
| Loan interest payable | **(265)** | (607) |
| Corporation tax compensation payments – current year | **(12)** | (10) |
| Group relief – current year | **17** | 24 |

During the year the company received dividends of £nil (2009 £3 306 000) and paid a dividend of £nil (2009 £3 890 000)

At year end balances with group undertakings were as follows

| | 2010 £000 | 2009 £000 |
|---|---|---|
| **Non-current loans and receivables** | | |
| Amounts due from other ELLP group undertakings | **15,446** | 3 640 |
| **Trade and other receivables** | | |
| Amounts due from other ELLP group undertakings | **13,489** | 12 741 |
| **Non-current liabilities** | | |
| Loan payable | **(15,446)** | (16 380) |
| **Trade and other payables** | | |
| Amounts due to group undertakings | **(11,190)** | (12 335) |

*Transactions with key management personnel*

The directors of the company are all separately members of ELLP 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 2010 or 30 September 2009

### 15 Events after the year end

In February 2011 the company acquired 100% ownership of Equaterra Europe Limited a provider of advisory services for consideration of US$22 million