



cutting through complexity

Annual Report 2014

KPMG P/S

11 December 2013 - 31 December 2014

CVR no. 25 57 81 98

kpmg.dk

The Annual Report was presented and adopted at the Company's annual general meeting on 21 May 2015

A handwritten signature in blue ink, reading 'Ole Juulsgaard'.

Chairman of the meeting





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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of KPMG P/S for the financial year 11 December 2013 – 31 December 2014.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2014 and of the results of the Company's operations and cash flows for the financial year 11 December 2013 – 31 December 2014.

In our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 5 May 2015

Executive Board:

Thomas Hofman-Bang
CEO and Senior Partner

Board of Directors:

Anette Harritz
Chairman and Partner

Anja Bjørnholt Lüthcke
Partner

Benny Lyng Sørensen
Partner

Bo Johansen
Partner

Danny Golan
Partner



Independent auditor's report

To the shareholders of KPMG P/S

Independent auditor's report on the financial statements

We have audited the financial statements of KPMG P/S for the financial year 11 December 2013 – 31 December 2014. The financial statements comprise income statement, balance sheet, statement of changes in equity, cash flow statement, accounting policies and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation.

This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2014 and of the results of the Company's operations and cash flows for the financial year 11 December 2013 – 31 December 2014 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 5 May 2015

Redmark

Statsautoriseret Revisionspartnerselskab

Anders Schelde-Møllerup Funder
State Authorised
Public Accountant



Management's review

Company details

KPMG P/S
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2100 Copenhagen

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Website: www.kpmg.dk

E-mail: kpmgdanmark@kpmg.com

CVR no.: 25 57 81 98

Established: 11 December 2013

Financial year:

1 January – 31 December

Board of Directors

Anette Harritz (Chairman)
Anja Bjørnholt Lüthcke
Benny Lynge Sørensen
Bo Johansen
Danny Golan

Executive Board

Thomas Hofman-Bang

Auditors

Redmark
Statsautoriseret
Revisionspartnerselskab
Dirch Passers Allé 76
2000 Frederiksberg

Financial highlights

DKK'000	2013/14 13 months
Key figures	
Revenue	63,200
Ordinary operating profit	7,912
Loss from financial income and expenses	(7,912)
Profit for the year	0
Total assets	215,487
Investments in fixtures and equipment	5,070
Equity	500
Cash flows from operating activities	22,291
Cash flows from investing activities	(13,025)
Cash flows from financing activities	16,649
Total cash flows	25,915
Operating margin	12.5%
Current ratio	94.5%
Return on equity	0

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010". For terms and definitions, please see the accounting policies.



Management's review (cont.)

Operating review

Our story and strategic direction

KPMG in Denmark was established in December 2013 under the temporary name KPMG 2014 P/S and since then we have in a record-time grown our business significantly, exceeded our primary targets and passed extraordinary milestones. Today, more than 350 highly qualified employees and partners are serving in excess of 1000 clients from two KPMG competency centres in the area of Copenhagen and Aarhus. The commitment from our clients is clear – proven by the fact that we serve one fourth of Denmark's largest companies as well as municipalities and organisations.

Whilst we are truly proud of these results, our dedication to meet the needs of our clients and our ambitious objectives take us further. We pursue a strategic aim to build an innovative professional service business with equal focus on audit, tax and advisory services tailored to the Danish market. KPMG's strong global network enhances client engagements across teams, functions and borders and ensures that we remain an attractive alternative to peers in Denmark and abroad.

Our values

KPMG people work together to deliver value to clients. We believe strongly in a common set of shared values, which guide our behaviour when dealing with both clients and each other:

- We lead by example
- We respect the individual
- We work together
- We are open and honest in our communication
- We seek the facts and provide insight
- We are committed to our communities
- Above all, we act with integrity

Our purpose

We are here to

- **Inspire confidence**
- **Empower change**





Management's review (cont.)



“The KPMG network has really proven its strength and cohesiveness by the speed, decisiveness and boldness by which a new and better KPMG practice has been established in Denmark. The positive feedback from clients and the market as such instills confidence, and we are already accelerating activity further this year.”

Thomas Hofman-Bang
CEO and Senior Partner



Management's review (cont.)

Our journey to build a new KPMG practice in Denmark has been an extraordinary one

As of today

- We are 33 partners and 289 staff in KPMG P/S. Including our colleagues in KPMG Acor Tax, we are in total 385 people
- We received our licence to operate as an audit firm in February 2014, and have since secured the audits of more than 800 companies
- We are very proud of our client list, including A.P. Møller - Mærsk A/S, Carlsberg A/S and many more where we have been reelected as auditors.
- We have won 158 advisory engagements, across Management Consulting, Risk Consulting and Deal Advisory
- We are firmly established in two key locations – Copenhagen and Aarhus, with additional facilities in Kolding and Aalborg
- The partners took full ownership of KPMG P/S on 1 February 2015 from KPMG Holding Danmark ApS
- We have established our governance structure and our Leadership team, made up of six partners and led by the CEO. The Leadership team is diverse, commercial and international.

Our new firm combines profound insight into Danish and Nordic affairs with a strong global perspective. We will continue to challenge conventions and work across functions to help our clients

seize growth opportunities in Denmark and abroad.

Since day one, we have set ambitious goals for our future as a professional services firm. So far, large numbers of organisations and funds have chosen KPMG as their trusted advisor, ranging from start-up entrepreneurs to large listed multinationals.

We are humble and extremely grateful for this strong vote of confidence. By combining different perspectives, sound judgement and extensive cross-border collaboration, we challenge assumptions constructively and pursue facts persistently. In doing so, we are committed to enabling clients to make informed decisions wherever they do business and regardless of the scope and reach of their operations.

Principal activities and financial position

Principal activities of the Company

Our principal activities are the provision of audit and advisory services. We do this across a wide and growing range of services, including the audit of financial statements, other assurance and tax services, management consulting, risk consulting and deal advisory.

Financial highlights

Our results for this year reflect our economic condition: our start up position, and the financial support provided by KPMG International. We have incurred significant initial costs in this period, in relation, for example, to recruitment, governance and legal

matters, IT and systems set up. We have invested quickly to ensure we have been able to deliver a high quality service to our clients. This year's results are in line with our expectations.

Outlook

Our strategy is well defined, and we are on track to implement it through a three-year growth plan. Conscious of EU Audit Reform, we are planning further, significant expansion in traditional and non-traditional areas of service. This ambition is supported by a pipeline of future projects, where we see growth month on month.

Our business investment continues, in terms of build of staff and additional areas of specialism. This investment continues with the support of KPMG International. We expect our revenue to be significantly higher in the next financial year, and our results to be at the same level as this year. We look forward to moving in to KPMG Front, our new permanent headquarters in Copenhagen, in July 2015. This office, based in the Nordhavn area where we have already established ourselves, will give us excellent, market leading facilities for our clients and staff.

We are proud to be able to say that we are a fully operational firm, with a growing client list and a highly motivated team of partners and staff. We look forward to the future and the role we play in the professional services market in Denmark.



Management's review (cont.)

Risks

Operational risks

The operational risks facing our business are those we have in common with other professional services firms, notably a deterioration in market conditions and claims and reputational damage caused either by an actual or suspected failure to deliver services of appropriate quality or by taking on inappropriate clients or engagements.

We have implemented a system of quality control based on KPMG International's Quality Framework. Our Transparency Report, issued on 31 March 2015, describes the key elements of our quality control system. We are committed to achieving consistently the highest standard of quality, ethics and integrity in day-to-day business to ensure we meet our responsibilities to our clients, regulators, communities and capital markets. The Transparency Report can be found on our website, www.kpmg.dk.

Financial risks

We received funding in the form of grants from KPMG International that are not required to be repaid and loans denominated in US Dollars. This continues with the support of KPMG International. Due to the fact that the grants and loans are denominated in US Dollars, we are exposed to risks related to the development in the US Dollar exchange rate.

We are exposed to credit risk but we do not have material credit risk on individual debtors.

Our people and resources

Our people and our combined knowledge base are core to our business success. Investing in our people, in terms of learning and development, and fostering knowledge sharing are two key elements of our growth strategy.

We are passionate about making a difference for clients and building strong and successful working relationships. Knowing that high calibre people attract top tier clients, and vice versa, we hire new colleagues who share our strong commitment to uphold the highest professional standards, provide sound advice and maintain our independence. Our people bring different perspectives as they come from different backgrounds and cultures. We are proud that our employee engagement level is exceptionally high: our employee engagement survey showed our level of employee engagement level in Denmark to be 16% points higher than that seen in the benchmark professional services firm.

Our people are ambitious, and we support that by investing in their professional development, through training in technical, leadership and business skills; we celebrate promotions and help our colleagues make the leap successfully into a new level of seniority through 'milestone programmes'.

We encourage knowledge sharing through project debriefs, informal 'lunch and learn' sessions led by senior colleagues and the use of online collaboration tools.

Events after the balance sheet date

No events have occurred after the balance sheet date that could significantly affect the financial statements.



Financial statements 2013/14

Income statement

DKK'000	Note	2013/14
Revenue		63,200
Other operating income		157,203
Other external expenses		(77,833)
Staff costs	1	(134,061)
Depreciation on fixtures and equipment	3	(597)
Operating profit		7,912
Financial expenses	2	(7,912)
Profit for the year		0
Proposed profit appropriation		
Retained earnings		0
		0





Financial statements 2013/14 (cont.)

Balance sheet

DKK'000	Note	31 December 2014
Assets		
Non-current assets		
Fixtures and equipment	3	4,473
Deposits	4	7,955
Total non-current assets		12,428
Current assets		
Receivables		
Trade receivables		62,416
Receivables from related companies		89,604
Services in progress	5	21,043
Other receivables		2,582
Prepayments		1,499
		177,144
Cash at bank		25,915
Total current assets		203,059
TOTAL ASSETS		215,487
Equity and liabilities		
Equity		
Share capital	6	500
Retained earnings		0
Total equity		500
Current liabilities		
Services in progress	5	21,616
Trade payables		5,031
Other payables		188,340
Total current liabilities		214,987
TOTAL EQUITY AND LIABILITIES		215,487
Contractual obligations, contingencies, etc.	7	
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Financial statements 2013/14 (cont.)

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at founding per 11 December 2013	500	0	500
Transferred; see profit appropriation	0	0	0
Equity at 31 December 2014	500	0	500

Cash flow statement

DKK'000	Note	2013/14
Profit for the year		0
Depreciation		597
Changes in working capital	9	21,694
Cash flows from operating activities		22,291
Aquisition of fixtures and equipment		(5,070)
Deposits		(7,955)
Cash flows from investing activities		(13,025)
External financing: Net increase in financing		16,149
Shareholders: Share capital contribution		500
Cash flows from financing activities		16,649
Cash flows for the year		25,915
Cash and cash equivalents at the beginning of the year		0
Cash and cash equivalents at year end		25,915



Financial statements 2013/14 (cont.)

Accounting policies

The annual report of KPMG P/S for 2013/14 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement as provided, and consequently, revenue corresponds to the selling price of the work performed under the percentage of completion method. Recognition of the selling price presupposes that total income and costs as well as the stage of completion at the balance sheet date can be determined reliably and that it is probable that payment will be received.

Other operating income

Other operating income includes grants provided by KPMG International.

Other external expenses

Other external expenses comprise costs related to sales, marketing, administration, office premises, training, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies.

Tax on profit/loss for the year

As a limited partnership company, the Company is not an independent tax entity and consequently, no tax on the profit for the year has been provided for in the financial statements. Profit for the year is included in KPMG Holding Danmark ApS' taxable income in accordance with applicable rules under Danish tax legislation.



Financial statements 2013/14 (cont.)

Balance sheet

Fixtures and equipment

Fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

The depreciable amount, which is calculated as cost less any estimated residual values at the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and Equipment 3-10 years

Gains and losses on the disposal of fixtures and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

The carrying amount of fixtures and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to

the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or group of assets after the end of the useful life.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses when there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Services in progress

Services in progress are measured in accordance with the percentage of completion method to the selling price of the work performed at the balance sheet date plus out-of-pocket expenses less progress billings. The individual services in progress are recognised in the balance sheet as receivables or liabilities other than provisions depending on whether the net value, determined as the selling price less progress billings, is positive or negative.

Prepayments

Prepayments comprise prepayments of costs relating to subsequent financial years.

Dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

The Company is not an independent tax entity. Consequently, neither current tax nor deferred tax is included in the balance sheet.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.



Financial statements 2013/14 (cont.)

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items and changes in working capital.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, fixtures and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as payment of dividends to shareholders and raising and repayment of interest-bearing debt.

Cash and cash equivalents

Cash and cash equivalents comprise bank deposits.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin	$\frac{\text{"Operating profit/loss x 100"}}{\text{"Revenue"}}$
Return on invested capital	$\frac{\text{"Operating profit/loss x 100"}}{\text{"Average invested capital"}}$
Invested capital	Operating intangible assets and fixtures and equipment plus net working capital
Current ratio	$\frac{\text{"Current assets x 100"}}{\text{"Current liabilities"}}$
Return on equity	$\frac{\text{"Profit/loss from ordinary activities after tax x 100"}}{\text{"Average equity"}}$



Financial statements 2013/14 (cont.)

Notes

1 Staff costs

DKK'000	2013/14
Wages and salaries	128,485
Pensions	5,091
Other social security costs	485
	134,061
Average number of employees	106

Pursuant to the exemption clause for reporting class C entities under the Danish Financial Statements Act, the Company has chosen to omit disclosing executive remuneration in connection with the provision of board related services.

2 Financial expenses

DKK'000	2013/14
Interest expense to banks, etc.	127
Foreign exchange losses	7,785
	7,912

3 Fixtures and equipment

DKK'000	Tools and equipment
Cost at 11 December 2013	0
Additions	5,070
Cost at 31 December 2014	5,070
Depreciation at 11 December 2013	0
Depreciation	(597)
Depreciation at 31 December 2014	(597)
Carrying amount at 31 December 2014	4,473



Financial statements 2013/14 (cont.)

4 Deposits

DKK'000	2013/14
Cost at 11 December 2013	0
Additions	7,955
Cost at 31 December 2014	7,955
Carrying amount at 31 December 2014	7,955

5 Services in progress

DKK'000	2013/14
Selling price of work performed	67,793
Progress billings	(68,366)
	(573)
Recognised as follows:	
Services in progress (assets)	21,043
Services in progress (liabilities)	(21,616)
	(573)

6 Share capital

The share capital has not changed during the year.

DKK'000	2013/14
The share capital is specified as follows:	
5,000 shares of nom. DKK 100 each	500
	500

All shares rank equally.

7 Contractual obligations, contingencies, etc.

Operating lease obligations

Residual operating lease obligations at the balance sheet date amount to DKK 80,468 thousand and fall due within 6 years. In 2015, operating lease obligations falling due amount to DKK 16,912 thousand.

8 Related party disclosures

The related parties of KPMG P/S comprise the following:

Parties exercising control

KPMG P/S is owned by the partners. Until 1 February 2015 KPMG Holding Danmark ApS held the majority of the share capital. KPMG Holding ApS is owned by KPMG International and the KPMG member firm in Finland. The Company is included as a subsidiary in the consolidated financial statements of KPMG Holding Danmark ApS, Copenhagen.

Other related parties

- Leadership team and Board of Directors
- KPMG Komplementarselskab ApS
- KPMG member firms including KPMG AcorTax Partnerselskab

Ownership

No shareholder owns more than 5% of the votes or the share capital.

9 Changes in working capital

DKK'000	2013/14
Change in receivables	(87,539)
Change in trade and other payables	109,233
	21,694

To contact KPMG in Denmark, please use the following address:

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