

## **KPMG Europe LLP**

### **Members' report and financial statements**

Registered number OC324045

31 March 2020



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## Report to the members

The Board presents its report together with the audited financial statements of KPMG Europe LLP (ELLP or the partnership) for the year ended 31 March 2020.

### Legal structure

ELLP is incorporated in the United Kingdom as a limited liability partnership under the Limited Liability Partnerships Act 2000. It was wholly owned by ELLP partners (members) throughout the year.

The partnership's registered office is 15 Canada Square, Canary Wharf, London, E14 5GL.

### Principal activity

ELLP was the parent of the ELLP group, a cross-border professional services organisation providing audit, tax and advisory services prior to the group demerger which completed on 30 September 2014. Following the demerger, the decision was taken to place the partnership into a solvent members' voluntary liquidation in due course, once all practicalities relating to the demerger have been fully discharged.

### Going concern

As a result of the decision to place the partnership into a solvent members' voluntary liquidation, the ELLP members have not prepared these financial statements on a going concern basis. However, as part of the demerger, the partnership entered into a demerger agreement with each of the ELLP member firms such that all costs to be incurred by the partnership during the period to liquidation will be recovered from those ELLP member firms. Accordingly, these financial statements do not include any adjustments resulting from the application of the non-going concern basis.

### Strategy

The partnership's strategy is now entirely focused on managing its financial resources effectively ahead of its intended liquidation.

### Performance for the year

The partnership generated an operating profit of €5,000 for the year ended 31 March 2020 (2019: €1,000). This offsets against net financial expense of €5,000 for the year ended 31 March 2020 (2019: €1,000) resulting in a net €nil result for the year (2019: €nil).

Cash balances have increased by €89,000 during the year mainly as a result of cost contributions received from ELLP member firms during the year. Consequently, the cash balance at the end of the year was €134,000 (2019: €45,000).

### Financial position at the end of the year

The partnership's financial position at the year end remains satisfactory, with equity maintained at €125,000 (2019: €125,000).

Receivable balances are due entirely from KPMG International member firms. Payable balances represent liabilities estimated through to the date of liquidation, fully recoverable from ELLP member firms under the terms of the demerger agreement.

### Treasury and risk policies

The partnership's treasury policies focus on ensuring that there are sufficient funds to finance the liabilities expected through to liquidation. Full details of the impact for the partnership of these treasury policies and management of the associated risks are given in note 14 to the financial statements.

## **Report to the members continued**

### **Designated members and the Board**

The designated members (as defined in the Limited Liability Partnerships Act 2000) of ELLP during the year were:

Klaus Becker  
Jeremy Barton  
Paul Long  
Hilario Albarracin  
Rob Kreukniet (through ITAIM BV)

### *The Board*

The Board is responsible for ensuring that the group is run in the interests of the members and for setting the strategy of the group and overseeing its implementation. Board members during the year were:

Paul Long Chairman  
Klaus Becker  
Jeremy Barton  
Hilario Albarracin  
Rob Kreukniet (through ITAIM BV)

### **Disclosure of information to the auditor**

The Board members who held office at the date of approval of these financial statements confirm that, so far as they are each aware, there is no relevant audit information of which the partnership's auditor is unaware; and each Board member has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the partnership's auditor is aware of that information.

### **Auditor**

In accordance with the requirements of the ELLP partnership agreement, the independent auditor, Grant Thornton UK LLP, will be proposed for reappointment.

## **Statement of members' responsibilities in respect of the report to the members and the financial statements**

KPMG Europe LLP (the partnership) is incorporated in the United Kingdom as a limited liability partnership (LLP) under the Limited Liability Partnerships Act 2000.

The Board (as set out on page 2) was responsible for setting the partnership's strategy and overseeing its implementation during the year ended 31 March 2020. The Board was also responsible for ensuring that the partnership maintained a sound approach to defining the system for risk management and internal control and for reviewing its effectiveness during the year.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) require the members to prepare financial statements for each financial period. Under that law the members have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law.

Under Regulation 8 of the 2008 Regulations the members 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 partnership and of the profit of the partnership for that year.

In preparing these financial statements the members 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 IFRSs as adopted by the European Union;
- assess the partnership'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 partnership or to cease operation, or have no realistic alternative but to do so. As explained in note 1, the decision was taken to demerge the KPMG Europe LLP (ELLP) group and return the ownership and governance of each ELLP member firm to local members. As a result of the demerger, the decision was taken to place the partnership into a solvent members' voluntary liquidation in due course, once all practicalities relating to the demerger have been fully discharged. The members do not therefore consider that it is appropriate to prepare these financial statements on a going concern basis.

Under Regulation 6 of the 2008 Regulations the members are responsible for keeping adequate accounting records that are sufficient to show and explain the partnership's transactions and disclose with reasonable accuracy at any time the financial position of the partnership and enable them to ensure that its financial statements comply with those regulations. 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 partnership and to prevent and detect fraud and other irregularities.

During the year, these responsibilities were exercised by the Board on behalf of the members.

## Independent auditor's report to the members of KPMG Europe LLP

### Opinion

We have audited the financial statements of KPMG Europe LLP (the 'partnership') for the year ended 31 March 2020 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the partnership's affairs as at 31 March 2020 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, as applied to limited liability partnerships; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

### 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 partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### The impact of macro-economic uncertainties on our audit

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

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

### Emphasis of matter – Basis of preparation of the financial statements

We draw your attention to note 1 to the financial statements, which describes the basis of preparation of the financial statements. As described in that note, as a result of the decision to place the partnership into a solvent members' voluntary liquidation, the ELLP members have not prepared these financial statements on a going concern basis. However, as part of the demerger, the partnership entered into a demerger agreement with each of the ELLP member firms such that all costs to be incurred by the partnership during the period to liquidation will be recovered from those ELLP member firms. Accordingly, these financial statements do not include any adjustments resulting from the application of the non-going concern basis.

Our opinion is not modified in respect of this matter.

### Other information

The members are responsible for the other information. The other information comprises the information included in the report to the members. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Independent auditor's report to the members of KPMG Europe LLP 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 report to the members for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the report to the members has 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 partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the report to the members.

### 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 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit.

### Responsibilities of members for the financial statements

As explained more fully in the statement of members' responsibilities set out on page 3, the members 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 members 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 members are responsible for assessing the partnership'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 members either intend to liquidate the partnership or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](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 partnership'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 partnership'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 partnership and the partnership'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  
 3 March 2021



**Income statement***for the year ended 31 March 2020*

	<i>Note</i>	<b>2020 €000</b>	<b>2019 €000</b>
Other operating income	3	<b>241</b>	251
Other operating expenses	6	<b>(236)</b>	(250)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>5</b>	1
Financial expense	7	<b>(5)</b>	(1)
		<hr/>	<hr/>
<b>Net financial expense</b>		<b>(5)</b>	(1)
		<hr/>	<hr/>
<b>Profit for the financial year available for discretionary division among members</b>		<b>-</b>	-
		<hr/>	<hr/>

**Statement of comprehensive income***for the year ended 31 March 2020*

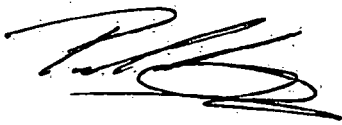
	<i>Note</i>	<b>2020 €000</b>	<b>2019 €000</b>
<b>Profit for the financial year available for discretionary division among members</b>		<b>-</b>	-
		<hr/>	<hr/>
<b>Total comprehensive income for the financial year</b>		<b>-</b>	-
		<hr/>	<hr/>



**Statement of financial position**  
*at 31 March 2020*

	<i>Note</i>	<b>2020</b> <b>€000</b>	<b>2019</b> <b>€000</b>
<b>Current assets</b>			
Investments in subsidiaries	9	14	14
Trade and other receivables	10	1,225	1,084
Cash and cash equivalents	11	134	45
		<hr/>	<hr/>
<b>Total assets</b>		<b>1,373</b>	<b>1,143</b>
		<hr/>	<hr/>
<b>Equity</b>			
<b>Equity attributable to members</b>			
Members' other reserves, classified as equity	13	125	125
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	12	1,248	1,018
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>1,373</b>	<b>1,143</b>
		<hr/>	<hr/>

The financial statements on pages 6 to 17 were approved by the members on 2 March 2021 and were signed on their behalf by:



**Paul Long**  
 Designated member



**Rob Kreukniet**  
 Designated member

**KPMG Europe LLP: OC324045**

**Statement of changes in equity**  
*for the year ended 31 March 2020*

	<b>Members' other reserves €000</b>
Balance at 1 April 2018	125
Total comprehensive income:	
Profit for the financial year available for discretionary division among members	-
	<hr/>
Balance at 31 March 2019	125
Total comprehensive income:	
Profit for the financial year available for discretionary division among members	-
	<hr/>
<b>Balance at 31 March 2020</b>	<b>125</b>
	<hr/> <hr/>

**Statement of cash flows**  
*for the year ended 31 March 2020*

	<i>Note</i>	<b>2020</b> <b>€000</b>	2019 €000
<b>Cash flows from operating activities</b>			
Profit for the financial year		-	-
<i>Adjustments for</i>			
Financial expense	7	5	1
		<hr/>	<hr/>
		5	1
Increase in trade and other receivables		(141)	(27)
Increase/(decrease) in trade and other payables		225	(120)
		<hr/>	<hr/>
<b>Net cash flows generated /(absorbed) by operating activities</b>		89	(146)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		89	(146)
Cash and cash equivalents - beginning of the year		45	191
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	11	134	45
		<hr/> <hr/>	<hr/> <hr/>

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

KPMG Europe LLP (the partnership) is incorporated in the United Kingdom as a limited liability partnership under the Limited Liability Partnerships Act 2000.

The partnership is exempt under Section 399 of the Companies Act 2006 from the requirement to prepare group financial statements (see note 2). Accordingly, these financial statements present information about the partnership as a separate entity and not about its group.

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (adopted IFRSs) and have been approved by the members.

Accounting policies that relate to the financial statements as a whole are set out below, 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. A number of amendments to adopted IFRSs have been endorsed by the European Union and have effective dates such that they do not yet fall to be applied by the partnership.

The partnership elected to early adopt the following IFRSs and related amendments in the year ended 31 March 2020:

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

These amendments had no impact on these financial statements.

The partnership elected to early adopt the following IFRSs and related amendments in the year ended 31 March 2019:

- Annual Improvements to IFRSs 2015-2017 Cycle; effective for periods beginning on or after 1 January 2019.

These amendments had no 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 no new standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) and endorsed by the European Union that are effective for financial statements after this reporting period.

**Basis of preparation**

The financial statements have been prepared on the historical cost basis.

The functional and presentation currency of the partnership is euro. The financial statements are presented in thousands of euro (€000) unless stated otherwise.

**Going concern**

As a result of the decision to place the partnership into a solvent members' voluntary liquidation, the ELLP members have not prepared these financial statements on a going concern basis. However, as part of the demerger, the partnership entered into a demerger agreement with each of the ELLP member firms such that all costs to be incurred by the partnership during the period to liquidation will be recovered from those ELLP member firms. Accordingly, these financial statements do not include any adjustments resulting from the application of the non-going concern basis.

**Notes continued****1 Accounting policies continued****Non-derivative financial instruments**

The partnership initially recognises loans and receivables on the date that they are originated. The partnership derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the partnership is recognised as a separate asset or liability.

Non-derivative financial instruments comprise investments (note 9), trade and other receivables (note 10), cash and cash equivalents (note 11) and trade and other payables (note 12).

**Impairment losses***Financial assets (including receivables)*

The carrying amounts of the partnership's financial assets are reviewed at each year end to determine whether there is any objective evidence that there is an indication of impairment which includes default by a debtor or adverse changes in the payment status of debtors or issuers. If any such indication exists, the assets' recoverable amounts are 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 duration of less than 12 months are not discounted.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated 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. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

*Non-financial assets*

The carrying amounts of the partnership'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.

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.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if 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.

**Allocation of profits and drawings**

The allocation of profits to those who were members of the partnership during the financial year occurs at the discretion of the Board following finalisation of the annual financial statements. As is permitted by the Limited Liability Partnerships Regulations and the Partnership Agreement, allocated profits may not necessarily represent all the profits arising in a particular financial period, if the Board considers it appropriate to retain profits or to allocate profits previously retained.

Pending the allocation of profits and their division between members, therefore, unallocated profits are shown in Equity as 'Other reserves'.

**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.

Judgements made by management in the application of adopted IFRSs that have a significant effect on these financial statements and estimates with a significant risk of material adjustment in the next year are considered as follows:

**Critical accounting judgements in applying the partnership's accounting policies***Preparation of consolidated financial statements*

As set out in note 9, the partnership had interests in two subsidiary entities at 31 March 2020. Under Section 399 of the UK Companies Act, the Board are required to prepare consolidated financial statements if the entity is a parent entity at the period end, unless it is considered that the subsidiaries are not material for the purposes of presenting a true and fair view.

The Board consider that the subsidiaries are not material for the purposes of presenting a true and fair view as the subsidiary balances at 31 March 2020 were immaterial compared to those of the partnership. Accordingly, consolidated financial statements have not been presented. A different assessment of materiality in this case may lead to the conclusion that consolidated financial statements were required under the UK Companies Act.

**Key sources of estimation uncertainty***Professional claims*

The partnership from time to time receives claims in respect of professional service matters. It defends such claims where appropriate but makes provision for the best estimate of the probable amounts considered likely to be payable. Inevitably, these estimates depend on the outcome and timing of future events and may need to be revised as circumstances change. A different assessment of the likely outcome in each case or of the possible cost involved may result in a different provision recognised.

**3 Other operating income****Accounting policy**

Other operating income reflects amounts charged to ELLP member firms for recovery of costs incurred. Where costs are recovered in advance of the service being rendered, income is deferred and classified within 'Trade and other payables'.

Included in other operating income are the following items:

	2020 €000	2019 €000
Release of cost contributions received in prior periods from ELLP member firms against costs incurred during the year	125	251
Other income	116	-
	<u>241</u>	<u>251</u>

Other income represents costs recovered from a non-ELLP entity.

**4 Members and staff**

The average numbers of members of the partnership during the year were 5 (2019: 5).

KPMG Europe LLP did not employ any staff during the current or prior year.

## Notes continued

### 5 Members' remuneration

No remuneration was paid by the partnership to the members in respect of either the current or prior year.

### 6 Other operating expenses

Amounts paid to the auditors in respect of the audit of these financial statements totalled €22,000 (2019: €22,000). The auditors provided no non-audit services during the current or prior year.

### 7 Financial expense

#### Accounting policy

Financial expense comprises exchange losses.

	2020 €000	2019 €000
<b>Recognised in the income statement:</b>		
Exchange losses	(5)	(1)
<b>Financial expense</b>	<b>(5)</b>	<b>(1)</b>

### 8 Tax expense

#### Accounting policy

The partnership is not subject to taxation as the relevant tax is a personal liability of the members individually. Consequently neither taxation nor related deferred taxation arising in respect of the partnership is accounted for in these financial statements.

### 9 Investments in subsidiaries

#### Accounting policy

Investments in subsidiaries are stated at cost less provision for impairment.

At 31 March 2020, the partnership has two subsidiaries as set out below:

Subsidiary undertakings	Incorporated in	Principal activity	% of ordinary shares held
KPMG Europe Cooperatie UA	Netherlands	Investment holding	100
KPMG Europe BV	Netherlands	Dormant	100*

\* Indirect holding

The registered office address of both subsidiaries is Laan van Langerhuize 1, 1186 DS Amstelveen, Netherlands. Both subsidiaries were dormant during the year – each has net assets of €44,000 at 31 March 2020 and made neither a profit nor a loss during the year.

The investment in KPMG Europe Cooperatie UA has a cost of €18,000 against which a write off of €3,570 was recorded in the period ended 31 March 2015.

Subsequent to the year end, KPMG Europe BV was formally dissolved on 17 April 2020.

**Notes continued****10 Trade and other receivables****Accounting policy**

Trade and other receivables are initially recognised at fair value, based upon discounted cash flows at prevailing interest rates for similar instruments, or at their nominal amount if due in less than 12 months. Subsequent to initial recognition, trade and other receivables are valued at amortised cost less impairment losses.

	2020 €000	2019 €000
Prepayments	49	40
Accrued income	1,176	1,044
	<u>1,225</u>	<u>1,084</u>

Accrued income represents an additional funding of €1,176,000 (2019: €1,044,000) due from former ELLP member firms under the demerger agreement.

All trade and other receivables are due within 12 months.

**11 Cash and cash equivalents****Accounting policy**

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

	2020 €000	2019 €000
Bank balances	134	45
Cash and cash equivalents in the statement of financial position	<u>134</u>	<u>45</u>

**12 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.

	2020 €000	2019 €000
Amounts due to KPMG International member firms	-	197
Amounts due to other group undertakings	44	-
Other payables	1,038	545
Accruals	166	276
	<u>1,248</u>	<u>1,018</u>

Included in other payables are €1,038,000 (2019: €537,000) of payables in respect of future operational and demerger costs under the demerger agreement.



**Notes continued****13 Equity, members' capital and other interests**

Equity comprises members' other reserves, being amounts retained from profits arising in the year pending their allocation to members.

There are no loans or other amounts due to and from members at 31 March 2020 or at 31 March 2019.

**14 Financial instruments**

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

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

The Board has overall responsibility for the establishment and oversight of the partnership's risk management framework. The partnership's risk management policies are established to identify and analyse the risks faced by the partnership, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems reflect the intended liquidation of the partnership and focus on the activities to be discharged in effecting that liquidation.

Further quantitative disclosures are included throughout these financial statements.

**a) Accounting classifications and fair values**

The estimated fair values of the partnership's financial assets and liabilities approximate their carrying values at 31 March 2020 and 31 March 2019, largely owing to their short maturity. The basis for determining fair values are disclosed throughout these financial statements. The following table shows the measurement categories under IFRS 9 and carrying amounts of the partnership's financial assets and liabilities.

The partnership has no financial instruments carried at fair value at either 31 March 2020 or 31 March 2019.

	<i>Note</i>	<b>2020</b> €000	2019 €000
<b>Amortised cost</b>			
Bank balances	11	134	45
Accrued income	10	1,176	1,044
<b>Total financial assets</b>		<b>1,310</b>	<b>1,089</b>
<b>Non-derivative financial liabilities measured at amortised cost</b>			
Amounts due to KPMG International member firms	12	-	197
Amounts due to other group undertakings	12	44	-
<b>Total financial liabilities</b>		<b>44</b>	<b>197</b>
<b>Total net financial instruments</b>		<b>1,266</b>	<b>892</b>

## Notes continued

### 14 Financial instruments continued

#### b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the partnership's income or the value of its holdings of financial instruments.

##### *Interest rate risk*

The financial assets and liabilities of the partnership are non-interest bearing.

##### *Exchange rate risk*

The functional currency of the partnership is euro. There were no significant balances at the end of the year denominated other than in euro, although certain transactions during the year may arise in other currencies. These transactions are expected to be insignificant.

#### c) Credit risk

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset as set out in the table in section a) on page 15.

##### **Impairment losses**

There were no overdue receivables at either 31 March 2020 or at 31 March 2019. There were no impairment provisions against financial assets at either year end.

#### d) Liquidity risk

Liquidity risk is the risk that the partnership will not be able to meet its financial obligations as they fall due.

The partnership has non-derivative financial liabilities measured at amortised cost as set out in the table in section a) on page 15.

All of those financial liabilities are measured at amortised cost. None of the partnership'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.

The partnership had no committed borrowing facilities at 31 March 2020 or at 31 March 2019.

**Notes continued****15 Related parties**

The partnership has a related party relationship with its key management, considered to be the Board members of KPMG Europe LLP (page 2 of the Report to the members). The partnership also has a related party relationship with its subsidiaries as set out in note 9 and with certain former ELLP member firms as some of the Board members of the partnership are also members of the key management personnel of their respective local member firms.

**Transactions with key management**

The members of the Board are responsible for planning, directing and controlling the activities of the partnership. They are all members of the partnership. The partnership does not divide profits amongst members until after the financial statements have been finalised and approved by members.

No profit was allocated by the partnership to the key management in respect of either the current or prior year.

There are no balances due to or from the partnership's key management at 31 March 2020 or at 31 March 2019.

**Transactions with certain former ELLP member firms**

The partnership had the following transactions with certain former ELLP member firms:

	2020 €000	2019 €000
Charges made to the partnership by certain former ELLP member firms, in respect of stewardship and demerger costs incurred by them on its behalf	(144)	(198)

The partnership had the following balances outstanding with certain former ELLP member firms at the year end:

	2020 €000	2019 €000
Amounts due to KPMG International member firms	-	(197)

**Transactions with other group undertakings**

The partnership had the following balances outstanding with other group undertakings at the year end:

	2020 €000	2019 €000
Amounts due to other group undertakings	(44)	-

The balance represents cash held by the partnership on behalf of a group undertaking.