KPMG Holdings Limited

Directors' report and financial statements

Registered number 03512757

30 September 2011

Contents

Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2011

Business review

Nature of the business

The company acts as a holding and co-ordinating company for a number of companies associated with KPMG LLP which, as explained in note 15 to these financial statements, is the company's immediate controlling party During the year ended 30 September 2010, the company was appointed a corporate member of KPMG LLP

The principal investments of the company at 30 September 2011 are set out in note 7

Strategy

The company's strategy reflects that of KPMG Europe LLP (ELLP), its ultimate controlling party at 30 September 2011 (see note 15) The purpose of the ELLP group (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 2011 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 There were therefore no specific KPI's relating solely to the performance of the company

Performance and development during the year

The company generated a profit for the year ended 30 September 2011 A profit share of £2,000,000 was received in the year ended 30 September 2011 from KPMG LLP, in which the company is a corporate member (2010 £nil) Dividends of £320,000 were received from associated companies during the year (2010 £nil)

Financial position at the end of the year

The financial position of the company remains satisfactory, with net equity of £5,399,000 at 30 September 2011 (2010 £3,600,000)

The company's receivables and payables are mainly with other group undertakings The significant increase in gross assets and liabilities is due to the acquisition of EquaTerra Europe Limited (see note 7), acquisition of Xantus Limited (see note 16) and transactions with other group undertakings

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 14 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

Going concern

The financial position of the company and liquidity position are discussed above The company has access to the group's bank facilities 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

JG Griffith-Jones

R Bennison

AH Anderson	Resigned 10 June 2011
P Long	Appointed 10 June 2011
AG Cates	Appointed 10 June 2011

The company is a wholly owned subsidiary of KPMG LLP (see note 15) The company's ultimate controlling party is 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 was NK Challis until 1 May 2011 when he resigned and CG Cleaves was appointed

Disclosure of information to 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 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

Auditor

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

By order of the Board

CG Cleaves

Colin Cleaves
Company Secretary

15 Canada Square
London
E14 5GL

4 April 2012

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 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

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 2011, 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 3, 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 2011 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
4 April 2012

GrantThornton

Income statement
for the year ended 30 September 2011

	Note	2011 £000	2010 £000
Revenue		-	-
Other operating expenses	*3*	-	-
Operating profit		-	-
Financial income	*5*	**2,896**	331
Financial expense	*5*	**(485)**	(312)
Net financial income		**2,411**	19
Profit before taxation		**2,411**	19
Tax expense	*6*	**(612)**	(5)
Profit for the financial year		**1,799**	14

Statement of comprehensive income
for the year ended 30 September 2011

	2011 £000	2010 £000
Profit for the financial year	**1,799**	14
Total comprehensive income for the year	**1,799**	14

Statement of financial position
at 30 September 2011

	Note	2011 £000	2010 £000
Assets			
Non-current assets			
Investments	7	**15,159**	1,301
Non-current loans and receivables	8	**15,584**	15,446
		30,743	16,747
Current assets			
Trade and other receivables	9	**36,504**	13,489
Cash and cash equivalents bank balances		**402**	-
		36,906	13,489
Total assets		**67,649**	30,236
Equity and liabilities			
Equity			
Share capital	13	**100**	100
Retained earnings		**5,299**	3,500
		5,399	3,600
Non-current liabilities			
Loan payable	10	**15,584**	15,446
Current liabilities			
Short term bank borrowings	11	**22,400**	-
Trade and other payables	12	**24,214**	11,190
Corporation tax		**52**	-
		46,666	11,190
Total liabilities		**62,250**	26,636
Total equity and liabilities		**67,649**	30,236

The financial statements on pages 5 to 19 were approved by the board of directors on 4 April 2012 and were signed on its behalf by

Paul Long

Paul Long
Director

KPMG Holdings Limited: 03512757

Statement of changes in equity
at 30 September 2011

	Note	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 October 2009		10,950	(7,364)	3,586
Total comprehensive income for the financial year		-	14	14
Cancellation of shares		(10,850)	10,850	-
Balance at 30 September 2010		100	3,500	3,600
Total comprehensive income for the financial year		-	1,799	1,799
Balance at 30 September 2011		**100**	**5,299**	**5,399**

Statement of cash flows
for the period ended 30 September 2011

	Note	2011 £000	2010 £000
Cash flows from operating activities			
Profit for the financial year		**1,799**	14
Adjustments for			
Financial income	*5*	**(2,896)**	(331)
Financial expense	*5*	**485**	312
Tax expense	*6*	**612**	5
Operating profit before changes in working capital		**-**	-
(Increase)/decrease in trade and other receivables		**(11,751)**	13
Increase/(decrease) in trade and other payables		**13,024**	(1,472)
Cash generated from/(absorbed by) operations		**1,273**	(1,459)
Interest paid		**(147)**	-
Group relief received		**-**	49
Compensation payments received from group undertakings		**12**	15
Net cash generated from/(absorbed by) operating activities		**1,138**	(1,395)
Cash flows from investing activities			
Profit share received		**2,000**	-
Dividend received		**320**	-
Interest received		**92**	1
Acquisition of investments		**(25,548)**	-
Disposal of investments		**-**	1,362
Net cash flows from investing activities		**(21,998)**	1,363
Cash flows from financing activities			
Loans received		**22,400**	-
Net cash flows from financing activities		**22,400**	-
Net increase/(decrease) in cash and cash equivalents		**402**	(32)
Cash and cash equivalents at the beginning of the year		**-**	32
Cash and cash equivalents at the end of the year		**402**	-

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 15

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 for these financial statements, the following amendments and interpretations to published standards are reflected for the first time

- Improvements to IFRSs (issued by the IASB in May 2010) various effective dates, some of which are for periods beginning on or after 1 July 2010, others for periods beginning on or after 1 January 2011 The latter have been early adopted in these financial statements

The company has also early adopted the following adopted IFRSs and related amendments and interpretations

- Revised IAS 24 'Related Party Disclosures' effective for periods beginning on or after 1 January 2011
- Amendments to IFRS 7 Financial Instruments 'Disclosures – Transfers of Financial Assets' effective for periods beginning on or after 1 July 2011

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

There are no other adopted IFRSs, amendments or interpretations that are available for early adoption or that require mandatory application

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

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 or the contracted rate where applicable Foreign exchange differences arising on translation are recognised in the income statement within financial income or expense, as appropriate

Notes continued

1 Accounting policies continued

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 profit share, dividends received, loan interest income and expense, bank interest income and expense 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 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

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

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

Short term bank borrowings

Short term bank borrowings are recognised at fair value, based upon nominal amount outstanding Subsequent to initial recognition, they are recorded at amortised cost Borrowing costs arising on short term borrowings are expensed as incurred within financial expense

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

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 In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been 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 Other operating expenses

Amounts paid to the auditors in respect of the audit of these financial statements totalling £5,000 (2010 £5,000) were borne by KPMG LLP The auditors 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

Notes continued

5 Financial income and expense

Recognised in profit or loss:	2011 £000	2010 £000
Profit share received	**2,000**	-
Dividend received	**320**	-
Loan interest income (see note 8)	**547**	330
Exchange gains	**29**	-
Bank interest income	-	1
Financial income	**2,896**	331
Loan interest expense (see note 10)	**(338)**	(265)
Bank interest expense	**(147)**	-
Exchange losses	-	(47)
Financial expense	**(485)**	(312)

6 Tax expense

Analysis of tax charge in the year

	2011 £000	2010 £000
Current year		
UK corporation tax on profits of the year of 27% (2010 28%)	**(52)**	-
Group relief payable	-	(17)
Compensation payments receivable	**13**	12
UK corporation tax adjustments in respect of prior year	**(590)**	-
Compensation payments/group relief adjustments in respect of the prior year	**17**	
Tax expense in income statement	**(612)**	(5)

	2011 £000	2010 £000
Current year tax reconciliation		
Profit before taxation	**2,411**	19
Profit, multiplied by the average standard rate of corporation tax in the UK of 27% (2010 28%)	**651**	5
Impact of items not taxable	**(612)**	-
Adjustment in respect of prior periods	**573**	-
UK corporation tax charge arising on transfer pricing adjustments	**13**	12
Compensation payments receivable relating to transfer pricing adjustments	**(13)**	(12)
Actual tax expense for the year, as above	**612**	5

The corporation tax adjustments in respect of the prior year mainly arise as a result of the profit share from KPMG LLP Although this was received only in the current year, it is taxable in the year to 30 September 2010, being the financial year of KPMG LLP from which it is payable

Notes continued

6 Tax expense continued

The tax charge is also impacted by 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 27% (2010 28%) No deferred tax arose in either year

7 Investments

	Shares in group undertakings £000
Cost	
At beginning of year	11,746
Additions	13,858
At end of year	25,604
Provisions	
At beginning and end of year	10,445
Net book value	
At 30 September 2011	**15,159**
At 30 September 2010	1,301

At 30 September 2011, 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
KPMG Sourcing Limited	Specialist advisory services	100
KPMG Gulf Holdings Limited	Holding entity for investments in the Middle East	100
Held indirectly		
KPMG Audit Plc	Statutory audits and related services	100

Associates	Principal activity	Percentage of ordinary shares
Held directly		
KPMG Resource Centre Private Limited (India)	Audit support services for KPMG firms	50
Held indirectly		
KPMG Global Services Private Limited (India)	Advisory support services for KPMG firms	33

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

During the year, the company acquired KPMG Sourcing Limited (formerly EquaTerra Europe Limited), an entity providing specialist advisory services, for the consideration of £13,808,000, satisfied in cash, and KPMG Gulf Holdings Limited, for a consideration of £50,000, satisfied in cash

Notes continued

7 Investments continued

During the year ended 30 September 2010, the company was appointed a corporate member of KPMG LLP No payment was required and the company did not contribute capital to KPMG LLP

The shareholders' equity and results for the year of the associated undertakings are not material to the company

8 Non-current loans and receivables

	2011 £000	2010 £000
Amounts due from other ELLP group undertakings	**15,584**	15,446

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

9 Trade and other receivables

	2011 £000	2010 £000
Amounts due from other ELLP group undertakings	**24,652**	13,489
Amounts due from other KPMG International member firms	**162**	-
Prepayments	**11,690**	-
	36,504	13,489

Amounts due from other ELLP group undertakings include £10,446,000 advanced to the KPMG member firm in Saudi Arabia These amounts are advanced under a short term loan agreement and attract interest at a rate of 2% above the LIBOR rate

The prepayment represents an advance payment in respect of the acquisition of Xantus Limited This acquisition completed in October 2011 (see note 16)

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 Short term borrowings

	2011 £000	2010 £000
Short term bank borrowings	**22,400**	-

The company has drawn down £22,400,000 against a committed borrowing facility available to its immediate parent undertaking, KPMG LLP and certain of its subsidiaries This facility is a revolving credit facility of £400 million expiring in three years and secured on KPMG LLP's lease over property at 15 Canada Square, London Amounts drawn down from time to time by the company under the facility usually have a maximum term of three months

Notes continued

12 Trade and other payables

	2011 £000	2010 £000
Amounts due to other ELLP group undertakings	**24,177**	11,190
Accruals	**37**	-
	24,214	11,190

13 Capital

Share capital

	2011 £000	2010 £000
Authorised		
100,000 (2010 100,000) Ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid		
100,000 (2010 100,000) Ordinary shares of £1 each	**100**	100

The share capital of the company is entirely owned by KPMG LLP (see note 15) 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

14 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

Notes continued

14 Financial instruments continued

a) Market risk continued

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 or swaps is considered but no such derivatives were in fact entered into during the year

The financial assets and liabilities of the company are non interest bearing, with the exception of the non-current loans and receivables, bank balances and short-term bank borrowings 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 Similarly the interest risk arising from the variable rate short term bank borrowings is matched with a variable rate receivable from ELLP group undertakings Hence, no cash flow sensitivity is presented in either 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 £2,000 (2010 £200) This analysis assumes that all other variables remain constant

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

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 also had receivable balances at 30 September 2011 from the ELLP member firm in Saudi Arabia totalling SAR63,721,000 The company's exchange rate exposure is managed through a currency swap and the amount receivable at 30 September 2011 of £10,446,000 has been valued at the contracted exchange rate No separate value is therefore attributed to the currency swap There were no other material receivables or payables denominated in currencies other than sterling at either 30 September 2011 or 2010 A 5% movement in the Saudi riyals exchange rate would have no impact on profit after reflecting the benefit of the currency swap discussed above

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

	2011	2010
	£000	£000
Loans and receivables		
Non-current assets amounts due from other ELLP group undertakings	**15,854**	15,446
Current assets amounts due from other ELLP group undertakings	**24,652**	13,489
Current assets amounts due from other KPMG International member firms	**162**	-
Bank balances	**402**	-
Total financial assets	**41,070**	28,935

Notes continued

14 Financial instruments continued

b) Credit risk continued

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 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 the following non-derivative financial liabilities measured at amortised cost

	2011 **£000**	2010 £000
Non-current liabilities loan payable	**15,584**	15,446
Short term bank borrowings	**22,400**	-
Current liabilities amounts due to other ELLP group undertakings	**24,177**	11,190
Accruals	**37**	-
	62,198	26,636

None of the company's current financial liabilities are interest bearing with the exception of the short term bank borrowings (see note 11) 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) Fair values

The estimated fair values of the company's financial assets and liabilities approximate their carrying values at 30 September 2011 and 2010, 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 2011 The bases for determining fair values are disclosed in note 1

15 Related parties

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 KPMG LLP is controlled by ELLP

The largest group in which the results of the company were consolidated at 30 September 2011 was that of ELLP The accounts of ELLP are available to the public and may be obtained from the principal place of business, The Squaire, Am Flughafen, 60549 Frankfurt am Main, Germany and at www kpmg eu/annualreport No other group accounts include the results of the company

Notes continued

15 Related parties continued

The company has a related party relationship with its fellow ELLP group undertakings The company also has a related party relationship with key management, considered to be the statutory directors of the company

Transactions with ELLP group undertakings

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

Transactions with ELLP group undertakings during the year were as follows

	2011	2010
	£000	£000
Loan interest receivable	**547**	330
Loan interest payable	**(338)**	(265)
Corporation tax compensation payments – current year	**(13)**	(12)
Group relief – current year	**-**	17
Group relief – prior year adjustments	**(17)**	-

During the year, the company received a profit share of £2,000,000 (2010 £nil) and dividends of £320,000 (2010 £nil)

At year end, balances with group undertakings were as follows

	2011	2010
	£000	£000
Non-current loans and receivables		
Amounts due from other ELLP group undertakings	**15,584**	15,446
Trade and other receivables		
Amounts due from other ELLP group undertakings	**24,652**	13,489
Non-current liabilities		
Loan payable	**(15,584)**	(15,446)
Trade and other payables		
Amounts due to other ELLP group undertakings	**(24,177)**	(11,190)

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 2011 or 2010

Notes continued

16 Events after the year end

In October 2011 the company acquired 100% of the shares in Xantus Limited, a company providing independent management services specialising in IT-enabled business change

The company pre-paid £11 690 000 in September 2011 as the initial consideration for this acquisition A further £304 000 was paid in December 2011, representing a working capital adjustment Amounts totalling £6,120 000 are also payable in two equal instalments in October 2013 and 2015 subject to certain individuals remaining in employment with KPMG.