

## **KPMG United Kingdom Plc**

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

Registered number 03513178

30 September 2023

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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 2023.

**The company**

KPMG United Kingdom Plc (the company) is a wholly owned subsidiary of KPMG Holdings Limited, a company owned by KPMG LLP (see note 14). The company's ultimate controlling party is KPMG LLP (together with its subsidiary undertakings, the group).

**Nature of the business**

The activity of the company is the provision of specialist advisory services, particularly one-off projects for clients overseas.

**Strategic report**

Disclosures required under Section 172 of the Companies Act 2006 are given in the strategic report, including those relating to future developments, principal risks and uncertainties.

**Treasury policies**

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

**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.

Forecasts have been prepared for the group, reflecting the group's business plan through to 30 September 2026 and covering the going concern assessment period of 12 months from the date of approval of these financial statements. These forecasts include a Plausible but Severe scenario that incorporates a number of impacts, including those arising from a deterioration of the economy, regulatory and client related matters. Whilst the Plausible but Severe scenario reflects a significantly reduced level of trading and revenue growth, it demonstrates that the group can withstand periods of reduced profitability, operating within borrowing facilities and covenants throughout the forecast period without reliance on liquidity enhancing measures.

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's forecasts and the wider business risks faced by the group, including 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 going concern assessment period, being 12 months from the date of approval of these financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing these financial statements.

**Directors and directors' interest**

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

Christopher Hearld

Tim Jones                      Resigned 30 November 2022

John Bennett                Appointed 30 November 2022

The directors in office at the end of the financial year had no direct interest in the shares of the company or any other members of the KPMG Holdings group (being KPMG Holdings Limited and its subsidiary undertakings) but, by virtue of their position as members of KPMG LLP, Chris Hearld and John Bennett had an indirect interest in the entire share capital of the company.

The company secretary is Joanne Dean.

**Directors' indemnities**

The company's ultimate parent entity, KPMG LLP, has made qualifying third-party indemnity provisions for the benefit of the directors of the company. As a supplement to this, directors' insurance cover has been established to provide appropriate cover for their reasonable actions on behalf of the company. The indemnities, which constitute a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006, remain in force at the date of this report.

**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.

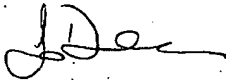
KPMG United Kingdom Plc  
Directors' report and financial statements  
30 September 2023

## Directors' report continued

### Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Grant Thornton UK LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



**Joanne Dean**  
*Company Secretary*

15 Canada Square  
Canary Wharf  
London  
E14 5GL

27 March 2024

## 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 following summarises how the directors' fulfil their duties in line with the requirements of section 172:

#### *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. More specifically, the defined strategy for KPMG United Kingdom plc is to focus on the quality and integrity of Advisory services.

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) including matters relevant to the group's advisory practice (of which the company's business is a part). 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. A number of risks generic to the group are also relevant to the future development and performance of the company:

- Regulatory changes - the ability of the group to react to future changes in regulation;
- Failure to win key clients - the ability of the group to win and maintain key client relationships;
- Failure to maintain service quality - the ability of the group to consistently deliver high standards of client service.

Each of these risk areas, together with the potential impact of wider economic uncertainty, is considered by the board of KPMG LLP as part of the overall risk management of the group.

#### *Interests of the company's employees*

The company does not directly employ any personnel.

Charges were received from KPMG UK Limited, a fellow group undertaking set up for staff employment purposes until 1 April 2023 when all staff employment contracts were transferred to KPMG LLP, for the provision of the services of employees working on the assignments of KPMG United Kingdom Plc. Subsequently, charges for services of staff were received from KPMG LLP, as the employing entity. Charges are also received from KPMG LLP in respect of services provided to the company by the members of KPMG LLP.

Employees are at the heart of the group's business. The group's culture and approach to the recruitment, reward and engagement of talented people, and efforts to build a truly diverse and inclusive business, are central to achieving the group's strategic goal to be the clear choice employer. Considerable emphasis is placed on open and effective communication between the leadership of the group and the employees of the group; this communication operates principally through regular meetings, newsletters and electronic mail bulletins.

The group makes every effort to ensure that there is no discrimination, direct or indirect, against disabled persons in any human resources policies or actions, including recruitment. Employees who become disabled will, wherever possible, be retained in employment with the same opportunities for training and career development.

#### *Fostering relationships with clients and suppliers*

##### *Relationships with clients*

The company seeks to achieve excellent client relationships through the delivery of high quality services. Relationships with clients are monitored through the group's routine client service reviews.

## Strategic report continued

### *Relationships with suppliers*

The group have built strong partnerships with all their suppliers, insisting on the highest ethical standards from all third-party suppliers and contractors and expecting them to comply with or exceed the principles of our Supplier Code of Conduct.

### *Impact on the community and the environment*

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. Further details on how the group interact with communities and the environment can be found on Our Impact website.

The company made no political or charitable contributions in either the current or prior year.

### *Standards of business conduct*

The group operates in a regulated industry. The group have instilled a culture of high challenge and high support with open dialogue so that partners and employees feel empowered to speak up about ethical concerns and issues and act in the public interest. The group's Code of Conduct expressly lays out the expectations of ethical behaviours for all employees and is built on the foundation of the group's values. The group apply high standards of governance and adopt a legal structure reflective of the nature and extent of its activities. Further details on governance structures can be found in the group's separately published Transparency Report.

### *The need to act fairly between members*

The company is a wholly owned subsidiary of KPMG Holdings Limited (see note 14) and therefore the considerations that would apply in an operating or commercial trading company with respect to a company's shareholders do not apply.

### *Performance and development during the year*

Revenue increased from £35,098,000 to £54,984,000 in 2023, reflecting the one-off nature of the advisory engagements undertaken by the company.

The company generated an operating profit of £4,225,000 (2022: operating loss £923,000); the prior year results were impacted by a one-off provision for overseas employment tax expenses, partially released in the current year (see note 5).

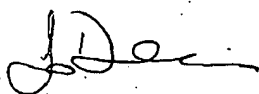
The company's activities were cash generative during the year. Cash balances on 30 September 2023 totalled £1,040,000 (2022: £555,000). No dividends were paid to the company's intermediate parent entity, KPMG Holdings Limited during the year (2022: £6,000,000).

### *Financial position at the end of the year*

The financial position of the company remains strong, with net assets of £8,584,000 on 30 September 2023 (2022: £6,514,000).

The company's main financial assets are amounts due from clients and related contract assets. These assets continue to be monitored regularly as part of the working capital management of the group.

By order of the Board



Joanne Dean  
Company Secretary

15 Canada Square  
Canary Wharf  
London  
E14 5GL

27 March 2024

## **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 the directors have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards (adopted IFRSs).

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, relevant and reliable;
- state whether applicable adopted IFRSs have been followed subject to any material departures disclosed and explained in the financial statements;
- 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 United Kingdom Plc

### Opinion

We have audited the financial statements of KPMG United Kingdom Plc (the 'company') for the year ended 30 September 2023 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 UK-adopted International Accounting Standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards; 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.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as rising inflationary pressures and the rising cost of living, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Other information

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

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 themselves. 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 United Kingdom Plc 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 directors' report and the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report and the strategic report have been prepared in accordance with applicable legal requirements.

**Matter 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 directors' report or the strategic 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**

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined the most significant laws and regulations to be:

- those that relate to the reporting framework (UK-adopted International Accounting Standards) and;
- regulations governing auditors and accountants enforced by the FRC, ICAEW and PCAOB.

We understood how the company is complying with the relevant legal and regulatory frameworks by making enquiries of management and those charged with governance, internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, legal correspondence, correspondence received from regulatory bodies and through circularisation and enquiry of external legal counsel.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through:

- enquiry of management throughout the business to understand areas where they considered there was a risk of fraud; and
- attendance at group audit committee meetings throughout the year which included reporting by internal audit of the key findings of their work.

## Independent auditor's report to the members of KPMG United Kingdom Plc continued

We performed audit procedures to address each identified fraud risk. These included testing:

- journals which met a pre-defined criterion and corroborating to supporting documentation; and
- open revenue contracts with specific risks or characteristics.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

The engagement partner has assessed that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with the laws and regulations and this was achieved through adherence to internal quality control procedures and through planning and stand back meetings to identify and follow up on non-compliance risks.

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](http://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.

*Grant Thornton UK LLP*

Jonathan Maile BSc (Hons) FCA  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants

Crawley  
27 March 2024



**Income statement***For the year ended 30 September 2023*

	<i>Note</i>	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
<b>Revenue</b>	<b>3</b>	<b>54,984</b>	<b>35,098</b>
Personnel costs	5	(29,250)	(23,265)
Impairment of trade receivables and contract assets	9	(59)	(945)
Other operating expenses	4	(21,450)	(11,811)
<b>Operating profit/(loss)</b>		<b>4,225</b>	<b>(923)</b>
Financial income	6	134	528
Financial expense	6	(394)	(486)
<b>Net financial (expense)/income</b>		<b>(260)</b>	<b>42</b>
<b>Profit/(loss) before taxation</b>		<b>3,965</b>	<b>(881)</b>
Tax (expense)/credit	7	(1,895)	378
<b>Profit/(loss) for the financial year</b>		<b>2,070</b>	<b>(503)</b>

**Statement of comprehensive income***For the year ended 30 September 2023*

	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
<b>Profit/(loss) for the financial year</b>	<b>2,070</b>	<b>(503)</b>
<b>Total comprehensive income/(expense) for the year</b>	<b>2,070</b>	<b>(503)</b>

**Statement of financial position***At 30 September 2023*

	<i>Note</i>	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	1,533	1,533
		<u>1,533</u>	<u>1,533</u>
<b>Current assets</b>			
Trade and other receivables	9	31,581	16,744
Cash and cash equivalents	10	1,040	555
		<u>32,621</u>	<u>17,299</u>
<b>Total assets</b>		<u><u>34,154</u></u>	<u><u>18,832</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	12	1,250	1,250
Retained earnings		7,334	5,264
		<u>8,584</u>	<u>6,514</u>
<b>Current liabilities</b>			
Trade and other payables	11	23,241	12,123
Corporation tax		2,329	195
		<u>25,570</u>	<u>12,318</u>
<b>Total equity and liabilities</b>		<u><u>34,154</u></u>	<u><u>18,832</u></u>

These financial statements on pages 9 to 26 were approved by the board of directors on 27 March 2024 and were signed on its behalf by:



**Chris Hearld**  
Director

KPMG United Kingdom Plc: 03513178

**Statement of changes in equity***For the year ended 30 September 2023*

	Share capital	Retained earnings	Total equity
	£000	£000	£000
Balance at 1 October 2021	1,250	11,767	13,017
<i>Total comprehensive income</i>			
Loss for the financial year	-	(503)	(503)
<i>Transactions with owners</i>			
Dividends paid during the year	-	(6,000)	(6,000)
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2022	1,250	5,264	6,514
<i>Total comprehensive income</i>			
Profit for the financial year	-	2,070	2,070
	<hr/>	<hr/>	<hr/>
<b>Balance at 30 September 2023</b>	<b>1,250</b>	<b>7,334</b>	<b>8,584</b>

**Statement of cash flows***For the year ended 30 September 2023*

	<i>Note</i>	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
<b>Cash flows from operating activities</b>			
Profit/(loss) for the financial year		<b>2,070</b>	<b>(503)</b>
<i>Adjustments for:</i>			
Financial income	6	<b>(134)</b>	<b>(528)</b>
Financial expense	6	<b>394</b>	<b>486</b>
Tax expense/(credit)	7	<b>1,895</b>	<b>(378)</b>
Impairment of trade receivables and contract assets	9	<b>59</b>	<b>945</b>
		<b>4,284</b>	<b>22</b>
(Increase)/decrease in trade and other receivables		<b>(14,955)</b>	<b>7,279</b>
Increase/(decrease) in trade and other payables		<b>11,119</b>	<b>(3,019)</b>
		<b>448</b>	<b>4,282</b>
<b>Cash generated from operating activities</b>		<b>448</b>	<b>4,282</b>
Overseas taxes paid		<b>-</b>	<b>(323)</b>
		<b>448</b>	<b>3,959</b>
<b>Net cash flows generated from operating activities</b>		<b>448</b>	<b>3,959</b>
<b>Cash flows from investing activities</b>			
Interest received	6	<b>37</b>	<b>27</b>
		<b>37</b>	<b>27</b>
<b>Net cash flows from investing activities</b>		<b>37</b>	<b>27</b>
<b>Cash flows from financing activities</b>			
Dividend paid	14	<b>-</b>	<b>(6,000)</b>
		<b>-</b>	<b>(6,000)</b>
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>(6,000)</b>
Net increase/(decrease) in cash and cash equivalents		<b>485</b>	<b>(2,014)</b>
Cash and cash equivalents at the beginning of the year		<b>555</b>	<b>2,569</b>
<b>Cash and cash equivalents at the end of the year</b>	10	<b>1,040</b>	<b>555</b>

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

KPMG United Kingdom Plc (the company) is a company incorporated in the United Kingdom.

The company's financial statements have been prepared in accordance with UK-adopted International Accounting Standards (adopted IFRSs) and applicable law 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 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 related amendments in the year ended 30 September 2023:

- Amendments to IAS 8 'Definition of Accounting Estimates'; effective for periods beginning on or after 1 January 2023.
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current': effective for periods beginning on or after 1 January 2024.

These amendments had no significant impact on these financial statements.

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

**Future developments**

There are a number of new 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:

- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting policies'; effective for periods beginning on or after 1 January 2023.
- Amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules': 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.

Forecasts have been prepared for the group, reflecting the group's business plan through to 30 September 2026 and covering the going concern assessment period of 12 months from the date of approval of these financial statements. These forecasts include a Plausible but Severe scenario that incorporates a number of impacts, including those arising from a deterioration of the economy, regulatory and client related matters. Whilst the Plausible but Severe scenario reflects a significantly reduced level of trading and revenue growth, it demonstrates that the group can withstand periods of reduced profitability, operating within borrowing facilities and covenants throughout the forecast period without reliance on liquidity enhancing measures.

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's forecasts and the wider business risks faced by the group, including 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 going concern assessment period, being 12 months from the date of approval of these financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing these financial statements.

**Notes continued****1 Accounting policies continued****Business combinations**

For business combinations, fair values that reflect conditions at the date of the business combination and the terms of each business combination are attributed to the identifiable assets, liabilities and contingent liabilities acquired. For business combinations achieved in stages, the company revalues its investment to the fair value reflecting the conditions at the date of acquisition of the controlling share with any resultant gain or loss recognised in the income statement.

Consideration for the business combination is measured at the fair value of assets transferred to and liabilities incurred on behalf of the previous owners of the acquiree. Goodwill is recognised where the consideration for the business combination exceeds the fair values of identifiable assets, liabilities and contingent liabilities acquired. Where the excess is positive, it is treated as an intangible asset, subject to annual impairment testing.

Transaction costs that the company incurs in connection with a business combination, such as legal fees, are expensed as incurred. Intangible assets have been recognised in respect of customer relationships (see note 8).

**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.

**Impairment***Non-financial assets*

The carrying amounts of the company's non-financial assets are 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. For goodwill the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit' (or 'CGU')). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

**Property, plant and equipment and depreciation**

The company does not own or lease any property, plant and equipment. The property and equipment which it uses in the course of its business are provided by KPMG LLP. KPMG LLP renders charges to the company which include the use of such assets.



**Notes continued****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 do not consider there to be any critical accounting judgements in applying the company's accounting policies. Estimates that may carry a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are considered as follows:

- Revenue from service contracts: estimating the stage of service contract completion, including estimating the costs still to be incurred, assessing the likely engagement outcome and assessing the recoverability of contract assets for the client work (note 3).

Further details of this significant estimate is set out in note 3.

**3 Revenue****Accounting policy**

Revenue is recognised when, or as, the company satisfies performance obligations, contained in contracts with clients, by transferring control of services to clients. Revenue includes recoverable expenses but excludes value added tax.

Recoverable expenses represent charges from other KPMG International member firms, sub-contractors and out of pocket expenses incurred in respect of assignments and expected to be recovered from clients.

Revenue is recognised at an amount that depicts the transaction price of the transfer of professional services to a customer. Variable consideration, such as fee arrangements contingent on the occurrence or non-occurrence of a future event, is included in the transaction price only to the extent that it is highly probable that a significant reversal will not be required when the uncertainties determining the level of variable consideration are subsequently resolved.

The majority of the company's revenue is derived from contracts where the consideration is based on time and materials. For these contracts the company satisfies performance obligations over time and revenue is recognised as services are provided at the rate agreed with the client, provided there is an enforceable right to payment for performance completed to date.

Similarly, revenue derived from fixed fee contracts is recognised over time based on the actual service provided to the end of the reporting period relative to total services to be provided, generally assessed by reference to actual inputs of time and expenses as a proportion of the total expected inputs, where there is an enforceable right to payment for performance completed to date.

For contingent fee contracts, including certain Deal Advisory engagements where the company are providing deal support, consideration is constrained in estimating revenue and only recognised at the point in time when the contingency is resolved and the firm has an entitlement to payment.

Where contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on its stand-alone selling price, reflecting expected cost plus margin if a stand-alone selling price is not directly observable.

Invoices are issued in accordance with the terms of engagement; except where consideration is variable, fees are usually billed on account based on a payment schedule and standard payment terms are usually 30 days from date of issue.

Where revenue recognised by the company exceeds the amounts invoiced, a 'Contract asset' is recognised within 'Trade and other receivables'. Consideration received or amounts due in excess of revenue recognised by the company are classified as 'Contract liabilities' within 'Trade and other payables'. Contract assets are reclassified as trade receivables when invoiced or when the consideration becomes unconditional because only the passage of time is required before payment is due.

**Notes continued****3 Revenue continued****Significant estimate**

In calculating revenue from service contracts, the company make certain estimates as to the extent to which performance obligations have been satisfied. In doing so, the company estimate the remaining time and external costs to be incurred in completing contracts and the clients' willingness and ability to pay for the services provided. These estimates depend upon the outcome of future events and may need to be revised as circumstances change.

Estimates of revenue, costs or extent of progress toward completion are revised if circumstances change. Estimates are updated at each reporting date, including application of any constraint in respect of variable consideration until the uncertainty is resolved. Any resulting increases or decreases in estimated revenues or costs are reflected in the income statement in the period in which the circumstances arose. A different assessment of these estimates may impact the carrying value of contract assets recognised of £11,976,000 (2022: £5,465,000) at 30 September 2023. A 5% movement in contract assets would result in a change in revenue of £622,000 (2022: £273,000).

**Contract balances**

Receivables, contract assets and contract liabilities from contracts with customers are included within 'Trade and other receivables' and 'Trade and other payables' respectively (notes 9 and 11).

At 30 September 2023, the company had no fixed-price, long term contracts. All other contracts are for periods of one year or less or the right to consideration is directly aligned to the performance completed to date. The company has applied the practical expedient in IFRS 15 not to disclose information in respect of partially completed contracts where the period of the contract is one year or less.

During the year ended 30 September 2023, £1,558,000 (2022: £4,856,000) of the company's contract liabilities held at 30 September 2022 were recognised as revenue.

**4 Other operating expenses**

Other operating expenses include recoverable expenses incurred on client assignments of £13,118,000 (2022: £6,944,000) and amounts paid to KPMG LLP for services rendered (see note 14). Amounts paid to the auditors in respect of the audit of these financial statements totalled £61,500 (2022: £52,500). In addition, fees totalling £nil (2022: £3,500) were paid to auditors in respect of audit related assurance services provided overseas for local filing and tax reporting purposes. As these services were not related to the statutory audit of the company, they were considered to be non-audit services.

**5 Personnel numbers and costs****Accounting policy**

The company employed no staff in either the current or prior year. Personnel costs represent the charges of services provided by KPMG UK Limited, a company set up by KPMG LLP for staff employment purposes until 1 April 2023 when all staff employment contracts were transferred to KPMG LLP. Subsequent to 1 April 2023, charges for services of staff were received from KPMG LLP, as the employing entity. Personnel costs also include charges for the time of members of KPMG LLP.

As noted above, KPMG United Kingdom Plc is charged for services provided by KPMG UK Limited and KPMG LLP and for the time of members of KPMG LLP. The total amount charged to the company in respect of the year was £31,162,000 (2022: £20,638,000).

In the prior year, the company recognised an expense of £2,627,000 relating to provision for employment taxes in respect of work on overseas assignments in the Netherlands. Of this provision, £1,912,000 was released during the year, following agreement being reached with the Dutch tax authorities as to the basis for that expense.

**Notes continued****6 Financial income and expense****Accounting policy**

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

Recognised in profit or loss:	2023 £000	2022 £000
Bank interest income	37	27
Dividend received	-	7
Exchange gains	94	494
Other interest	3	-
Financial income	<u>134</u>	<u>528</u>
Other interest	-	(336)
Exchange losses	<u>(394)</u>	<u>(150)</u>
Financial expense	<u>(394)</u>	<u>(486)</u>

The total interest arising from financial assets and liabilities that were not classified as fair value through profit or loss was £40,000 income (2022: £27,000) and £nil expense (2022: £336,000). Other interest relates to interest and penalties associated with the filing of tax returns overseas.

**7 Tax expense/(income)****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.

**Notes continued****7 Tax expense/(income) continued**

Analysis of charge in the year:

	2023 £000	2022 £000
Current year		
UK corporation tax on profits of the year 22% (2022: 19%)	1,095	-
UK corporation tax adjustments in respect of the prior year	-	(324)
Group relief receivable – current year	19	(54)
Group relief receivable – prior year	(261)	-
Overseas taxes – current year	196	-
Overseas taxes – prior year adjustments	846	-
	<u>1,895</u>	<u>(378)</u>
Tax expense/(credit) in income statement		
	<u>3,965</u>	<u>(881)</u>
Profit/(loss) before taxation		
	<u>872</u>	<u>(167)</u>
Profit/(loss) multiplied by the average standard rate of corporation tax in the UK of 22% (2022: 19%)	242	113
Impact of items not taxable or relieviable	(261)	(324)
Adjustments in respect of prior periods	1,042	-
Overseas taxes	<u>1,895</u>	<u>(378)</u>
Actual tax expense/(income) for the year, as above		

**Factors affecting the tax charge in future periods**

Finance Act 2021 increased the UK corporation tax rate to 25% from 1 April 2023 and Finance (No.2) Act 2023 implemented the OECD Base Erosion and Profit Shifting Pillar Two rules in the UK, specifically the multinational and domestic top-up taxes for accounting periods beginning on or after 31 December 2023. These changes will have an immaterial consequential effect on the company's future current tax charges.

**8 Intangible assets****Accounting policy**

Goodwill is discussed in 'Business combinations' in note 1. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units (CGUs), where the CGU reflects the level at which the individual acquired business is now managed and is not amortised but is tested annually for impairment.

	<b>Goodwill £000</b>
<b>Cost</b>	
Balance at 1 October 2022 and 30 September 2023	1,533
<b>Amortisation and impairment</b>	
Balance at 1 October 2022 and 30 September 2023	-
<b>Net book value</b>	
At 1 October 2022 and 30 September 2023	1,533

Goodwill has been recognised in respect of the following business acquisition:

<b>Acquisition</b>	<b>Year of acquisition</b>	<b>Goodwill £000</b>
HRSD practice of Towers Watson Limited	30 September 2015	1,533

Goodwill has been allocated to the individual CGU's within the group's Consulting capability, 'People and Change'; the relevant CGU reflects the business unit level at which the business is managed and performance monitored. The recoverable amount of the CGU is calculated with reference to its value in use, using forecasts of the relevant CGU based on the Board approved Budget for the year ending 30 September 2024, assuming a 2% growth in contribution year on year for the next four years and 0% thereafter. The discount rate applied for the year ended 30 September 2023 was 12.1% (2022: 9.9%).

The growth rate used in the value in use calculation for 2024 and beyond reflects a conservative view given the past performance of these CGUs and uncertainties around further market growth in this business unit beyond the initial forecast period. The calculated recoverable amount is greater than the carrying value and therefore no impairment arises. A reasonable change in the key assumptions does not have a significant impact on the difference between value in use and carrying value.

**Notes continued****9 Trade and other receivables****Accounting policy**

Trade and other receivables (except contract assets) are initially recognised at their transaction price as defined by IFRS 15. Subsequent to initial recognition, trade and other receivables are recorded at amortised cost less expected credit losses (ECLs).

Contract assets represent revenues recognised in satisfying performance obligations where consideration is conditional on something other than the passage of time. Contract assets are recognised at their transaction price as defined by IFRS 15 (in accordance with the revenue accounting policy in note 3) less provision for foreseeable losses and net of amounts billed on account.

**Impairment**

The company recognises loss allowances for ECLs on financial assets measured at amortised cost and contract assets (as defined in IFRS 15). 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.

	2023 £000	2022 £000
Client receivables	13,399	8,301
Amounts due from other KPMG International member firms	5,301	2,651
Trade receivables	18,700	10,952
Contract assets	11,976	5,465
Amounts due from other UK group undertakings	450	315
Other receivables	13	12
Prepayments	442	-
	<b>31,581</b>	<b>16,744</b>

Trade and other receivables fall due within 12 months. Trade receivables and contract assets are shown net of impairment losses amounting to £466,000, (2022: £407,000); the movement for the year is recognised in the income statement. An aged analysis of trade receivables and the movement in the allowance for impairment in respect of trade receivables are given below. The other classes of assets within trade and other receivables do not contain impaired assets.

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

	2023 £000	2022 £000
Balance at 1 October	407	75
Utilised during the year	-	(613)
Impairment loss	59	945
Balance at 30 September	<b>466</b>	<b>407</b>

**Notes continued****9 Trade and other receivables continued****Impairment losses***Expected credit loss assessment*

The company uses an allowance matrix to measure the ECLs of trade receivables. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages to write-off. In addition, ECLs are measured using forward looking information as to the probability of default due to specific industry and economic factors. The table below provides information about the exposure to credit risk and ECLs for trade receivables as at 30 September 2023.

	Weighted average loss rate	Gross 2023 £000	Gross 2022 £000
<b>Trade receivables</b>			
Current (not past due)	0.10%	15,192	8,477
31-60 days	0.25%	585	2,086
61-90 days	0.49%	1,345	326
91-120 days	1.23%	553	62
121-150 days	3.30%	355	72
151-180 days	6.13%	513	-
181-360 days	17.84%	403	64
More than 360 days	100%	191	271
Gross trade receivables		19,137	11,358
Gross contract assets	0.24%	12,005	5,466
Expected credit losses		31,142 (466)	16,824 (407)
Trade receivables and contract assets, net of impairment losses		30,676	16,417

**10 Cash and cash equivalents****Accounting policy**

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.

	2023 £000	2022 £000
Bank balances	1,040	555
Cash and cash equivalents in the statement of financial position	1,040	555

**Notes continued****11 Trade and other payables****Accounting policy**

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.

	2023 £000	2022 £000
Contract liabilities	6,046	1,558
Amounts due to other UK group undertakings	10,847	3,716
Amounts due to other KPMG International member firms	15	-
Accruals	4,634	3,324
Other taxes and social security	1,699	3,519
Other payables	-	6
	<u>23,241</u>	<u>12,123</u>

Other taxes and social security at 30 September 2022 included the estimated £3.3 million liability arising in respect of an open tax matter with the Dutch tax authorities in relation to a permanent establishment in the Netherlands. The basis for this liability has subsequently been agreed with the Dutch tax authorities and a reduced liability of £864,000 was held at 30 September 2023.

**12 Share capital**

	2023 £000	2022 £000
<i>Authorised</i>		
5,000,000 Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
<i>Allotted</i>		
5,000,000 Ordinary shares of £1 each, 25p called up and paid	<u>1,250</u>	<u>1,250</u>

The share capital of the company is entirely owned by the group through KPMG Holdings Limited (see note 14). All ordinary shares rank equally with regard to the company's residual assets. 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. As a public limited company, KPMG United Kingdom Plc is required to maintain a minimum level of capital, being £50,000.

**13 Financial instruments****Accounting policy****Recognition and initial measurement**

Trade receivables are initially recognised when they are originated. All other 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.



**Notes continued****13 Financial instruments continued****Classification and subsequent measurement****Financial assets****(a) Classification**

On initial recognition, a financial asset is classified as measured at either fair value through profit or loss (FVTPL) or 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.

The company has no financial instruments measured at fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

**(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. Financial assets are derecognised when substantially all the risks and rewards of ownership of the asset are transferred to another entity or the contractual rights to cashflows from the asset expire. 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. Financial liabilities are derecognised when obligations are fully discharged, cancelled or expired. Any gain or loss on derecognition is also recognised in profit or loss.

**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 2023 and 2022, largely owing to their short maturity. 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 2023 or 30 September 2022.

**Notes continued****13 Financial instruments continued**

	<i>Note</i>	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
<b>At amortised cost</b>			
Trade receivables	9	18,700	10,952
Amounts due from other UK group undertakings	9	450	315
Contract assets	9	11,976	5,465
Cash and cash equivalents	10	1,040	555
Other receivables	9	13	12
<b>Total financial assets at amortised cost</b>		<b>32,179</b>	<b>17,299</b>
<b>Non-derivative financial liabilities measured at amortised cost</b>			
Accruals	11	4,634	3,324
Amounts due to other UK group undertakings	11	10,847	3,716
Amounts due to other KPMG International member firms	11	15	-
Other payables	11	-	6
<b>Total non-derivative financial liabilities measured at amortised cost</b>		<b>15,496</b>	<b>7,046</b>
<b>Total net financial instruments</b>		<b>16,683</b>	<b>10,253</b>

**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.

The financial assets and liabilities of the company are non-interest bearing, with the exception of cash and cash equivalents 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 £8,000 (2022: £16,000). This analysis assumes that all other variables remain constant.

*Exchange rate risk*

The functional currency of the company is pounds sterling. However, certain expenses and charges from other KPMG International member firms or other international relationships are denominated in other currencies. In addition, some fees are rendered in other currencies where this is requested by the clients involved.

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 had £371,000 receivable balances denominated in Euro (2022: £430,000) and £4,202,000 balances denominated in US dollar (2022: £1,332,000) at 30 September 2023. The company had no material payables or cash balances denominated in currencies other than sterling at either 30 September 2023 or 30 September 2022. A 5% movement in the Euro or US dollar closing exchange rates would have increased (or decreased) profit by £20,000 (2022: £23,000) and £221,000 (2022: £70,000) respectively.

**Notes continued****13 Financial instruments continued****c) 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 receivables from clients.

*Trade and other receivables*

Exposure to credit risk is monitored on a routine basis and credit evaluations are performed on clients as appropriate. The company does not require security in respect of financial assets.

The company's exposure to credit risk is influenced mainly by the individual characteristics of each client. Credit risk is monitored frequently, with close contact with each client and routine billing and cash collection for work done.

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 9. There are no impairment provisions against other classes of assets.

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 24.

**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 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 24. All of those financial liabilities are measured at amortised cost. None of the company's financial liabilities are interest bearing. Hence, the contractual cash flows in all cases equal the carrying amounts. All financial liabilities are repayable within 12 months.

**14 Related parties**

The company's immediate controlling party is KPMG Holdings Limited, a company incorporated and registered in England and Wales. KPMG Holdings Limited 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 and smallest group in which the results of the company are consolidated for the year ended 30 September 2023 and 30 September 2022 is that of KPMG LLP and its subsidiaries. The group financial statements of KPMG LLP for the year ended 30 September 2023 and 30 September 2022 are available to the public at [www.kpmg.com/uk](http://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*

Transactions with other UK group undertakings during the year were as follows:

	2023 £000	2022 £000
<b>KPMG LLP</b>		
Management charges - use of facilities and other services	8,925	6,015
Time of members of KPMG LLP	1,656	2,111
Services of staff	17,390	-
	<hr/>	<hr/>
<b>KPMG UK Limited</b>		
Services of staff	12,116	18,527
	<hr/>	<hr/>

Such transactions reflect appropriate charges for the costs of shared services. A dividend of £nil was paid by the company to its parent entity (2022: £6,000,000).

**Notes continued**

**14 Related Parties continued**

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

	2023 £000	2022 £000
<b>Trade and other receivables</b>		
Amounts due from other UK group undertakings	<u>450</u>	<u>315</u>
<b>Trade and other payables</b>		
Amounts due to other UK group undertakings	<u>10,847</u>	<u>3,716</u>

*Transactions with key management personnel*

The directors of the company at 30 September 2023 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 2023 or 30 September 2022.