

KPMG Holdings Limited

Directors' report and financial statements

Registered number 03512757

30 September 2020



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Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2020.

The company

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

Nature of the business

The company acts as a holding and co-ordinating company for a number of companies associated with KPMG LLP. The investments of the company at 30 September 2020 are set out in note 7.

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 the community

All community support work of the group in the UK is channelled through KPMG LLP. Similarly, environmental matters in the UK are managed through KPMG LLP. The company made no political or charitable contributions in either the current or prior year.

Going concern

The financial position of the company, its cash flows and liquidity position are discussed in the strategic report. 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, including those that have arisen as a result of Covid-19 and may arise as a result of Brexit. The resilience measures taken by the group early in the pandemic, including cost containment and enhanced focus on working capital management, together with further measures taken to strengthen the group's capital structure in 2021, have improved the group's resilience both in the immediate and longer term.

Forecasts have been prepared for the group for the period through to 30 September 2023 reflecting the group's business plan. These forecasts reflect a range of downside scenarios and a Plausible but Severe scenario that incorporates a wide range of impacts including those arising from further deterioration of the economy, prolonged impact from Covid-19, regulatory and reputational matters. Whilst the Plausible but Severe scenario reflects a significantly reduced level of trading and revenue growth available to the group, it demonstrates that the group can withstand periods of reduced profitability, operating comfortably within borrowing facilities and covenants throughout the forecast period without reliance on cost mitigating or liquidity enhancing measures. Should economic impacts significantly worsen, the group has the option of reintroducing certain of the measures taken at the outset of the pandemic such as postponing investment spend or deferring payments to partners.

These group forecasts have been reviewed by the directors and the company's ultimate parent entity, KPMG LLP, has agreed to provide financial support to the company for at least 12 months from the date of this report. Having considered the financial support available to the company for the next 12 months, the group forecasts, together with known events and conditions that may arise beyond the forecast period, the Board has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of this report. Accordingly, the Board continues to adopt the going concern basis in preparing these financial statements.

Directors' report continued

Directors and directors' interests

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

AG Cates

SKG Willows

JM Holt

J Dean

Subsequent to the year end, SKG Willows and AG Cates resigned as directors of the company on 26 February 2021 and 8 September 2021 respectively.

The company secretary is J Dean.

The directors in office at the end of the financial year had no direct interest in the shares of the company or any of its subsidiaries but, JM Holt and AG Cates by virtue of their position as members of KPMG LLP, had an indirect interest in the entire share capital of the company. SKG Willows and J Dean are not members of KPMG LLP and therefore had no residual interest in any of the share capital of the company.

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
Canary Wharf
London
E14 5GL

22 December 2021

Strategic report

Directors' duties: section 172

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard, amongst other matters, to the following:

- a) likely consequences of any decisions in the long-term;
- b) interests of the company's employees;
- c) need to foster the company's business relationships with suppliers, customers and others;
- d) impact of the company's operations on the community and environment;
- e) desirability of the company maintaining a reputation for high standards of business conduct; and
- f) need to act fairly as between members of the company.

The company is a wholly owned subsidiary of KPMG LLP (see note 12) and acts as a holding entity within the group and is engaged solely with the transactions associated with this activity. It does not have employees and has no business relationships with suppliers, customers or others. Accordingly, the considerations that would apply in an operating or commercial trading company with respect to the company's employees, shareholders and other stakeholders do not apply. The following summarises how the directors fulfil their duties in line with the requirements of section 172 relevant to this entity:

Consequences of decisions in the long-term – strategy and risk management factors

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. 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).

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.

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. As set out above, the nature of the business is such that all transactions of the company are with fellow group undertakings. Accordingly, the directors do not consider there to be any external risks and uncertainties affecting the future development and performance of the company.

Performance and development during the year

The company incurred an operating profit of £1,027,000 (2019: operating loss £20,164,000) largely as a result of impairment of investments totalling £3,140,000 (2019: £14,407,000) (see note 7) offset by a reversal of expected credit losses (ECL) recognised under IFRS 9 of £4,200,000 (2019: ECL expense £4,200,000). However, the company also received dividends of £59,194,000 (2019: £54,042,000) from subsidiary entities in 2020 resulting in a profit for the year of £60,597,000 (2019: £33,931,000).

The company's operations generally absorb cash, funded either through dividends from subsidiary entities or bank financing facilities available to the group. A dividend of £51,300,000 (2019: £34,400,000) was paid in the current year.

Subsequent to the year end, in March 2021, the company received dividends of £61,856,000 from its subsidiary entities and paid a dividend of £45,300,000 to its parent entity, KPMG LLP.

Financial position at the end of the year

At 30 September 2020, the company had net assets of £30,407,000 (2019: £21,110,000).

The company's receivables and payables are entirely with fellow group undertakings.

By order of the Board



J Dean
Company Secretary

15 Canada Square
Canary Wharf
London
E14 5GL

22 December 2021

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

The directors are responsible for preparing the directors' report, strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006.

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 in conformity with the requirements of the Companies Act 2006;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operation, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error, and 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 Holdings Limited

Opinion

We have audited the financial statements of KPMG Holdings Limited (the 'company') for the year ended 30 September 2020 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) in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs in conformity with the requirements of the Companies Act 2006; 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and strategic 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.

Independent auditor's report to the members of KPMG Holdings Limited continued

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Crawley
22 December 2021

Income statement

For the year ended 30 September 2020

	<i>Note</i>	2020 £000	2019 £000
Revenue		-	-
Impairment losses on receivables		4,200	(4,200)
Other operating expenses	3	(3,173)	(15,964)
		<hr/>	<hr/>
Operating profit/(loss)		1,027	(20,164)
		<hr/>	<hr/>
Financial income	5	60,535	55,093
Financial expense	5	(884)	(986)
		<hr/>	<hr/>
Net financial income		59,651	54,107
		<hr/>	<hr/>
Profit before taxation		60,678	33,943
Tax expense	6	(81)	(12)
		<hr/>	<hr/>
Profit for the financial year		<u>60,597</u>	<u>33,931</u>

Statement of comprehensive income

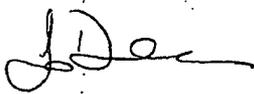
For the year ended 30 September 2020

	2020 £000	2019 £000
Profit for the financial year	<u>60,597</u>	<u>33,931</u>
Total comprehensive income for the year	<u><u>60,597</u></u>	<u><u>33,931</u></u>

Statement of financial position
At 30 September 2020

	<i>Note</i>	2020 £000	2019 £000
Assets			
Non-current assets			
Investments	7	33,376	35,064
Trade and other receivables	8	34,780	24,286
		68,156	59,350
Current assets			
Trade and other receivables	8	16,008	16,004
Cash and cash equivalents: bank balances		7,381	3,082
		23,389	19,086
Total assets		91,545	78,436
Equity and liabilities			
Equity			
Share capital	10	100	100
Retained earnings		30,307	21,010
		30,407	21,110
Current liabilities			
Trade and other payables	9	61,046	57,315
Corporation Tax		92	11
Total liabilities		61,138	57,326
Total equity and liabilities		91,545	78,436

The financial statements on pages 7 to 21 were approved by the board of directors on 22 December 2021 and were signed on its behalf by:



J Dean
 Director

KPMG Holdings Limited: 03512757

Statement of changes in equity
For the year ended 30 September 2020

	<i>Note</i>	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 October 2018		100	21,479	21,579
<i>Total comprehensive income</i>				
Profit for the financial year		-	33,931	33,931
<i>Transactions with owners of the company</i>				
Dividends paid during the year	<i>12</i>	-	(34,400)	(34,400)
Balance at 30 September 2019		100	21,010	21,110
<i>Total comprehensive income</i>				
Profit for the financial year		-	60,597	60,597
<i>Transactions with owners of the company</i>				
Dividends paid during the year	<i>12</i>	-	(51,300)	(51,300)
Balance at 30 September 2020		100	30,307	30,407

Statement of cash flows*For the year ended 30 September 2020*

	<i>Note</i>	2020 £000	2019 £000
Cash flows from operating activities			
Profit for the financial year		60,597	33,931
<i>Adjustments for:</i>			
Financial income	5	(60,535)	(55,093)
Financial expense	5	884	986
Tax expense	6	81	12
Impairment losses on investments	7	3,140	15,957
Impairment (credit)/losses on receivables	8	(4,200)	4,200
		<hr/>	<hr/>
Operating loss before changes in working capital		(33)	(7)
Increase in trade and other receivables		(6,335)	(13,673)
Increase/(decrease)/in trade and other payables		2,280	(3,453)
		<hr/>	<hr/>
Cash absorbed by operations		(4,088)	(17,133)
Interest paid	5	(819)	(986)
Group relief received		-	96
Prior year group relief payment		(1)	-
		<hr/>	<hr/>
Net cash absorbed by operating activities		(4,908)	(18,023)
		<hr/>	<hr/>
Cash flows from investing activities			
Dividend received	5	59,194	54,042
Interest received	5	1,313	966
		<hr/>	<hr/>
Net cash flows from investing activities		60,507	55,008
		<hr/>	<hr/>
Cash flows from financing activities			
Dividends paid	12	(51,300)	(34,400)
		<hr/>	<hr/>
Net cash flows from financing activities		(51,300)	(34,400)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		4,299	2,585
Cash and cash equivalents at the beginning of the year		3,082	497
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		7,381	3,082
		<hr/> <hr/>	<hr/> <hr/>

Notes*Forming part of the financial statements***1 Accounting policies**

KPMG Holdings Limited (the company) is a company incorporated in the United Kingdom. In accordance with the exemption available in IAS 27, these financial statements present information about the company as a separate entity and not about its group. Details of the group in which the results of the company are consolidated are given in note 12.

The company's financial statements have been prepared in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006 (adopted IFRSs) and have been approved by the directors.

Accounting policies that relate to the financial statements as a whole are set out in this note, 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. Whilst there are a number of new standards, interpretations and amendments to adopted IFRSs, all of these have effective dates such that they do not yet fall to be applied by the company.

The company elected to early adopt the following IFRSs and amendments in the year ended 30 September 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards: effective for periods beginning on or after 1 January 2020.
- Amendments to IAS 1 and IAS 8 'Definition of Material': effective for periods beginning on or after 1 January 2020.
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7); effective for periods beginning on or after 1 January 2020.

These amendments resulted in a small number of insignificant changes to disclosures given in the company's financial statements but otherwise had no impact.

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

Future developments

There are a number of new interpretations and amendments issued by the International Accounting Standards Board (IASB) that are effective for financial statements after this reporting period. The most relevant changes for the company are:

- Annual improvements to IFRSs 2018-2020 Cycle; effective for periods beginning on or after 1 January 2022.
- Amendments to IAS 1: 'Classification of Liabilities as Current or Non-current'; effective for periods beginning on or after 1 January 2023.

Based on preliminary assessments the adoption of these 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 pound 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 strategic 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, including those that have arisen as a result of Covid-19 and may arise as a result of Brexit. The resilience measures taken by the group early in the pandemic, including cost containment and enhanced focus on working capital management, together with further measures taken to strengthen the group's capital structure in 2021, have improved the group's resilience both in the immediate and longer term.

Notes continued**1 Accounting policies continued****Going concern continued**

Forecasts have been prepared for the group for the period through to 30 September 2023 reflecting the group's business plan. These forecasts reflect a range of downside scenarios and a Plausible but Severe scenario that incorporates a wide range of impacts including those arising from further deterioration of the economy, prolonged impact from Covid-19, regulatory and reputational matters. Whilst the Plausible but Severe scenario reflects a significantly reduced level of trading and revenue growth available to the group, it demonstrates that the group can withstand periods of reduced profitability, operating comfortably within borrowing facilities and covenants throughout the forecast period without reliance on cost mitigating or liquidity enhancing measures. Should economic impacts significantly worsen, the group has the option of reintroducing certain of the measures taken at the outset of the pandemic such as postponing investment spend or deferring payments to partners.

These group forecasts have been reviewed by the directors and the company's ultimate parent entity, KPMG LLP, has agreed to provide financial support to the company for at least 12 months from the date of this report. Having considered the financial support available to the company for the next 12 months, the group forecasts, together with known events and conditions that may arise beyond the forecast period, the Board has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of this report. 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.

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 revenue and expenses, assets and liabilities.

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 consider that the following is a critical accounting judgement arising in the application of the company's accounting policies:

Treatment of investment in operations in India

The company holds investments in the group's operations in India. Other group entities have service agreements with, and benefit from, the activities of these operations. On a consolidated basis, the group has classified these entities as joint operations.

However, the directors do not consider that the company individually has both control and derives benefit from the operations and as such has not accounted for them as joint operations in these separate financial statements. A different assessment as to the relationship with these operations may result in a different treatment in these financial statements.

In addition, estimates that may carry a significant risk of resulting in a material adjustment to the carrying amount of the assets and liabilities within the next financial year are considered as follows:

Carrying value of investments

In considering the carrying value of investments, being £33,376,000 at 30 September 2020 (2019: £35,064,000), the company considers the current intentions with respect to the future plans for each subsidiary entity, the group operating agreements in place, or planned to be in place, with these entities and the estimated future profitability of those subsidiaries as a result. A different assessment of the future profitability may result in a different value being determined for investments and any resulting impairment (see note 7).

Notes continued**2 Accounting estimates and judgements continued***Carrying value of intercompany receivables*

The carrying value of amounts due from other UK group undertakings is £49,496,000 at 30 September 2020 (2019: £38,990,000) after recognising an ECL of £nil (2019: £4,200,000). In calculating the ECL, the company have made certain assumptions as to the probability of the risk of loss occurring based on future forecasts of those businesses and scenarios reflecting sensitivities of those forecasts together with expectations as to the group's future intentions for those businesses. A different assessment of the probability weightings attributed to each scenario may result in a different value being determined for that ECL (see note 8).

3 Other operating expenses

Other operating expenses include the impairment losses on investments totalling £3,140,000 (2019: £15,957,000) (see note 7).

Amounts paid to the auditor in respect of the audit of these financial statements totalled £5,000 (2019: £5,000) and were borne by KPMG LLP. The auditor provided no non-audit services during either year.

4 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.

5 Financial income and expense**Accounting policy**

Financial income and expense comprises dividends received, interest income and expense on group balances, bank interest income and foreign exchange gains and losses. Dividend income is recognised on the date the company's right to receive payment is established. Interest income and expense is recognised as it accrues, using the effective interest method.

Recognised in profit or loss:	2020	2019
	£000	£000
Bank Interest	1,087	2
Dividends received	59,194	54,042
Interest income on group balances (see note 8)	226	964
Exchange gains	28	85
Financial income	<u>60,535</u>	<u>55,093</u>
Interest expense on group balances (see note 9)	(819)	(986)
Exchange losses	(65)	-
Financial expense	<u>(884)</u>	<u>(986)</u>

The total interest income and expense arising from financial assets and liabilities that were not classified as fair value through profit or loss were £1,313,000 (2019: £966,000) and £819,000 (2019: £986,000) respectively.

Notes continued

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.

	2020 £000	2019 £000
UK corporation tax on profits for the year at 19% (2019: 19%)	81	11
Group relief adjustments in respect of the prior year	-	1
Tax expense in the income statement	<u>81</u>	<u>12</u>
	2020 £000	2019 £000
Profit before taxation	<u>60,678</u>	<u>33,943</u>
Profit, multiplied by the average standard rate of corporation tax in the UK of 19% (2019: 19%)	11,529	6,449
Impact of items not taxable	(11,448)	(6,438)
Adjustment in respect of prior periods	-	1
Actual tax credit for the year, as above	<u>81</u>	<u>12</u>

Payment for group relief surrendered is generally made at 19% (2019: 19%). No deferred tax arose in either year.

Factors affecting the tax charge in future periods

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. Subsequently, in the March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. These changes will have a consequential effect on the company's future tax charge.

Notes continued

7 Investments

The company's investments are stated at cost less provision for impairment.

	£000
<i>Cost</i>	
At beginning and end of year	109,615
Additions	1,452
	<hr/>
At end of year	111,067
<i>Impairment</i>	
At beginning of year	74,551
Impairment loss charged during the year	3,140
	<hr/>
At end of year	77,691
	<hr/>
<i>Net book value</i>	
At 30 September 2020	33,376
	<hr/> <hr/>
At 30 September 2019	35,064
	<hr/> <hr/>

During the year ended 30 September 2020, the company acquired 100% of the shares in Nunwood Holdings Limited, from an intermediary parent entity of the group for a cash consideration of £1,452,000 as part of a group reorganisation. In the year ended 30 September 2020, impairment losses of £3,140,000 were recognised reflecting future trading and profitability expectations on the following businesses:

- Makinson Cowell: Impairment losses of £704,000 were recognised, reducing the investment carrying value to reflect the expected future income stream given the decision taken in August 2020 to wind down the Makinson Cowell operations within the group, further supporting that impairment.
- Nunwood: Impairment losses of £701,304 were recognised, reducing the investment carrying value to reflect the value in use calculation and the carrying value of the asset at group level.
- Microsoft Business Services (formerly Crimsonwing): Impairment losses of £234,692 were recognised, reducing the investment carrying value to reflect the value in use calculation and the carrying value of the asset at group level.
- Boxwood: Impairment losses of £500,000 were recognised, reducing the investment carrying value to reflect the expected future income stream following receipt of dividends in year.
- KPMG CIO (Formerly Xantus): Impairment losses of £1,000,000 were recognised, reducing the investment carrying value to reflect the expected future income stream following receipt of dividends in year.

We have performed sensitivity analysis around the assumptions used for the value in use calculations: we consider it unlikely that there would be reasonably possible changes that could result in the carrying amount exceeding the recoverable amount for any individual asset.

At September 2020, the company had an interest in KCapital and ITCC, both KPMG International entities, in addition to the following entities:

Notes continued

7 Investments continued

Subsidiary undertakings	Incorporated in	Principal activity	Percentage of ordinary shares
<i>Held directly:</i>			
KPMG United Kingdom Plc	England ¹	Specialist advisory services	100
KPMG UK Limited	England ¹	Employment company	100
KPMG Sourcing Limited	England ¹	In liquidation	100
KPMG CIO Advisory Limited	England ¹	Dormant	100
Makinson Cowell Limited	England ¹	Dormant	100
KPMG Overseas Services Limited	England ¹	Support services for KPMG firms	100
KPMG Nunwood Investments Limited	England ¹	In liquidation	100
KPMG Boxwood Limited	England ¹	Specialist advisory services	100
Knowledge Systems (Nunwood) Limited	England ¹	In liquidation	15
KPMG Audit Holdings Limited	England ¹	Dormant entity	100
K Nominees Limited	England ¹	Dormant entity	100
KPMG Resource Centre Private Limited	India ⁷	Internal support services	50
KPMG Global Advisory Holdings (Bermuda) LP	Bermuda ⁸	Holding entity	50
KPMG Investments Malta Limited	Malta ²	Holding entity	75
Daymer International Limited	England ¹	Dormant entity	100
KPMG Limited	Gibraltar ⁶	Audit services	100
KPMG Advisory Limited	Gibraltar ⁶	Advisory services	100
<i>Held indirectly:</i>			
KPMG Audit Plc	England ¹	Statutory audits and related services	100
KPMG Business Intelligence Limited	England ¹	In liquidation	100
Makinson Cowell (US) Limited	England ¹	Dormant entity	100
KPMG Nunwood Holdings Limited	England ¹	Holding entity	100
KPMG Nunwood Consulting Limited	England ¹	Specialist advisory services	100
Knowledge Systems (Nunwood) Limited	England ¹	In liquidation	85
KPMG UK (Transatlantic) LLC (formerly KPMG UK (Americas) Inc)	USA ³	Dormant entity	100
GKAS (Mauritius) Limited	Mauritius ⁹	Holding entity	50
KPMG Global Services Management Private Limited	India ¹⁰	Internal advisory support services	33
KPMG Global Services Private Limited	India ¹⁰	Internal advisory support services	33
KPMG Global Services Inc	US ¹¹	Internal advisory support services	33
Crimsonwing Limited (formerly plc)	Malta ⁵	Holding entity	75
KPMG Crimsonwing (Malta) Limited	Malta ⁵	Specialist advisory services	75
KPMG Crimsonwing Limited	England ¹	Specialist advisory services	75
KPMG Crimsonwing BV	Netherlands ⁴	Specialist advisory services	75

Registered offices:

- 15 Canada Square, Canary Wharf, London, E14 5GL
- Portico Building, Marina Street, Pieta
- The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington. New Castle County, Delaware, 19801
- Seinstraat 32, 1223DA Hilversum
- Lignum House, Aldo Moro Road, Marsa, MRS9065
- 3B Leisure Island Business Centre, Ocean Village, Gibraltar
- 1st Floor, Lodha Excellus, Apollo Mills Compound N.M. Joshi Marg, Mahalaxmi Mumbai City, MH 400011
- Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda
- C/o Trident Trust Company (Mauritius) Limited, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Republic of Mauritius
- 6th Floor, Tower C, Building No 10, DLF Cyber City, Phase - II Gurgaon, Gurgaon HR 122002
- 3 Chestnut Ridge Road, Montvale, New Jersey, USA 07645

All of the above companies make up their accounts to 30 September each year and are incorporated in England and Wales except where noted.

Notes continued

8 Trade and other receivables**Accounting policy**

Trade and other receivables are initially recognised at their transaction price. Subsequent to initial recognition, trade and other receivables are recorded at amortised cost less impairment losses.

Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The loss allowance is measured at an amount equal to lifetime ECLs.

When estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

	2020 £000	2019 £000
Amounts due from other UK group undertakings	49,496	38,941
Amounts due from other KPMG International member firms	1,292	1,349
	<u>50,788</u>	<u>40,290</u>
Non-current	34,780	24,286
Current	16,008	16,004
	<u>50,788</u>	<u>40,290</u>

Amounts due from other UK group undertakings include loans net of impairment losses of £nil (2019: £4,200,000); the net remeasurement of the loss allowance reflects the current expectations on recovery of those amounts and repayments received subsequent to year end. The credit is recognised in the income statement. Interest on the loan balance is recognised in the income statement within 'financial income' (see note 5).

9 Trade and other payables

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

	2020 £000	2019 £000
Amounts due to other UK group undertakings	61,046	57,315
	<u>61,046</u>	<u>57,315</u>

Amounts due to other UK group undertakings include loans advanced by the parent entity, KPMG LLP. Interest on the loan balance is recognised in the income statement within 'financial expense' (see note 5).

Notes continued**10 Share capital**

	2020	2019
	£000	£000
<i>Authorised, allotted, called up and fully paid</i>		
100,000 Ordinary shares of £1 each	100	100

The share capital of the company is entirely owned by 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**Accounting policy****Recognition and initial measurement**

Financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instruments.

A financial asset or financial liability is initially measured at fair value plus, transactions costs that are directly attributable to its acquisition. The company has no financial instruments measured at fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Classification and subsequent measurement**Financial assets***(a) Classification*

On initial recognition, a financial asset is classified as measured at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held with the objective of collecting contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Subsequent measurement and gains and losses

Financial assets at amortised cost – these are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

*Financial liabilities**Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Notes continued**11 Financial instruments continued****Risk management framework**

Financial instruments held by the company arise directly from its operations. The main purpose of these financial instruments is to finance the operations of the company. It is, and has been throughout the period under review, the policy of the company and the group that no trading in financial instruments shall be undertaken.

The company has exposure to market risk, credit risk and liquidity risk arising from its use of financial instruments. This note presents information about the company's exposure to each of the above risks. The company adheres to group objectives, policies and processes for measuring and managing risk.

The KPMG LLP board has overall responsibility for the establishment and oversight of the group's risk management framework. The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Further quantitative disclosures are included throughout these financial statements.

a) Accounting classifications and fair values

The estimated fair values of the company's financial assets and liabilities approximate their carrying values at 30 September 2020 and 2019, largely owing to their short maturity or expected repayment profile. The basis for determining fair values 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 2020 or 30 September 2019.

	<i>Note</i>	2020 £000	2019 £000
At amortised cost			
Amounts due from other UK group undertakings	8	49,496	38,941
Cash and cash equivalents		7,381	3,082
Amounts due from other KPMG International member firms	8	1,292	1,349
Total financial assets at amortised cost		58,169	43,372
Non-derivative financial liabilities measured at amortised cost			
Amounts due to other UK group undertakings	9	61,046	57,315
Total non-derivative financial liabilities measured at amortised cost		61,046	57,315
Total net financial instruments		(2,877)	(13,943)

Notes continued**11 Financial instruments continued****b) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The company uses derivatives on a case by case basis in order to manage market risks. The company does not hold or issue derivative financial instruments for trading purposes.

Interest rate risk

The company faces interest rate risks from investing and financing activities. The positions held are closely monitored by the Treasury function and proposals are discussed to align the positions with market expectations. Use of interest rate options is considered but no such derivatives were entered into during either the current or prior year. The financial assets and liabilities of the company are non-interest bearing, with the exception of certain of the balances with other UK group undertakings and the bank balances 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 £52,000 (2019: £251,000). This analysis assumes that all other variables remain constant.

Exchange rate risk

The functional currency of the company is pounds sterling. However, certain transactions with 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.

c) 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.

The company establishes allowances for impairment that represent its estimate of expected credit losses in respect of trade and other receivables. Impairment information is included in note 8. There are no impairment provisions against other classes of assets, other than the impairment loss recognised against the investments (see note 7).

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 19.

d) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the group's reputation.

The focus of the group's treasury policy is to ensure that there are sufficient funds to finance the business. Surplus funds are normally invested according to the assessment of rates of return available through the money market.

The Treasury function monitors the company's cash position daily and it is the group's policy to use finance facilities or to invest surplus funds efficiently. Limits are maintained on amounts to be deposited with each banking counterpart and these are reviewed regularly in the light of market changes.

The company has non-derivative financial liabilities as set out in the table in section a) on page 19. All of those financial liabilities are measured at amortised cost. None of the company's financial liabilities are interest bearing with the exception of certain of the balances with other UK group undertakings (see note 9). Hence, the contractual cash flows equal the carrying amount. All financial liabilities are repayable within 12 months.

Notes continued**12 Related parties**

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

The largest group in which the results of the company were consolidated for the year ended 30 September 2020 and 30 September 2019 is that of KPMG LLP and its subsidiaries. The group financial statements of KPMG LLP for the year ended 30 September 2020 and 30 September 2019 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

Whilst management services are carried out on behalf of the company by fellow group undertakings, no charges are levied for these services. Transactions with other UK group undertakings during the year were as follows:

	2020 £000	2019 £000
Interest income on group balances	(226)	(964)
Interest expense on group balances	819	986
Group relief – prior year adjustments	-	1
	<u> </u>	<u> </u>

During the year the company received a dividend from its subsidiary entities of £59,194,000 (2019: £54,042,000) and paid a dividend to its parent entity during the year of £51,300,000 (2019: £34,400,000). Subsequent to the year end, in March 2021, the company received dividends of £61,856,000 from its subsidiary entities and paid a dividend of £45,300,000 to its parent entity, KPMG LLP.

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

	2020 £000	2019 £000
Trade and other receivables		
Amounts due from other UK group undertakings	49,496	38,941
	<u> </u>	<u> </u>
Trade and other payables		
Amounts due to other UK group undertakings	61,046	57,315
	<u> </u>	<u> </u>

Transactions with key management personnel

The directors of the company at 30 September 2020 (with the exception of J Dean) 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 2020 or 30 September 2019.

13 Events after the year end

Subsequent to the year end, in March 2021, the company received dividends of £61,856,000 from its subsidiary entities and paid a dividend of £45,300,000 to its parent entity, KPMG LLP.

In November 2021, the group completed the disposal of KPMG Crimsonwing BV, a subsidiary trading entity in the Netherlands, for consideration of €10 million. Following this disposal, the company acquired the minority interest in its subsidiary KPMG Investments Malta Limited for €7 million.