KPMG IFRG Limited

(limited by guarantee)

Directors' report and financial statements

Registered number 05253019

30 September 2016

Contents

Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2016.

Nature of the business

The activity of KPMG IFRG Limited is to provide specialist advisory services to the member firms of KPMG International Cooperative ('KPMG International') worldwide. Based in London, the company is part of the KPMG network of member firms, focusing on international accounting and auditing standards.

Treasury policies

The company's treasury policies focus on ensuring that there are sufficient funds to finance the business. Details of these treasury policies and management of the associated risks are disclosed in note 14 to the financial statements.

Relationships and resources

Relationships with clients

The company provides services to KPMG International member firms and does not provide professional services external to the KPMG network.

Relationships with personnel

The company did not employ any staff directly during the year ended 30 September 2016 (2015: nil persons). However, a number of personnel were seconded from KPMG International member firms and, as in prior years, costs were recharged to KPMG IFRG Limited as agreed with those member firms.

Every effort is made to ensure that there is no discrimination, direct or indirect, against disabled persons in all human resources policies or actions, including recruitment. Personnel who become disabled will, whenever possible, be retained in employment with the same opportunities for training and career development.

Relationships with the community

The company made no political or charitable contributions during the year (2015: £nil).

Going concern

The financial position of the company, its cash flows and liquidity position are discussed in the strategic report. After making enquiries, the Board has reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing these financial statements.

Directors' report *continued*

Directors and directors' interests

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

R Devlin	France
L Leva	United States
M Cook	United Kingdom

The Company Secretary was J Dean.

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

In accordance with a shareholders' resolution, the company is not obliged to reappoint its auditor annually and Grant Thornton UK LLP therefore will continue in office.

By order of the Board

J Dean

J Dean
Company Secretary

15 Canada Square
London
E14 5GL

29 June 2017

Strategic report

Strategy

The company's strategy is to provide KPMG International member firms with advisory services, timely updates and analyses of new developments on international accounting, auditing, reporting and regulatory matters, and to support global network-wide policy committees.

Performance and development during the year

The level of activity increased slightly during the year ended 30 September 2016, with revenue increasing by 1% to £9,562,000 (2015: £9,476,000). The directors expect a similar level of activity in 2017.

An operating profit of £70,000 was generated in the year ended 30 September 2016 (2015: £106,000).

Financial position at the end of the year

The financial position of the company remains satisfactory, with net assets of £227,000 at 30 September 2016 (2015: £199,000).

The company's activities are generally cash generative. The company had cash of £1,144,000 at 30 September 2016 (2015: £2,083,000), the decrease compared to prior year due to timing of working capital payments.

The company's other main assets are trade and other receivables, largely representing amounts receivable from KPMG International member firms. These are monitored regularly.

Future development and performance

Risk management and internal control systems exist within KPMG International member firms to mitigate risks affecting the future development and performance of those member firms. The future development and performance of the company are dependent upon:

- the ability of the company to react to changes in professional standards;
- the ability of the company to consistently deliver high standards of service to KPMG International member firms.

Each of these areas is considered by the Board of KPMG IFRG Limited as part of the overall risk management of the company.

By order of the Board

J Dean
Company Secretary

15 Canada Square
London
E14 5GL

29 June 2017

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 as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of KPMG IFRG Limited

We have audited the financial statements of KPMG IFRG Limited for the year ended 30 September 2016, which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditor
As explained more fully in the statement of directors' responsibilities 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the directors' report and strategic 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

Charles Hutton-Potts
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
30 June 2017

GrantThornton

Income statement
for the year ended 30 September 2016

	Note	2016 £000	2015 £000
Revenue	4	**9,562**	9,476
Personnel expenses	5	**(7,835)**	(7,808)
Service agreement expenses and membership dues	15, 16	**(678)**	(633)
Travel expenses		**(132)**	(137)
Other operating expenses	6	**(847)**	(792)
Operating profit		**70**	106
Net finance expense	7	**(28)**	(62)
Profit before income taxes		**42**	44
Income taxes	8	**(14)**	(28)
Profit for the financial year		**28**	16

Statement of comprehensive income
for the year ended 30 September 2016

	2016 £000	2015 £000
Profit for the financial year	**28**	16
Other comprehensive income	-	-
Total comprehensive income for the year	**28**	16

Statement of financial position
at 30 September 2016

	Note	2016 £000	2015 £000
Assets			
Current assets			
Intangible assets	9	14	3
Inventories		73	71
Trade and other receivables	10	2,145	2,469
Cash and cash equivalents	11	1,144	2,083
Total assets		3,376	4,626
Equity and liabilities			
Equity			
Capital	12	-	-
Retained profits		227	199
Total equity		227	199
Current liabilities			
Trade and other payables	13	3,141	4,421
Income taxes		8	6
Total liabilities		3,149	4,427
Total equity and liabilities		3,376	4,626

These financial statements on pages 6 to 18 were approved by the board of directors on 29 June 2017 and were signed on its behalf by:

M Cook
Director

Registered Company Number 05253019

Statement of changes in equity
for the year ended 30 September 2016

	Retained Earnings £000	Total equity £000
Balance at 1 October 2014	183	183
Total comprehensive income		
Profit for the financial year	16	16
Balance at 30 September 2015	199	199
Total comprehensive income		
Profit for the financial year	28	28
Balance at 30 September 2016	227	227

Statement of cash flows
for the year ended 30 September 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Profit before taxes		**42**	44
(Reversals of impairment)/impairment losses on trade receivables		**(15)**	14
(Increase)/decrease in short-term intangible assets	9	**(11)**	21
Increase in inventories		**(2)**	(19)
Decrease in trade and other receivables		**338**	482
(Decrease)/increase in trade and other payables		**(1,280)**	684
Interest income	7	**-**	(18)
Income taxes paid		**(11)**	(55)
Net cash (absorbed by)/generated from operating activities		**(939)**	1,153
Cash flows from investing activities			
Interest received	7	**-**	18
Net cash flows from investing activities		**-**	18
Net (decrease)/increase in cash and cash equivalents		**(939)**	1,171
Cash and cash equivalents at the beginning of the year		**2,083**	912
Cash and cash equivalents at the end of the year	11	**1,144**	2,083

Notes
forming part of the financial statements

1. Reporting entity

KPMG IFRG Limited (the company) is a company incorporated in the UK and limited by guarantee (see note 12).

2. Basis of preparation

Statement of compliance

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

A number of amendments and interpretations to published standards have been endorsed by the European Union with effective dates that would apply to the company for the year ended 30 September 2016. However, these amendments have had no impact on these financial statements.

There are no other adopted IFRSs, amendments or interpretations that require mandatory application or are available for early adoption by the company that would have a significant impact on these financial statements other than IFRS 15: 'Revenue from contracts with customers'. Endorsed by the European Union on 22 September 2016, IFRS 15 is effective for periods beginning on or after 1 January 2018; impact assessment is ongoing.

Basis of measurement

The financial statements are prepared on the historical cost basis.

Functional and presentation currency

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

Use of estimates and judgements

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In particular, the recoverability of trade receivables (see note 10) is based on an assessment of the likelihood of the member firms of KPMG International Cooperative ('KPMG International') settling their accounts. A different assessment of the recoverability of these balances may result in a different profit for the financial year. The accounting policy on impairments is explained in note 3.

Notes *continued*

3. Significant accounting policies

The following accounting policies have been applied consistently to all periods presented in these financial statements.

Foreign currency transactions

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 reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on retranslation are recognised in the income statement within finance income or expense, as appropriate.

Revenue

Revenue excludes value added tax.

Services rendered

Revenue from services rendered represents the fair value of the consideration receivable from providing services to KPMG International member firms. Revenue in respect of services that are provided on a continuous basis is recognised on a straight-line basis over the period of service. Other revenue in respect of services rendered is recognised based on the value of the work performed to date.

Publications

Revenue from the sale of hardcopy publications is recognised when the publications are delivered to the customer.

Personnel expenses

Personnel expenses are recognised as the related services are rendered.

Lease expenses

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Income taxes

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, if any, in which case it is recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, 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 reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Notes *continued*

3. Significant accounting policies *continued*

Finance income and expense

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

Intangible assets

Intangible assets comprise intellectual property associated with projects that will be completed after the reporting date.

Inventories

Inventories comprise the printing cost of hardcopy publications that have not been sold at the reporting date. Inventories are stated at the lower of cost and net realisable value.

Trade and other receivables

Trade and other receivables are short term with no stated interest rate; they are measured at the original invoice amount. Amounts recoverable on contracts comprise unbilled revenue in respect of services rendered.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Financial assets are tested for impairment on an individual basis. All impairment losses are recognised in profit or loss. Amounts charged to the allowance for impairment account are written off against the underlying financial asset once there is judged to be no realistic prospect of recovering the amounts due.

The carrying amount of intangible assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and any impairment loss is recognised in profit or loss.

Trade and other payables

Trade and other payables are short term with no stated interest rate; they are measured at the original invoice amount.

Notes *continued*

4. Revenue

	2016 £000	2015 £000
Services rendered	**7,983**	7,912
Publications	**1,579**	1,564
Revenue	**9,562**	9,476

5. Personnel expenses

Personnel expenses include the amounts charged in respect of personnel seconded from KPMG International member firms, including key management personnel (see note 15).

On average 46 staff (2015: 44) were seconded from KPMG International member firms on a full-time basis.

6. Other operating expenses

The amount of "other operating expenses" includes the following:

	2016 £000	2015 £000
Printing cost of hardcopy publications sold	**304**	344
(Reversals of impairment)/impairment losses on financial assets	**(15)**	14
Auditor's remuneration: audit of these financial statements	**14**	11

In addition to the above, other operating expenses include costs relating to communications, meetings and marketing.

7. Finance income and expense

Recognised in profit:	2016 £000	2015 £000
Finance income		
Other interest income	**-**	18
Finance expense		
Bank expenses	**(1)**	(1)
Net foreign exchange losses	**(27)**	(79)
Net finance expense	**(28)**	(62)

Notes *continued*

8. Income taxes

Analysis of charge in the year:

	2016 £000	2015 £000
UK corporation tax on profits for the year at 20% (2015: 20.5%)	**8**	9
Adjustments in respect of the prior year	**6**	19
Income taxes on profit per income statement	**14**	28

	2016 £000	2015 £000
Income tax reconciliation		
Profit before income taxes	**42**	44
Profit, multiplied by the average standard rate of corporation tax in the UK of 20% (2015: 20.5%)	**8**	9
Adjustments in respect of the prior year	**6**	19
Actual income tax charge for the year, as above	**14**	28

No deferred tax asset has been recognised at either year end, due to the uncertainty of future profitability levels.

9. Intangible assets

	2016 £000	2015 £000
Balance at the beginning of the year	**3**	24
Amounts capitalised	**14**	3
Amounts consumed and written off	**(3)**	(24)
Balance at the end of the year	**14**	3

Notes *continued*

10. Trade and other receivables

	2016 £000	2015 £000
Trade receivables	**1,325**	1,666
Amounts recoverable on contracts	**47**	24
Other receivables	**773**	779
	2,145	2,469

Trade receivables are shown net of estimated impairments amounting to £15,000 (2015: £59,000); the movement for the year is recognised in other operating expenses. An analysis of overdue trade receivables is given in note 14. All receivables fall due within one year.

11. Cash and cash equivalents

	2016 £000	2015 £000
Bank balances	**1,144**	2,083
Cash and cash equivalents per statement of financial position and cash flow statement	**1,144**	2,083

12. Capital

KPMG IFRG Limited is a company limited by guarantee with no share capital. The members of the company are seven member firms of KPMG International. Each member is entitled to one vote in meetings of the company. In the event of a winding up, the members are liable to make a maximum contribution of £1 each to the company and are entitled to the net assets of the company. There are no externally imposed capital requirements.

13. Trade and other payables

	2016 £000	2015 £000
Payables	**561**	1,385
Accruals	**2,580**	3,036
	3,141	4,421

Notes *continued*

14. Financial instruments

Financial instruments comprise cash and cash equivalents, trade and other receivables, and trade and other payables, all of which arise directly from the company's operations. The purpose of these financial instruments is to finance the operations of the company. The company's policy is not to trade financial instruments.

The risks arising from these financial instruments are interest rate risk, exchange rate risk, credit risk and liquidity risk. The policies for managing each of these risks have remained unchanged during the period. In 2016 and 2015 it was the policy of the company to price the impact of these risks into the amounts charged to KPMG International under the service agreement (see note 15).

Market risk

The principal risks to which the company is exposed are interest rate and foreign exchange risk.

Interest rate risk

The company's trade and other receivables, and trade and other payables, are non-interest bearing and have a short contractual maturity; therefore they are not exposed to significant interest rate risk. Cash and cash equivalents bear interest at market rates and reprice daily.

Exchange rate risk

The functional currency of the company is UK pounds sterling. The company's main exposure to foreign currency risk relates to the following.

- Revenue: 16% was denominated in euros (2015: 14%).
- Personnel costs: 15% was denominated in U.S. Dollars (2015: 22%), 6% was denominated in Canadian Dollars (2015: 5%) and 2% was denominated in euros (2015: nil%).

The Company's exposure to foreign currency risk was as follows:

000' GBP	**USD 2016**	**EUR 2016**	**CAD 2016**	**USD 2015**	**EUR 2015**	**CAD 2015**
Trade receivables	**6**	**1,162**	**-**	-	1,039	-
Trade payables	**(421)**	**(47)**	**(358)**	(955)	(113)	(286)
Net statement of financial position exposure	**(415)**	**1,115**	**(358)**	(955)	926	(286)

The following significant exchange rates have been applied during the year:

in GBP	**Reporting date spot rate 2016**	**Reporting date spot rate 2015**
USD 1	0.76886	0.65796
EUR 1	0.8602	0.7379
CAD 1	0.58781	0.49108

Sensitivity analysis

A reasonably possible strengthening (weakening) of the GBP, as indicated below, against all other currencies at 30 September would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss before taxes by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Notes *continued*

14. Financial instruments continued

***Market risk** continued*

000' GBP	Strengthening		Weakening	
	Equity	**Profit or loss**	**Equity**	**Profit or loss**
30 September 2016				
GBP (10% movement)	-	**(34)**	-	**34**
30 September 2015				
GBP (10% movement)	-	(32)	-	32

The company does not hedge any of its exposure to foreign currency risk.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's trade and other receivables.

Exposure to credit risk is monitored on an ongoing basis, and an allowance is recognised for any financial assets that are judged to be impaired. However, as the clients of the company are KPMG International member firms, generally it is not envisaged that significant credit risk will arise as a result of normal trading. The company does not require collateral in respect of financial assets.

During the year the largest receivables balance due to the company arises from amounts owed to the company by KPMG International in respect of services rendered under contract; at 30 September 2016 and 30 September 2015 no amount was owed by KPMG International; typically amounts are invoiced on a quarterly basis and are settled within a month. However, the biggest credit risk is in collecting receivables due from KPMG International member firms (see impairment losses below).

Cash investments are allowed only with counterparties that have a credit rating of AA or better.

The maximum exposure to credit risk is represented by the carrying amount of trade and other receivables (see note 10) and cash and cash equivalents (see note 11).

Impairment losses

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

	Gross 2016 £000	**Impairment 2016 £000**	Gross 2015 £000	Impairment 2015 £000
Overdue 1-30 days	**1**	-	-	-
Overdue 31-180 days	**30**	-	30	-
More than 180 days	**45**	**15**	112	59
	76	**15**	142	59

Notes *continued*

14. Financial instruments continued

Credit risk continued

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

	2016	2015
	£000	£000
Balance at 1 October	**59**	45
Impairment loss recognised	**7**	25
Impairment loss reversed	**(22)**	(11)
Amounts written off	**(29)**	-
Balance at 30 September	**15**	59

There were no impairments recognised against other financial assets.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Cash balances are monitored in relation to upcoming financial obligations that fall due, and any surplus cash is placed on overnight deposit. The company's financial liabilities comprise trade and other payables (see note 13).

The company manages its cash flows to ensure that timing of the periodic receipts from KPMG International matches the dates on which expenses are due (principally payroll). Payables due to KPMG LLP (see note 16) are paid as cash flows permit, but typically within three months of the invoice being received. Other amounts are paid upon receipt of the related invoice.

Fair values

The estimated fair values of the company's financial instruments approximate their book values at 30 September 2016 and 2015. The fair value of trade and other receivables, and trade and other payables, approximates their nominal amounts because payment is expected to be received / made in the near future.

15. Related parties

The company is limited by guarantee and its members are seven member firms of KPMG International (see note 12), none of which has control of the company.

An amount of £3,312,000 (2015: £3,788,000) relating to short-term benefits for key management personnel was incurred. No other benefits were incurred in respect of key management personnel. Of this amount £501,000 relates to qualifying services provided by directors of the company (2015: £484,000). At the reporting date trade and other payables include an amount of £861,000 (2015: £1,057,000) due in respect of compensation of key management personnel.

The company has a service agreement with KPMG International to provide professional services to KPMG International member firms, including those that are members in the company. During the year revenue of £7,463,000 was earned under this contract (2015: £7,697,000). Additionally, membership dues to KPMG International of £67,000 (2015: £50,000) were incurred.

16. Service agreement

The company has entered into a service agreement with KPMG LLP, the UK member firm of KPMG International, which relates substantially to the lease of office space, equipment and furniture. The service agreement is cancellable by KPMG LLP in its entirety with immediate effect if the company ceases to occupy premises owned or leased by KPMG LLP, or otherwise by either party giving 12 months' notice. No penalties are payable upon termination. An amount of £611,000 (2015: £583,000) was incurred under the service agreement.