UK Members' Report and Financial Statements 2023

In respect of the year ended **30 September 2023**

Registered number OC301540

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Contents

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Report to the members

The Board submits its report together with the audited consolidated financial statements of KPMG LLP and its subsidiary undertakings (the group) for the year ended 30 September 2023.

Legal structure

KPMG LLP is the UK member firm of the KPMG global organisation of independent member firms affiliated with KPMG International. Each member firm is a separate and independent legal entity and describes itself as such.

All member firms are committed to following common standards in the provision of services for clients and to maintaining the highest levels of independence and integrity.

KPMG LLP is incorporated in the UK as a limited liability partnership under the Limited Liability Partnerships Act 2000 and is referred to in these financial statements as 'the partnership'.

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

Principal activities

The principal activities of the group are the provision of professional services, notably audit, tax and legal, deal advisory and consulting. The group operates primarily through the partnership and its subsidiary undertakings, predominantly in the UK but also has operations in other countries as client contracts require (see note 24).

Governance

During the year ended 30 September 2023, the governance structure of the partnership comprised:

— The Board: the main governance body of the group, responsible for overseeing the stewardship, accountability and leadership of the group, providing clear-sighted counsel on the strategic direction of the group and alignment to its vision, values and purpose.

— The Executive Committee: responsible for driving the board-approved strategy for the group and leading on issues that cut across the group.

Both the Board and Executive Committee are supported by various sub-committees; full details of the governance structures, including changes in year, as well as the composition and responsibilities of the Board, Executive Committee and sub-committees can be found on the group's website and in the group's separately published Transparency Report.

Designated members

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

— Jon Holt

— Jeremy Barton

— Tim Jones (resigned 30 November 2022)

— Chris Hearld

— Cath Burnet (appointed 30 December 2022)

Members' capital

The group is financed through a combination of members' capital, undistributed profits and borrowing facilities.

Members' capital is provided by each member on becoming a partner and, as set out in note 19, is only repayable on retirement or resignation so generally remains stable from year to year.

Members' profit shares and drawings

During the year, members receive monthly drawings and, from time to time, additional profit share distributions. The level and timing of the additional distributions are decided by the Executive Committee and approved by the Board, taking into account the group's cash requirements for operating and investing activities.

The remuneration model is designed to drive and reward behaviours consistent with our strategy and values, reflect an individual's medium-term value as well as current year performance against their goals. It also promotes clarity and transparency amongst members regarding their own remuneration and that of other members. A member's remuneration generally comprises two elements as described below based on target unit pay. The allocation of target units is communicated to members in November each year and is determined in relation to an individual's medium-term value to the group.

Each member's unit allocation is determined with quality as the primary factor and with other factors such as past performance, market value of skill set, individual capability, leadership qualities and overall contribution to the group taken into account.

The profit allocated to members is distributed as follows:

Base Unit Pay – each member will receive 75% of their target units;

Bonus Unit Pay – each member will receive a multiplier (which could be less than 1) of their remaining 25% bonus units based on their relative in- year performance against their performance metrics.

These elements account for the majority of the total profit allocated to members. The remainder was allocated to those members who retired in the year, and who received an additional profit share in line with the KPMG LLP partnership agreement. A deduction is made from the total pay for any members if their behaviour, quality or performance has fallen below the levels expected by the Executive Committee and Board, as indicated by adverse Quality and Risk metrics.

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Report to the members

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Financial performance during the year

Revenue grew by 9% year on year, to £2,960 million (2022: £2,723 million. Three of our four capabilities delivered growth, with growth in Audit particularly strong at 19%.

Whilst we continued to focus on operating in a lean and agile way, costs increased as we continued to invest in developing the business for future growth. Headcount growth across the business also contributed to higher costs and capability contribution reduced across all capabilities except Audit as economic conditions impacted revenue growth across those capabilities, particularly Deal Advisory and Consulting. Consequently, profit before members' profit shares (excluding profit on disposal of businesses in each year) fell by 23%.

See note 3 for reconciliation between internal measures of capability performance – net sales and contribution – and revenue and profit for the financial year.

Financial position at the end of the year

The financial position of the group and partnership remains strong. As set out on page 3, operations are generally financed by members' capital and other members' interests, which together totalled £693 million at 30 September 2023 (2022: £751 million) for the group and £602 million (2022: £644 million) for the partnership.

Whilst bank facilities of £385 million were available to the group at 30 September 2023, the group and partnership held £146 million (2022: £300 million) and £128 million (2022: £276 million) of cash balances respectively and had no borrowings at the year end.

The main current assets of the group are trade receivables and contract assets, both of which are monitored across the business. The prompt rendering of fees for work done and collection of the resulting receivables are important aspects of the monitoring of financial risks within the group. These assets totalled £1,054 million (2022: £1,008 million) for the group and £1,015 million (2022: £978 million) for the partnership.

Going concern

The group has access to considerable financial resources, namely members' capital, undistributed profits and borrowing facilities. This funding, together with well-established relationships with many clients and suppliers across different geographic areas and industries, leaves the group well placed to manage the financial impact of our business risks.

Forecasts have been prepared for the group, reflecting the group's long-term financial 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.

At 30 September 2023, the group had cash balances of £146 million (2022: £300 million) and undrawn facilities of £385 million (2022: £385 million) including a £375 million revolving credit facility extended to the group in December 2021 and maturing in December 2027. This level of cash and committed, undrawn funding provides strong financial resilience through continued disruption caused by any economic factors and allows the group to actively pursue, respond to and invest in opportunities in line with the group's financial plan. Full details of the borrowing facilities are set out in note 15.

The group's objectives, policies and processes to address risks arising from the group's use of financial instruments, in particular its exposure to market, credit and liquidity risks are set out in note 20.

Having considered the group's forecasts and the wider business risks faced by the group, (as set out in the group's separately published Transparency Report) including known events and conditions that may arise beyond the forecast period, the Board has a reasonable expectation that the group 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 this report and financial statements.

Economic environment

The economic outlook both in the UK and more widely across the globe remains uncertain with the ongoing impact of inflation and interest rate rises and broader geopolitical uncertainty.

However, the group operates across a wide range of sectors and markets providing resilience within the business model. Disposals of businesses in recent years have left the group with a strong statement of financial position, and this is reflected in the significant investments which have been made across the last two years. These investments are adding to the existing strengths within the group's talent and intellectual property base and leave us well positioned to continue to support our clients in a more challenging environment.

Environmental and sustainability

We believe that sustainable growth is the only way to build a successful business and have a lasting impact on the world. The group recognises the importance of its environmental responsibilities and has policies and initiatives in place designed to minimise the negative impact of the group on the environment.

Our published Impact Plan brings together all of the group's Environmental, Social and Governance (ESG) commitments and information about the progress we are making against these.

Our climate related financial disclosures, and the group's energy and carbon reporting, are available alongside this report in the Appendix.

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Report to the members

(continued)

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

The members are responsible for preparing the report to the members and the group and partnership financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) require the members to prepare the group and partnership financial statements for each financial year. Under that law the members have elected to prepare both the group and partnership financial statements in accordance with International Accounting Standards in conformity with the requirements of UK adopted International Accounting Standards (adopted IFRSs).

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 group and partnership and of the profit or loss of the group for that period.

In preparing each of the group and partnership financial statements, the members 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 group and 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 group or the partnership or to cease operation, or have no realistic alternative but to do so.

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 group and to prevent and detect fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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 group's auditor is unaware; each Board member has taken all the steps that he ought to have taken to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Auditor

In accordance with Section 485 of the Companies Act 2006, the independent auditor, Grant Thornton UK LLP, will be proposed for re-appointment.

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Independent auditor's report to the members of KPMG LLP

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of KPMG LLP (the 'limited liability partnership') and its subsidiaries (the 'group') for the year ended 30 September 2023, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the statements of financial position, the statements of changes in equity, the statements of cash flows and the 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 and as regards the limited liability partnership financial statements, as applied in accordance with the provisions of the Companies Act 2006, as applied to limited liability partnerships.

In our opinion the group financial statements:

- give a true and fair view of the state of the group's and of the limited liability partnership's affairs as at 30 September 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the limited liability partnership financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the provisions of the Companies Act 2006, as applied to limited liability partnerships; and
- the financial statements 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 group 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 as applied to entities, 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 members' 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 group's and the limited liability partnership'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 group to cease to continue as a going concern.

Our evaluation of the members' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- understanding the design and implementation of controls around management's assessment of going concern;
- discussions with management regarding their assessment of the group's ability to continue as a going concern;
- making use of our internal modelling specialists to verify the integrity and mathematical accuracy of the going concern model, associated scenario analysis and covenant calculations;
- assessing the reasonableness of management's projected cashflow and working capital assumptions and evaluating the revenue and cost projections underlying management's cashflow model;
- assessing the accuracy of management's historical forecasting by comparing management's forecasts for the years ended 30 September 2023 and 30 September 2022 to the actual results for those periods and considering the impact on the base-case cashflow forecast;
- assessing how these cash flow forecasts were compiled, assessing their appropriateness by applying relevant sensitivities to the underlying assumptions, and challenging those assumptions and mitigations applied;
- considering the post year end performance compared to the budgeted forecasts;

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Independent auditor's report to the members of KPMG LLP

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- evaluating management's plausible but severe model to identify the scenario which would result in a significant reduction of the cash headroom during the assessment period and assessing the probability of such a scenario; and
- assessing the adequacy of related disclosures within the UK members' report and financial statements.

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

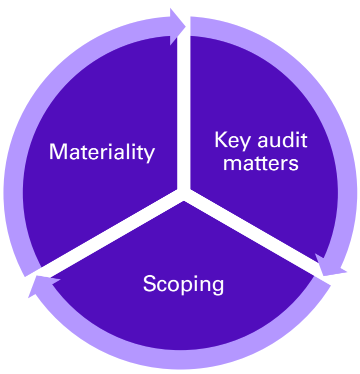
In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 group's and the limited liability partnership'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 members with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

Grant Thornton



Overview of our audit approach

Overall materiality:

Group: £17 million, which represents approximately 5% of the group's profit before taxation and members' profit share; and

Limited Liability Partnership: £15 million, which represents 5% of the limited liability partnership's profit before taxation and members' profit share capped at approximately 90% of group materiality.

Key audit matters were identified as:

- Revenue recognition includes the risk of fraud (same as previous year);
- Professional claims and regulatory matters (same as previous year); and
- Defined benefit scheme obligations (same as previous year).

Our auditor's report for the year ended 30 September 2022 included no key audit matters that have not been reported as key audit matters in our current year's report.

We performed a full scope audit of the financial statements of the limited liability partnership, which represents 97% of the group's revenue, 90% of total assets and 81% of profit before taxation and member's profit share. We completed specified or analytical audit procedures on the financial information of all other group components, other than for one component for which specific audit procedures on the financial information was completed by a component auditor.

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Independent auditor's report to the members of KPMG LLP

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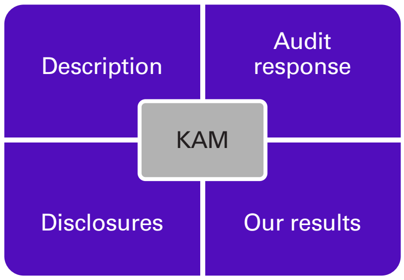
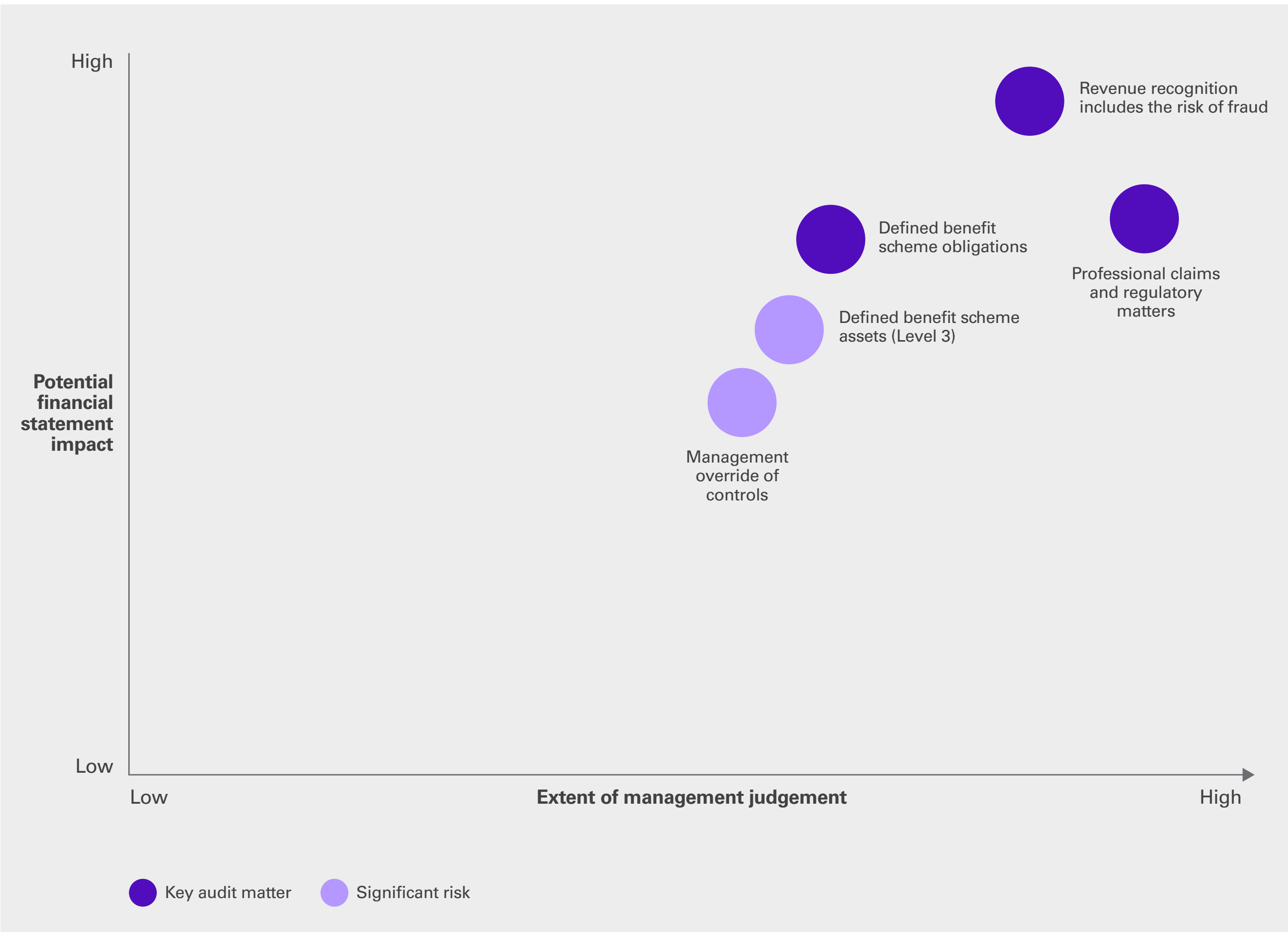
Key Audit Matters

The limited liability partnership's members have requested us to expand our auditor's report to report under ISA (UK) 701 'Communicating Key Audit Matters in the Independent Auditor's Report'. This involves communicating to the members key audit matters together with other audit planning and scoping matters.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on; the overall audit strategy; the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters and significant risks relevant to the audit. This is not a complete list of all risks identified by our audit.



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Independent auditor's report to the members of KPMG LLP

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Key Audit Matters (continued)

Key Audit Matter – group and limited liability partnership	How our scope addressed the matter
Revenue recognition includes the risk of fraud We identified revenue recognition includes the risk of fraud as one of the most significant assessed risks of material misstatement. The group's revenue amounted to £2,960 million (2022: £2,723 million). The majority of the group's revenue is derived from contracts where the consideration is based on time and materials. For these contracts, the group satisfies performance obligations over time and revenue is recognised in proportion to cost incurred relative to total expected cost required to complete the satisfaction of that performance obligation. In determining the timing of revenue to be recognised in accordance with IFRS 15 'Revenue from Contracts with Customers' each individual engagement team estimates the stage of completion and the right to consideration at the year-end for each contract. The level of judgement and estimation required is higher for contracts that are open at year end and meet certain criteria under IFRS 15, deeming the contracts more complex. Such criteria may include the presence of significant contract modifications, substantial fixed-price delivery, multiple performance obligations, or other factors outlined in IFRS 15, such as variable consideration or contracts with contractual maximums. We identified a population of significant contracts with specific risks or characteristics as set out above with revenue recognised amounting to £267 million which, in our view, had a greater susceptibility to material misstatement arising from the risk of fraud and error. Relevant disclosures in the UK Members' Report and Financial Statements 2023 — Note 3, Revenue	In responding to the key audit matter, we performed the following audit procedures: — gained an understanding of the processes and relevant controls implemented by management to identify, measure and recognise revenue, including unbilled revenue; — assessed the design effectiveness of those processes and controls and tested the operating effectiveness of relevant year end controls; — assessed the accounting policies and practices relating to revenue recognition employed by management to ensure compliance with IFRS 15; — tested a sample of contracts to assess that the right to consideration had been obtained through performance of the agreed services and that the associated revenues were appropriately recognised under the requirements of IFRS 15; — for a sample of significant contracts where we identified specific risks or characteristics, discussed, challenged and corroborated the estimates applied by client engagement and management teams in determining the level of revenue recognised in the consolidated income statement and the related contract assets and liabilities within the group and limited liability partnership statements of financial position; and — made enquiries of client engagement and management teams where revenues recognised or trends observed fell outside our expectation parameters. We sought corroborating evidence to support explanations provided by those teams. Our results Our audit testing did not identify any significant deficiencies in the revenue recognition accounting policies and we did not identify a material misstatement in revenue recognition. Overall, our assessment is that the estimates applied in determining the level of revenue resulted in an appropriate level of revenue being recognised in the consolidated income statement and unbilled revenue within the group and limited liability partnership financial statements. We consider the related disclosure in note 3 to the financial statements appropriately discloses and describes the significant degree of inherent uncertainty in the assumptions and estimates used in determining the stage of completion of revenue contracts.

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Independent auditor's report to the members of KPMG LLP

(continued)

Key Audit Matters (continued)

Key Audit Matter – group and limited liability partnership	How our scope addressed the matter
Professional claims and regulatory matters We identified professional claims and regulatory matters as one of the most significant assessed risks of material misstatement due to fraud and error. Group and limited liability partnership provisions in respect of professional claims and regulatory matters amount to £35 million (2022: £179 million) and £34 million (2022: £174 million) respectively. In accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a provision is made for the estimated costs for dealing with and settling professional claims and regulatory matters when the group has a present legal or constructive obligation as a result of a past event, that it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Determining whether a provision or contingent liability arises can be highly judgemental and estimating the level of costs likely to be incurred in defending, concluding and settling such matters is characterised with a high level of estimation uncertainty. Relevant disclosures in the UK Members' Report and Financial Statements 2023 — Note 17, Provisions and contingent liabilities	In responding to the key audit matter, we performed the following audit procedures: — an assessment of the professional claim and regulatory matter notification process and the identification and practice protection procedures in operation; — challenged management as to whether the circumstances surrounding certain known claims and regulatory matters met the IAS 37 criteria to require provision within the financial statements; — considered those claims and regulatory matters in progress which are, or have the potential to be, material and challenging management's key estimates and the underlying level of provision; — corroborated the settlement of certain material professional claim and regulatory matters provided for at the prior balance sheet date made to third party and other supporting evidence; — developed our own auditor's estimate of the required level of provision by benchmarking provisions made for regulatory sanctions in the context of the regulatory environment, by reference to sanctions and claims levied against the group and its competitors and by reference to the underlying facts and circumstances of claims against the group; — determined whether the information obtained was complete through review of publicly available information and that held by the group's General Counsel; and — assessed the adequacy of the presentation and disclosures related to professional claims and regulatory matters. Our results Our audit testing did not identify any significant deficiencies in the operation of the professional claim and regulatory matter notification, identification and practice protection procedures. The overall level of provisions held within the financial statements is within our own auditor's reasonable range. We consider that the disclosures in note 17 which omit certain information deemed to be seriously prejudicial to the group and partnership, appropriately describe the significant degree of inherent uncertainty in the assumptions and estimates used in estimating the value of the provisions relating to professional claims and regulatory matters.

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Independent auditor's report to the members of KPMG LLP

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Key Audit Matters (continued)

Key Audit Matter – group and limited liability partnership	How our scope addressed the matter
Defined benefit scheme obligations We identified defined benefit scheme obligations as one of the most significant assessed risks of material misstatement due to error. There are significant provisions for post-employment benefits, currently resulting in a total net defined benefit scheme liability. The measurement of these liabilities in accordance with IAS 19 (Revised) 'Employee benefits' involves significant judgement and their valuation is subject to complex actuarial assumptions. Small variations in those actuarial assumptions can lead to a materially different value of pension liabilities being recognised in the financial statements. Relevant disclosures in the UK Members' Report and Financial Statements 2023 — Note 18, Retirement benefits	In responding to the key audit matter, we performed the following audit procedures: — assessed the objectivity, competence and capability of management's actuarial team; — in conjunction with our internal actuarial specialists, considered the appropriateness of the valuation methodologies and challenged the appropriateness of the valuation assumptions (including discount rates and mortality table usage); — assessed the results and assumptions used within the triannual funding review and corroborated those to the assumptions used in the year end actuarial review; — assessed the appropriateness of information sources used for the valuation; and — considered the adequacy of the disclosures related to defined benefit pension schemes. Our results Our audit work determined the valuation methodologies and the actuarial assumptions inherent within them to be consistent with the expectation of our actuarial specialists. We consider that the related disclosure in note 18 to the financial statements appropriately describes the significant degree of uncertainty in the underlying assumptions and estimates.

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Independent auditor's report to the members of KPMG LLP

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Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Limited liability partnership
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£17 million which represents approximately 5% of the group's profit before taxation and members' profit share.	£15,000,000 which represents 5% of the limited liability partnership's profit before taxation and members' profit share capped at approximately 90% of group materiality.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the significant judgement that the selected benchmark is considered the most appropriate because it reflects the level of profits generated during the year available for distribution to the members. This benchmark was communicated to the Audit Committee during the audit planning phase and has been consistently applied in the current and prior years. Materiality for the current year is lower than that which was determined for the year ended 30 September 2022 reflecting the reduction in profit before taxation and members' profit share.	In determining materiality, we made the significant judgement that the selected benchmark is considered the most appropriate because it reflects the level of profits generated during the year available for distribution to the members. This benchmark was communicated to the Audit Committee during the audit planning phase and has been consistently applied in the current and prior years. Materiality for the current year is lower than that which was determined for the year ended 30 September 2022 reflecting the reduction in profit before taxation and members' profit share.
Significant revision of materiality threshold that was made as the audit progressed	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual profit before taxation and members' profit share and adjusted our audit procedures accordingly.	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual profit before taxation and members' profit share and adjusted our audit procedures accordingly.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£12,750,000, which is 75% of financial statement materiality	£11,250,000, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we considered all pertinent facts from prior period audits, including the level of adjusted and unadjusted misstatements and the level of control deficiencies.	In determining performance materiality, we considered all pertinent facts from prior period audits, including the level of adjusted and unadjusted misstatements and the level of control deficiencies.

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Independent auditor's report to the members of KPMG LLP

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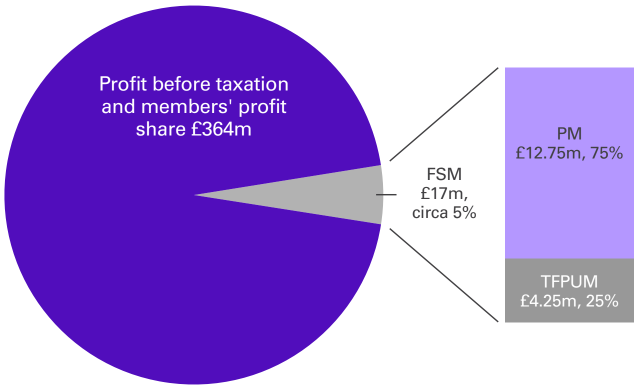
Our application of materiality (continued)

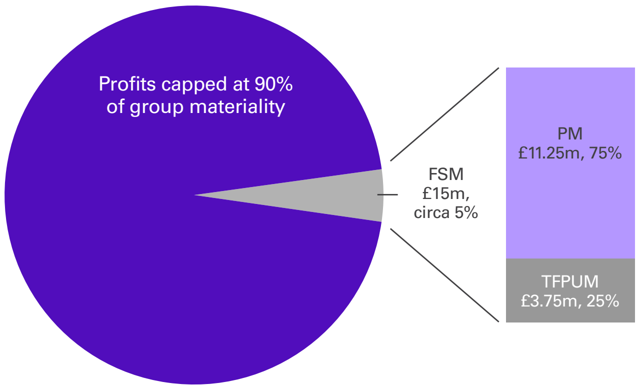
Materiality measure	Group	Limited liability partnership
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for certain areas such as key management profit share, average partner distribution and related party transactions.	We determined a lower level of specific materiality for certain areas such as key management profit share, average partner distribution and related party transactions.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£850,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£750,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Limited Liability Partnership



FSM: Financial statements materiality PM: Performance materiality TFPUM: Tolerance for potential uncorrected misstatements

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Independent auditor's report to the members of KPMG LLP

(continued)

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the limited liability partnership's business and in particular matters related to:

Understanding the group, its components and their environments, including group-wide controls

The engagement team obtained an understanding of the group and its environment, including the controls and the assessed risks of material misstatement. We performed interim and advanced audit procedures as well as an evaluation of the internal control environment, including the group's IT systems.

Identifying significant components

The performance of the group is substantially derived from that of the limited liability partnership which is the only significant component of the group.

We assessed quantitative and qualitative factors to identify components which are significant to the group, we considered components in terms of their nature and influence on the group and any individual component which is financially significant to the group, this was assessed based on revenue, profit before taxation and members' profit share and total assets.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

The group audit was conducted from one key location and included an audit of the financial statements of the limited liability partnership, together with specified or analytical audit procedures for the rest of the group. 97% of the group's revenue, 90% of the group's total assets and 81% of the group's profit before taxation and members' profit shares were subject to an audit based upon the limited liability partnership's materiality, with the group's remaining assets and liabilities subject to specified or analytical procedures.

We identified revenue recognition includes the risk of fraud, professional claims and regulatory matters and defined benefit scheme obligations to be key audit matters in respect of the group financial statements and the procedures to address this are included in the key audit matters section above.

Consistent with the prior year, the only component not audited by the group engagement team was Queen Street Mutual Company PCC Limited ('QSM'), which was audited by a Grant Thornton International Limited network firm under our instructions. QSM does not generate any of the group's revenue and represents less than 2% of the group's total assets. We determined that specified audit procedures on QSM was required to provide sufficient, appropriate audit evidence as a basis for our opinion on the group financial statements as a whole, as it makes provision for a number of professional claims and regulatory matters.

Performance of our audit

We evaluated certain relevant management controls over the financial processes linked to the significant audit risks, including those described above which were identified as part of our risk assessment. We evaluated general IT controls, the accounts production process and controls over critical accounting matters. We evaluated the findings of the work undertaken by internal audit where relevant to our assessment of significant risk. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was dependent on various factors including our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Communications with component auditors

The group engagement team communicated with one overseas component auditor, throughout the stages of their work, from planning, through fieldwork and as part of the concluding procedures. The group audit team remotely viewed the working papers of the overseas component team.

Detailed audit instructions were sent to the component auditor of QSM setting out the scope and nature of the audit and the group risks that should be addressed. We also communicated information required to be reported back to the group engagement team, together with the group materiality threshold (in the knowledge that this component is subject to local audit using a materiality set at a lower level than group financial statement materiality). We also evaluated the component auditor's working papers and held direct discussions with them regarding their findings and conclusions.

Changes in approach from previous period

There were no significant changes to the audit approach from the previous period.

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage profit before taxation and members' profit shares
Full-scope audit	1	90%	97%	81%
Specified audit procedures	3	4%	0%	9%
Analytical procedures	18	6%	3%	10%

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Independent auditor's report to the members of KPMG LLP

(continued)

Other information

The other information comprises the information included in the UK members' report and financial statements 2023, other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the UK members' report and financial statements 2023. 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 group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group 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 of the group 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.

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 by the limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the limited liability partnership 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

As explained more fully in the statement of members' responsibilities in respect of the report to the members and the financial statements, 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 group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, the members are responsible for assessing the group's and the limited liability 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 group or the limited liability 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.

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 group and limited liability partnership 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 group 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 group'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.
- attendance at audit committee meetings throughout the year which included reporting by internal audit of the key findings of their work.

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.
- key areas of estimation uncertainty or judgement pertaining to the provisioning for professional claims and regulatory matters by reference to the views of external legal counsel (see Key Audit Matter for further details).
- open contracts with specific risks or characteristics (see Key Audit Matter for further details).

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Independent auditor's report to the members of KPMG LLP

(continued)

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 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.

The impact of material non-compliance with laws and regulations and fraud are assessed and evaluated by management when making provision for professional claims and regulatory matters in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Our audit work thereon is considered a Key Audit Matter as described in this report.

We have not been made aware of any identification of instances of non-compliance with laws or regulations through our communication with component auditors.

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. This description forms part of our auditor's report.

Use of our report

This report is made solely to the limited liability 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 limited liability 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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Maile BSc (Hons) FCA
Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Crawley
22 January 2024

Grant Thornton

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Consolidated income statement

For the year ended 30 September 2023

	Note	2023 £m	2022 £m
Revenue	3	**2,960**	2,723
Recoverable expenses		**(344)**	(320)
Net sales		**2,616**	2,403
Other operating income	4	**111**	87
Staff costs	5	**(1,545)**	(1,318)
Profit on disposal of business	9	**12**	16
Depreciation and amortisation	10,11	**(75)**	(73)
Impairment of trade receivables and contract assets	13	**(3)**	(5)
Other operating expenses	6	**(742)**	(633)
Operating profit		**374**	477
Financial income	7	**20**	15
Financial expense	7	**(30)**	(27)
Net financial expense		**(10)**	(12)
Profit before taxation and members' profit shares		**364**	465
Tax expense in corporate entities	8	**(19)**	(17)
Profit for the financial year before members' profit shares		**345**	448
Members' profit shares charged as an expense	5	**(259)**	(329)
Profit for the financial year available for discretionary division among members		**86**	119
Profit for the financial year available for discretionary division among members, attributable to:			
Members as owners of the parent entity		**86**	118
Non-controlling interests		**-**	1
		86	119

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Consolidated statement of comprehensive income

For the year ended 30 September 2023

	Note	2023 £m	2022 £m
Profit for the financial year available for discretionary division among members		**86**	119
Other comprehensive income, net of tax:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plans	18	**19**	14
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences		**(3)**	1
Fair value gain on cash flow hedges	20	**2**	-
Other comprehensive income for the financial year, net of tax		**18**	15
Total comprehensive income for the financial year, net of tax		**104**	134
Total comprehensive income for the financial year, attributable to:			
Members as owners of the parent entity		**104**	133
Non-controlling interests		**-**	1
		104	134

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Statements of financial position

At 30 September 2023

	Note	Group		Partnership	
		2023 £m	2022 £m	**2023 £m**	2022 £m
Assets, excluding members' interests					
Non-current assets					
Property, plant and equipment	10	**499**	498	**468**	470
Intangible assets	11	**47**	44	**23**	20
Shares in subsidiary undertakings	24	**-**	-	**16**	16
Other non-current assets	12	**7**	17	**88**	115
		553	559	**595**	621
Current assets, excluding members' interests					
Trade and other receivables	13	**1,181**	1,234	**1,199**	1,236
Other financial assets	14	**41**	40	**3**	-
Cash and cash equivalents	15	**146**	300	**128**	276
		1,368	1,574	**1,330**	1,512
Total assets, excluding members' interests		**1,921**	2,133	**1,925**	2,133
Liabilities, excluding members' interests					
Non-current liabilities					
Retirement benefits	18	**53**	70	**53**	70
Lease liabilities	21	**420**	423	**393**	401
Provisions	17	**85**	104	**85**	104
Other non-current liabilities	12	**51**	42	**140**	132
		609	639	**671**	707
Current liabilities, excluding members' interests					
Trade and other payables	16	**570**	566	**608**	616
Lease liabilities	21	**33**	34	**29**	28
Provisions	17	**16**	143	**15**	138
		619	743	**652**	782
Total liabilities, excluding members' interests		**1,228**	1,382	**1,323**	1,489
Net assets attributable to members and non-controlling interests		**693**	751	**602**	644
Represented by:					
Amounts classified as current assets:					
Amounts due from members	19	**(41)**	(40)	**(41)**	(40)
Amounts classified as non-current liabilities:					
Members' capital	19	**146**	157	**146**	157
Amounts classified as current liabilities:					
Amounts due to members	19	**221**	302	**221**	302
Members' capital	19	**79**	82	**79**	82
		300	384	**300**	384
Amounts classified as equity:					
Other members' interests classified as equity		**288**	250	**197**	143
Total members' interests		**693**	751	**602**	644

The partnership reported a profit available for discretionary division among members for the year ended 30 September 2023 of £99 million (2022: £104 million). The financial statements on pages 17 to 72 were authorised for issue and signed on 22 January 2024 on behalf of the members of KPMG LLP, registered number OC301540 by:

Jon Holt
Chief Executive Officer

Chris Hearld
Chief Operating and Financial Officer

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Statements of changes in equity

For the year ended 30 September 2023

	Note	Group: Members' other reserves £m	Group: Translation and cashflow hedging reserves £m	Group: Non-controlling interests £m	Group: **Total £m**	Partnership: **Members' other reserves and cashflow hedging reserves £m**
Balance at 1 October 2021		226	2	(6)	222	126
Profit for the financial year available for discretionary division among members		118	-	1	119	104
Remeasurement of defined benefit pension plans	18	14	-	-	14	14
Foreign exchange translation differences		-	1	-	1	-
Total comprehensive income		132	1	1	134	118
2021 profits available for discretionary division, allocated to members during the year		(101)	-	-	(101)	(101)
Other movements	19	(10)	-	5	(5)	-
Transactions with owners		(111)	-	5	(106)	(101)
Balance at 30 September 2022		247	3	-	250	143
Profit for the financial year available for discretionary division among members		**86**	**-**	**-**	**86**	**99**
Remeasurement of defined benefit pension plans	18	**19**	**-**	**-**	**19**	**19**
Foreign exchange translation differences		**-**	**(3)**	**-**	**(3)**	**-**
Hedging gains and losses and costs of hedging	20	**-**	**2**	**-**	**2**	**2**
Total comprehensive income		**105**	**(1)**	**-**	**104**	**120**
2022 profits available for discretionary division, allocated to members during the year		**(56)**	**-**	**-**	**(56)**	**(56)**
Other movements	19	**(10)**	**-**	**-**	**(10)**	**(10)**
Transactions with owners		**(66)**	**-**	**-**	**(66)**	**(66)**
Balance at 30 September 2023		**286**	**2**	**-**	**288**	**197**

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Statements of cash flows

For the year ended 30 September 2023

	Note	Group 2023 £m	Group 2022 £m	Partnership 2023 £m	Partnership 2022 £m
Cash flows from operating activities					
Profit for the financial year after members' profit shares charged as an expense		**86**	119	**99**	104
Adjustments for:					
Tax expense	8	**19**	17	**-**	-
Depreciation and amortisation	10,11	**75**	73	**71**	67
Financial income	7	**(20)**	(15)	**(85)**	(82)
Financial expense	7	**30**	27	**32**	25
Impairment of trade receivables and contract assets	13	**3**	5	**3**	4
Profit on disposal of business	9	**(12)**	(16)	**(12)**	-
Members' profit shares charged as an expense	5	**259**	329	**259**	329
		440	539	**367**	447
Decrease/(increase) in trade and other receivables		**55**	(248)	**61**	(223)
(Decrease)/increase in trade and other payables		**(4)**	15	**(17)**	14
(Decrease)/increase in provisions and retirement benefits		**(150)**	24	**(146)**	28
Cash flows arising from operations		**341**	330	**265**	266
Net interest and other financial costs received	7	**8**	3	**6**	3
Corporate taxes paid		**(17)**	(22)	**-**	-
Net cash flows arising from operating activities before transactions with members		**332**	311	**271**	269
Payments to members		**(400)**	(379)	**(400)**	(379)
Net cash flows arising from operating activities		**(68)**	(68)	**(129)**	(110)
Cash flows arising from investing activities					
Net proceeds from sale of business	9	**12**	19	**12**	-
Acquisition of businesses	9	**(2)**	-	**-**	-
Dividends received		**-**	-	**63**	64
Disposal of other financial assets		**4**	4	**-**	-
Proceeds from sale of property, plant and equipment	10	**7**	1	**6**	1
Acquisition of property, plant and equipment	10	**(29)**	(47)	**(28)**	(44)
Development of intangible assets	11	**(18)**	(16)	**(18)**	(16)
Net cash flows arising from investing activities		**(26)**	(39)	**35**	5
Cash flows arising from financing activities					
Payment of lease liabilities	21	**(56)**	(55)	**(50)**	(50)
Consideration for acquisition of non-controlling interest	9	**-**	(6)	**-**	-
Capital introduced by members	19	**14**	10	**14**	10
Capital repayments to members	19	**(18)**	(7)	**(18)**	(7)
Net cash flows from financing activities		**(60)**	(58)	**(54)**	(47)
Net decrease in cash and cash equivalents		**(154)**	(165)	**(148)**	(152)
Cash and cash equivalents at the beginning of the year		**300**	465	**276**	428
Cash and cash equivalents at the end of the year	15	**146**	300	**128**	276

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Notes

Forming part of the consolidated financial statements

1. Accounting policies

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

The consolidated financial statements include the financial statements of the partnership and its subsidiary undertakings (the group) and include the group's interest in joint arrangements. The parent entity financial statements present information about the partnership as a separate entity and not about its group.

Both the group and partnership financial statements have been prepared in accordance with International Financial Reporting Standards in conformity with the requirements of UK adopted International Accounting Standards (adopted IFRSs) applicable to Limited Liability Partnerships (LLPs) and have been approved by the members. In presenting the parent entity financial statements together with the group financial statements, the partnership is taking advantage of the exemption in Section 408(4) of the Companies Act 2006, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) regulations 2008, not to present its individual income statement and related notes as part of these approved financial statements.

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 consolidated 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 group.

The group 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 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction': effective for periods beginning on or after 1 January 2023.
- Amendments to IFRS 16 'Lease Liability in a Sale and Leaseback': effective for periods beginning on or after 1 January 2024.
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current' and 'Non-current Liabilities with Covenants': effective for periods beginning on or after 1 January 2024.

These amendments had no material impact on either the group's or partnership's 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 group and partnership are:

- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting policies': effective for periods beginning on or after 1 January 2023.
- IFRS 17 'Insurance Contracts'; 'Amendments to IFRS17' and 'Initial Application of IFRS 17 and IFRS 9 – Comparative Information': 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.
- Amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements': effective for periods beginning on or after 1 January 2024.

Based on preliminary assessments, the adoption of these amendments is not expected to have a significant impact on either the group's or partnership's results, financial position or disclosures.

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Notes

Forming part of the consolidated financial statements

1. Accounting policies (continued)

Basis of preparation

The financial statements have been prepared on the historical cost basis except that certain financial instruments are stated at their fair value.

The functional currency of the partnership and the presentation currency of the group is pounds sterling. The financial statements are presented in millions of pounds (£m) unless stated otherwise.

Going Concern

As set out in the Report to the members, the group has access to considerable financial resources, namely members' capital, undistributed profits and borrowing facilities. This funding, together with well-established relationships with many clients and suppliers across different geographic areas and industries, leaves the group well placed to manage the financial impact of our business risks.

Forecasts have been prepared for the group, reflecting the group's long-term financial 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.

At 30 September 2023, the group had cash balances of £146 million (2022: £300 million) and undrawn facilities of £385 million (2022: £385 million) including a £375 million revolving credit facility extended to the group in December 2021 and maturing in December 2027. This level of cash and committed, undrawn funding provides strong financial resilience through continued disruption caused by any economic factors and allows the group to actively pursue, respond to and invest in opportunities in line with the group's financial plan. Full details of the borrowing facilities are set out in note 15.

The group's objectives, policies and processes to address risks arising from the group's use of financial instruments, in particular its exposure to market, credit and liquidity risks are set out in note 20.

Having considered the group's forecasts and the wider business risks faced by the group, (as set out in the group's separately published Transparency Report) including known events and conditions that may arise beyond the forecast period, the Board has a reasonable expectation that the group 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 this report and financial statements.

Foreign currency

Transactions in each entity in foreign currencies other than its 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 in each entity at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within financial income or expense, except when deferred in other comprehensive income as qualifying cash flow hedges.

Non-monetary assets that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

For presentation purposes, the revenues and expenses of group undertakings with a functional currency other than pounds sterling are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. The assets and liabilities of such undertakings, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at year-end. Exchange differences arising from this retranslation are recognised in other comprehensive income in the translation reserve.

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2023	2022	**2023**	2022
US Dollar	**1.23**	1.28	**1.23**	1.11
Euro	**1.15**	1.19	**1.16**	1.13
Indian Rupee	**100.99**	98.19	**101.87**	90.02

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Notes

Forming part of the consolidated financial statements

1. Accounting policies (continued)

Impairment

Non-financial assets

The carrying amounts of the group's and partnership's non-financial assets, other than deferred tax 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. In respect of other assets, 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.

2. Accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, significant estimates and assumptions that affect the application of policies and reported amount of revenue, expenses, assets and liabilities and the disclosure of contingent 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 the currency and maturity of the items being valued.

Critical accounting judgements in applying the group's accounting policies that have the most significant effect on amounts recognised in the 2023 financial statements are as follows:

— Provisions (note 17): Determining whether a provision, contingent liability or neither arises at the balance sheet date and disclosure of the relevant matter would be seriously prejudicial.

— Asset-Backed Funding (ABF) partnership only (note 12): assessing whether an embedded derivative exists and the asset meets the 'solely principal and interest' test under IFRS 9, impacting the recognition and valuation of that asset.

— Member retirement provisions (note 17): assessing whether the payments of additional profit shares on retirement represent an additional outflow of resources to settle an obligation, resulting in the recognition of a provision.

— Consolidation of investee companies (note 24): assessing whether the group has control over certain subsidiaries.

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 to be:

— Provisions (note 17): assessing the probable outcome of claims and regulatory proceedings, estimating the level of costs likely to be incurred in defending and concluding such matters.

— Revenue (note 3): 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.

— Retirement benefits (note 18): determining the actuarial assumptions to be applied in estimating the net obligations of the group's pension plans; key actuarial assumptions are mortality, discount rates, and inflation.

Further details of these judgements and significant estimates are set out in the related notes to the financial statements as indicated in each case together with sensitivity analysis where relevant.

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3. Revenue

All revenue of the group and partnership is generated from contracts with customers.

Accounting policy

Revenue is recognised when, or as, the group and partnership satisfy 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 group's revenue is derived from contracts where the consideration is based on time and materials. For these contracts the group 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 group 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 group and partnership 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 group and partnership 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.

Significant estimate

In calculating revenue from service contracts, the group and partnership make certain estimates as to the extent to which performance obligations have been satisfied. In doing so, the group and partnership 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.

Certain service contracts, notably those in Deal Advisory, Consulting and Tax & Legal, require a greater degree of estimation than others, specifically those contracts that:

- are long-term, spanning a number of accounting periods, thereby extending the period over which estimation is required;
- have fee arrangements other than a simple time and materials basis, requiring an estimation as to percentage completion over time;
- have multiple deliverables, such as software implementation and support services, requiring an estimate as to revenue allocation to each deliverable or percentage completion over time if the contract is considered to be a single performance obligation.

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 £336 million (2022: £379 million) for the group and £322 million (2022: £370 million) for the partnership at 30 September 2023. A 5% sensitivity is considered a reasonably possible assessment of the significant risk of a material adjustment to the carrying amount of the contract asset within the next financial year and would result in a change in revenue of £17 million (2022: £19 million) for group and £16 million (2022: £19 million) for the partnership.

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3. Revenue (continued)

Segmental reporting

The group has voluntarily adopted IFRS 8 'Operating Segments'. Accordingly, segment information is presented, reflecting the group's principal management and internal reporting structures. The group's business is managed through a matrix structure which is capability led – Audit, Tax & Legal (T&L), Deal Advisory, Consulting, Technology, Coverage Central and KPMG Business Services (KBS) – and market informed, through the coverage groups National Markets, Financial Services and Corporates.

Information presented to the Chief Operating Decision Maker (CODM – considered to be the group's Executive Committee) covers both capabilities and coverage groups. However, the group's people and resources are organised by capability, and it is therefore the capability reporting that predominantly influences decisions around resource allocation made by the CODM.

The group and partnership generate revenue from principal activities, through four of the group's capabilities, considered to be operating segments under IFRS 8: Audit, T&L, Deal Advisory and Consulting. The remaining three capabilities – Technology, Coverage Central and KBS – do not directly generate revenue for the group and so do not meet the definition of an operating segment under IFRS 8.

Revenue, profit and asset information is presented on page 27 for the four operating segments; segments have not been aggregated for this purpose. Revenue by capability on page 27 also reflects the categories determined for the purpose of disaggregation of revenues under IFRS 15.

Segments

Audit – Provision of statutory and regulatory attestation services, advice in compliance with changing reporting and regulatory requirements, and non-statutory assurance services.

Tax & Legal (T&L) – Provision of advice and support to help clients understand and comply with tax and legal regulations and requirements.

Deal Advisory (DA) – Our Deal Advisory business helps clients protect and create value through transaction and transformation advice – before, during and after the deal.

Consulting (Cons) – Consulting transforms our clients through a range of different services including reviews, assessments and internal audits; regulatory, risk, ESG and other specialist technical advice and assistance; design and implementation of operating models; technology and transformation programmes; digital migration and integration services; and the provision of managed service solutions.

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3. Revenue (continued)

Information by segment is as follows:

2023	Audit £m	T&L £m	DA £m	Cons £m	**Total £m**
Net sales (as reported internally)	**829**	**493**	**418**	**867**	**2,607**
Recoverable expenses (as reported internally)	**50**	**110**	**57**	**145**	**362**
Gross sales (as reported internally)	**879**	**603**	**475**	**1,012**	**2,969**
Elimination of intra-group trading and other financial adjustments					**(9)**
Total group revenue					**2,960**
Segmental contribution (as reported internally)	**256**	**162**	**147**	**201**	**766**
Members' remuneration adjustments					**194**
Costs not allocated to segments					**(606)**
Profit on disposal of business (see note 9)					**12**
Net financial expense (see note 7)					**(10)**
Net profit before tax of entities not reported internally					**8**
Total group profit before taxation and members' profit shares					**364**
Segmental assets (as reported internally)	**129**	**238**	**187**	**229**	**783**
Assets of entities not reported internally					**69**
Assets not allocated to segments					**1,069**
Total group assets, excluding members' interests					**1,921**

2022	Audit £m	T&L £m	DA £m	Cons £m	Total £m
Net sales (as reported internally)	695	455	443	811	2,404
Recoverable expenses (as reported internally)	44	102	41	135	322
Gross sales (as reported internally)	739	557	484	946	2,726
Elimination of intra-group trading and other financial adjustments					(3)
Total group revenue					2,723
Segmental contribution (as reported internally)	226	168	194	208	796
Members' remuneration adjustments					206
Costs not allocated to segments					(545)
Profit on disposal of business (note 9)					16
Net financial expense (see note 7)					(12)
Net profit before tax of entities not reported internally					4
Total group profit before taxation and members' profit shares					465
Segmental assets (as reported internally)	102	223	145	267	737
Assets of entities not reported internally					64
Assets not allocated to segments					1,332
Total group assets, excluding members' interests					2,133

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3. Revenue (continued)

Entities not reported internally throughout the year ended 30 September 2023 include Queen Street Mutual, entities in Gibraltar and joint operations in India. Members' remuneration adjustments reflect notional charges for members intended to equate to a salary equivalent; these charges to the four capabilities are reflected as expenses within segmental contribution and reversed for financial reporting purposes.

Costs incurred by Technology, Coverage Central and KBS include the costs of central support and infrastructure such as those relating to property, IT costs, marketing, training and other general overhead expenses (including depreciation, amortisation and other non-cash items). These costs are not allocated to the segments on a regular basis for routine internal reporting provided to the CODM and are therefore captured within 'costs not allocated to segments' on page 27.

Assets attributed to the segments for internal reporting purposes comprise trade receivables and contract assets net of contract liabilities. All other assets, including non-current assets, balances with members and cash are controlled centrally and are not allocated across segments. There is no internal reporting of liabilities by segment, hence no segmental disclosures are given.

The group operates almost entirely in the UK; subsidiary entities based outside the UK are immaterial for the purposes of presenting separate geographical segment information. The group generates 82% (2022: 81%) of its revenue from clients located in the UK; the remaining revenue is generated across clients located in a number of countries, the largest of which is the United States (2023: 4%; 2022: 4%).

Major clients

The group has no reliance on any one client – no more than 3% (2022: 4%) of group revenue and 3% (2022: 4%) of partnership revenue is attributable to the largest client.

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 13 and 16).

At 30 September 2023, all contracts with customers are materially for periods of one year or less or the right to consideration is directly aligned to the performance completed to date. The group and partnership have applied the practical expedient in IFRS 15 not to disclose information in respect of partially completed contracts where the period of the contract is materially one year or less. At 30 September 2022, the aggregate amount of the transaction price allocated to fixed price, long-term contracts that were only partially complete was £48 million for group and partnership, with 100% of that transaction price expected to be recognised as revenue during the financial year ending 30 September 2023.

During the financial year ended 30 September 2023, £150 million (2022: £159 million) of the group's and £146 million (2022: £153 million) of the partnership's contract liabilities held at 30 September 2022 were recognised as revenue.

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4. Other operating income

Included in other operating income are the following items:

	Group	
	2023 £m	2022 £m
Charges to other KPMG International member firms	**95**	75
Other items including sub-let rental and shared service recharges	**16**	12
	111	87

Charges to other KPMG International member firms reflect charges for staff and the provision of other services.

5. Members and staff

The average number of staff of the group by capability during the year were as follows:

	Group	
	2023 Number	2022 Number
Audit	**5,162**	4,868
Tax & Legal	**2,541**	2,210
Deal Advisory	**1,712**	1,432
Consulting	**5,130**	4,566
KPMG Business Services, Technology and Coverage Central	**2,649**	2,262
	17,194	15,338

All UK staff (2023: average 16,840) were employed by KPMG UK Limited, (a subsidiary of the partnership, see note 24) until 1 April 2023 when all staff employment contracts were transferred to KPMG LLP.

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5. Members and staff (continued)

Employment costs

The aggregate employment costs of staff are set out below. These costs exclude amounts in respect of members receiving an allocation of profit of the partnership (see members' profit shares below).

	Group	
	2023 £m	2022 £m
Salaries (including bonuses)	**1,339**	1,139
Social security costs	**146**	130
Cost of retirement benefits (note 18)	**60**	49
Staff costs per income statement	**1,545**	1,318
Amounts charged to the income statement in respect of defined benefit pension plans (note 18)	**7**	5
Amounts recognised in the statement of comprehensive income in respect of defined benefit pension plans (note 18)	**(19)**	(14)
Total staff related costs	**1,533**	1,309

Members' profit shares

Accounting policy

The LLP Partnership Agreement requires that 75% of the group profits, excluding the results of certain overseas subsidiaries and profit arising on significant disposals of property or business (adjusted group profits) must be allocated to members; the Board's discretion in respect of retentions is subject to a maximum retention of 25% of the adjusted group profits for the period. Any proposal of the Board to retain more than 25% of the adjusted group profits for the period is subject to a member vote. It is therefore considered that a contractual liability exists under IAS 32 'Financial Instruments: Presentation' in respect of 75% of the adjusted group profits and these amounts are charged as an expense in the income statement and recognised as a liability in the statement of financial position.

The allocation of group profits between those who were members of the partnership during the financial year occurs following the finalisation of these financial statements. Any amounts paid to members in year are reclaimable from members until profits have been allocated. Any such amounts paid in excess of the liability recognised in respect of 75% of the adjusted group profits would be shown as 'Amounts due from members'. Profits available for discretionary allocation are classified as equity and included within 'Members' other reserves'.

Members' profit shares charged as an expense totalled £259 million for the year ended 30 September 2023, representing 75% adjusted group profits (2022: £329 million). Average partner distribution totalled £746,000 reflecting distribution of adjusted group profits after taking into account amounts released from reserves (2022: £717,000, reflecting distribution of adjusted group profits after taking into account amounts retained in reserves).

Further disclosures are given in note 23 regarding transactions with members who are considered to be key management.

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6. Other operating expenses

Other operating expenses of the group include property and IT costs, together £97 million (2022: £97 million), training and subscription costs of £92 million (2022: £68 million), travel and accommodation costs of £45 million (2022: £19 million) and the KPMG International Levy of £94 million (2022: £85 million).

All other general overhead expenses associated with the provision of professional services for the group are also classified within other operating expenses, including the costs of insurance, communication and marketing.

	Group	
	2023 £000	2022 £000
Auditor's remuneration:		
Audit of partnership and consolidated financial statements	**642**	689
Amounts receivable by auditors, of the partnership, and their associates in respect of:		
Audit of financial statements of subsidiaries	**298**	312
Audit related assurance services provided to the group	**80**	54
Audit of certain group pension plans	**97**	86
	1,117	1,141

Audit related assurance services of £80,000 (2022: £54,000) included services that were not related to the statutory audit of the group and therefore considered to be non-audit services. These services included those assurance services provided in respect of sustainability reporting and agreed upon procedures in relation to Operational Separation reporting to the Financial Reporting Council. These services also included services provided overseas for local filing and tax reporting purposes.

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7. Financial income and expense

Accounting policy

Financial income comprises exchange gains, interest income and, if positive, net change in fair value of financial assets at fair value through profit or loss (FVTPL).

Financial expense comprises exchange losses, interest expense on bank borrowings (if relevant), net interest expense on defined benefit pension plan liabilities, interest expense on lease liabilities and unwinding discount on provisions. If negative, net change in fair value of financial assets at FVTPL is classified as a financial expense. All borrowing costs are recognised in the income statement using the effective interest method.

	Group	
	2023 £m	2022 £m
Interest income	**8**	3
Net change on fair value of financial assets at FVTPL	**2**	-
Exchange gains	**10**	12
Financial income	**20**	15
Net interest expense on defined benefit pension plan liabilities (note 18)	**4**	2
Unwinding discount on provisions (note 17)	**2**	1
Net change in fair value of financial assets at FVTPL	**-**	4
Interest expense on lease liabilities (note 21)	**11**	11
Exchange losses	**13**	9
Financial expense	**30**	27

The total interest income on financial assets that were not classified as FVTPL was £8 million (2022: £3 million). The total interest expense on financial liabilities that were not classified as FVTPL was £11 million (2022: £11 million).

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8. Tax expense in corporate entities

Accounting policy

Taxation on all partnership profits is solely the personal liability of the individual members. Consequently, neither taxation nor related deferred taxation arising in respect of the partnership is accounted for in these financial statements. Distributions to members of the partnership are made net of income tax; such amounts retained are paid to HM Revenue & Customs by the partnership, on behalf of the individual members, when this tax falls due. These amounts retained for tax are treated in the financial statements in the same way as other profits of the partnership and so are included in 'Amounts due to members' or 'Other members' interests' depending on whether or not division of profits has occurred.

The companies dealt with in the consolidated financial statements are subject to corporation tax based on their profits for the accounting period. Tax and any deferred taxation of these companies are recorded in the consolidated income statement or consolidated statement of comprehensive income under the relevant heading and any related balances are carried as tax payable or receivable in the consolidated statement of financial position. Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, and any adjustment to tax payable in respect of previous years.

Deferred tax in subsidiary companies 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 following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

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 year-end. Deferred tax balances are not discounted. 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.

Deferred tax liabilities relating solely to intangible assets of the group are recognised in these financial statements. There was no deferred tax arising in the partnership.

As set out in the accounting policy, the charge to tax arises in the corporate subsidiaries included within these financial statements and comprises:

	Group	
	2023 £m	2022 £m
Current tax expense:		
Current year	**7**	16
Adjustment in respect of prior years	**(2)**	(3)
Share of overseas taxes of joint operation	**9**	6
Deferred tax	**5**	(2)
Total tax expense in income statement	**19**	17

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8. Tax expense in corporate entities (continued)

The group is required under IAS 12 'Income Taxes' to present the following tax reconciliation in respect of group profits:

	Group	
	2023 £m	2022 £m
Profit before taxation and members' profit shares	**364**	465
Less profit arising in partnership, on which tax is payable by the members personally	**(358)**	(433)
Profit before taxation arising in group companies	**6**	32
Tax at 22% (2022: 19%) being the average rate of corporate taxes levied on the profits of group companies	**1**	6
Impact of tax exempt and disallowable items	**11**	8
Adjustment in respect of prior years	**(2)**	(3)
Overseas taxes	**9**	6
Total tax expense in income statement	**19**	17

There was no tax charge/(credit) recognised in the statement of comprehensive income (2022: £nil).

Deferred tax assets have been recognised at 30 September 2023, totalling £4 million in respect of temporary differences arising in the corporate entities (2022: £9 million). No deferred tax assets arise in respect of tax losses at 30 September 2023 or 30 September 2022.

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 will have an immaterial consequential effect on the corporate subsidiaries' future current tax charges.

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9. Acquisitions and disposals

Accounting policy

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 group 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 group incurs in connection with a business combination, such as legal fees, are expensed as incurred.

Non-controlling interests arise where the group holds less than 100% of the shares in the entities acquired or, as a result of agreements in place, is entitled to less than 100% of profits or losses arising. Non-controlling interests are measured on initial recognition at their share of the relevant net assets.

Intangible assets have been recognised in respect of customer relationships and similar assets (see note 11).

Acquisitions

There were no material acquisitions in the current year.

In the prior year, the group acquired the 25% non-controlling interest in Microsoft Business Solutions (through KPMG Investments Malta Limited) from KPMG Malta and KPMG Netherlands for a total consideration of £6 million. The acquisition of the 25% non-controlling interest in KPMG Investments Malta Limited had a £10 million impact on members' other reserves at the date of acquisition.

Disposals

During 2023, the group disposed of two small business areas developed internally. The group received consideration of £12 million across both disposals, generating a profit on disposal of £12 million.

In the prior year, the group disposed of KPMG Crimsonwing BV, the Microsoft Business Solutions entity delivering client services in the Netherlands. The group received consideration of £19 million, generating a profit on disposal of £16 million after adjusting for net assets transferred, including allocation of goodwill acquired.

10. Property, plant and equipment

Accounting policy

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Parts of an item of property, plant and equipment having different useful lives are accounted for as separate items.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment and is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Office buildings	Life of lease
Office furniture, fittings and equipment	4-12 years
Computer and communications equipment	2-5 years
Motor vehicles	5 years

The useful lives and residual value, if not insignificant, are reassessed annually.

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10. Property, plant and equipment (continued)

Group

	Office buildings £m	Computer and communication equipment £m	Office furniture, fittings and equipment £m	Motor vehicles £m	**Total £m**
Cost					
Balance at 1 October 2021	490	117	291	28	926
Additions	17	27	14	6	64
Disposals	(7)	(9)	-	(3)	(19)
Exchange difference	3	-	-	-	3
Balance at 30 September 2022	503	135	305	31	974
Additions	**43**	**7**	**18**	**5**	**73**
Disposals	**-**	**(12)**	**(18)**	**(5)**	**(35)**
Exchange difference	**(4)**	**-**	**(1)**	**-**	**(5)**
Balance at 30 September 2023	**542**	**130**	**304**	**31**	**1,007**
Depreciation and impairment					
Balance at 1 October 2021	102	94	202	19	417
Charge for the year	32	14	19	5	70
Disposals	(2)	(9)	-	(2)	(13)
Exchange difference	1	-	1	-	2
Balance at 30 September 2022	133	99	222	22	476
Charge for the year	**34**	**14**	**10**	**4**	**62**
Disposals	**-**	**(11)**	**(12)**	**(5)**	**(28)**
Exchange difference	**(1)**	**-**	**(1)**	**-**	**(2)**
Balance at 30 September 2023	**166**	**102**	**219**	**21**	**508**
Net book value					
At 1 October 2021	388	23	89	9	509
At 30 September 2022	370	36	83	9	498
At 30 September 2023	**376**	**28**	**85**	**10**	**499**

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10. Property, plant and equipment (continued)

Partnership

	Office buildings £m	Computer and communication equipment £m	Office furniture, fittings and equipment £m	Motor vehicles £m	**Total £m**
Cost					
Balance at 1 October 2021	463	115	284	28	890
Additions	11	26	12	6	55
Disposals	(6)	(9)	-	(3)	(18)
Balance at 30 September 2022	468	132	296	31	927
Additions	**33**	**7**	**17**	**5**	**62**
Disposals	**-**	**(11)**	**(17)**	**(5)**	**(33)**
Balance at 30 September 2023	**501**	**128**	**296**	**31**	**956**
Depreciation and impairment					
Balance at 1 October 2021	93	93	200	19	405
Charge for the year	28	14	18	5	65
Disposals	(2)	(9)	-	(2)	(13)
Balance at 30 September 2022	119	98	218	22	457
Charge for the year	**30**	**14**	**10**	**4**	**58**
Disposals	**-**	**(11)**	**(11)**	**(5)**	**(27)**
Balance at 30 September 2023	**149**	**101**	**217**	**21**	**488**
Net book value					
At 1 October 2021	370	22	84	9	485
At 30 September 2022	349	34	78	9	470
At 30 September 2023	**352**	**27**	**79**	**10**	**468**

Property, plant and equipment includes right-of-use assets which are detailed in note 21.

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11. Intangible assets

Accounting policy

Expenditure on research is recognised in the income statement as an expense as incurred. Development expenditure on internally generated software is capitalised only if development costs can be measured reliably, if the product or process is technically and commercially feasible, future economic benefits are probable, and the group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads directly attributable to developing the intangible. Other development expenditure is recognised in the income statement as an expense as incurred.

Internally generated software has a finite useful life and is measured at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life of internally generated software is generally 3-8 years.

Configuration and customisation costs incurred in a cloud computing arrangement are recognised as an expense in the income statement when the related services are received unless the configuration and customisation costs create a separately identifiable asset and meet the recognition criteria of an intangible asset.

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. Customer relationships and similar assets are stated at cost less accumulated amortisation and impairment. These are amortised over their estimated useful life of 4-10 years.

Group

	Internally generated software £m	Customer relationships and similar items £m	Goodwill £m	**Total £m**
Cost				
Balance at 1 October 2021	97	21	32	150
Additions	16	-	-	16
Disposal (see note 9)	(2)	-	(3)	(5)
Write off	-	(7)	-	(7)
Balance at 30 September 2022	111	14	29	154
Additions	**18**	**-**	**-**	**18**
Disposal	**(2)**	**-**	**-**	**(2)**
Balance at 30 September 2023	**127**	**14**	**29**	**170**
Amortisation and impairment				
Balance at 1 October 2021	91	19	6	116
Charge for the year	2	1	-	3
Disposal	(2)	-	-	(2)
Write off	-	(7)	-	(7)
Balance at 30 September 2022	91	13	6	110
Charge for the year	**13**	**-**	**-**	**13**
Balance at 30 September 2023	**104**	**13**	**6**	**123**
Net book value				
At 1 October 2021	6	2	26	34
At 30 September 2022	20	1	23	44
At 30 September 2023	**23**	**1**	**23**	**47**

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11. Intangible assets (continued)

Internally generated software includes £nil million (2022: £16 million) of assets still in the course of development.

At 30 September 2023, goodwill reflects the following business acquisitions:

Acquired business	Year of acquisition	Goodwill £m
KPMG Nunwood (CGU Connected Customer)	30 September 2015	10
KPMG Boxwood (CGU Connected Customer)	30 September 2015	4
HRSD practice of Towers Watson (CGU People and Change)	30 September 2015	2
Microsoft Business Solutions (CGU Microsoft Business Solutions)	30 September 2016	7

The acquired businesses listed above all form part of the group's Consulting capability and are managed across a number of CGUs within that capability. The recoverable amount of the CGU is calculated with reference to the higher of its value in use or fair value less costs of disposal. In the case of value in use, forecasts of the relevant CGU are 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 pre-tax discount rate applied for the year ended 30 September 2023 was 12.1% (2022: 9.9%). The growth rates used in the value in use calculation for 2025 and beyond reflect a conservative view given the past performance of these CGUs and uncertainties around further market growth in these capabilities beyond the initial forecast period.

Where the calculated recoverable amount is greater than the carrying value, 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 where value in use has been used as the basis for recoverable amount.

Partnership

	Internally generated software £m
Cost	
Balance at 1 October 2021	93
Additions	16
Balance at 30 September 2022	109
Additions	**18**
Disposals	**(2)**
Balance at 30 September 2023	**125**
Amortisation and impairment	
Balance at 1 October 2021	87
Charge for the year	2
Balance at 30 September 2022	89
Charge for the year	**13**
Balance at 30 September 2023	**102**
Net book value	
At 1 October 2021	6
At 30 September 2022	20
At 30 September 2023	**23**

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12. Other non-current assets and liabilities

Accounting policy

Non-current loans and receivables are initially recognised at fair value, based upon the estimated present value of future cash flows discounted at the market rate of interest at the date of initial recognition. Subsequent to initial recognition, non-current loans and receivables are recorded at amortised cost less impairment losses, except the amount due from other UK group undertakings which is recorded at FVTPL as set out below.

Judgement

As set out in more detail below, under the Asset Backed Funding (ABF) agreement, the partnership has a receivable from the Scottish Limited Partnership (SLP) of £45 million (2022: £43 million).

The partnership expects to recover its initial contribution of £30 million on future termination of the ABF plus an additional sum, up to a maximum £60 million.

The amount of the additional flow is determined by a number of variables, the most significant of which is considered to be non-financial in nature. Management has therefore concluded that whilst there is no embedded derivative, the receivable does not meet the 'solely principal and interest' test under IFRS 9 and has been recorded at fair value as a FVTPL asset. Fair value of £45 million (2022: £43 million) is calculated based on cashflows, discounted at the rate inherent in the ABF agreement.

	Group		Partnership	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Other prepayments	**-**	-	**42**	44
Amounts due from other UK group undertakings	**-**	-	**45**	64
Other receivables	**1**	7	**1**	7
Deferred tax assets (see note 8)	**4**	9	**-**	-
Other investments	**2**	1	**-**	-
Other non-current assets	**7**	17	**88**	115
Amounts due to other UK group undertakings	**-**	-	**90**	90
Other liabilities	**51**	42	**50**	42
Other non-current liabilities	**51**	42	**140**	132

Partnership

Under the ABF arrangement (see note 18), the partnership prepaid £60 million into the defined benefit plans, £52 million in the pre-2000 fund and £8 million in the TMcL fund, at the inception of the agreement. Under the agreement the SLP, a group entity set up on inception of the agreement, makes monthly payments totalling £4.5 million per annum to the pension plans for 25 years from the date of implementation. The prepayment of £60 million is therefore expected to reduce to £nil over the period of 25 years with the discount unwinding through financial income.

At 30 September 2023, the prepayment was £46 million (2022: £48 million); £42 million (2022: £44 million) is non-current, whilst the remaining £4 million (2022: £4 million) is current, classified as other prepayments within trade and other receivables.

In addition, at the inception of the ABF, the partnership contributed £30 million to the SLP which it expects to recover on future termination of the ABF. It is expected that the pension deficits would reduce over the period and therefore the ABF would generate a return of £60 million to the partnership at the end of the 25 year life. At 30 September 2023, a receivable balance of £45 million is classified as amounts due from other UK group undertakings within other non-current assets with the discount unwinding through financial income (2022: £43 million).

Also under the ABF, the partnership has transferred £90 million of its trade receivables to the SLP (see note 18). As the partnership retains the risks and rewards of those receivables it has a corresponding liability, reflecting the amount owed to the SLP under this agreement. A financial expense of £4.5 million has been recognised in the partnership's income statement in respect of the unwinding discount on this liability.

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13. 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 represents 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 set out in note 3) less provision for foreseeable losses and net of amounts billed on account.

Impairment

The group and partnership recognise 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 group and partnership consider 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 partnership'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.

	Group		Partnership	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Client receivables	**599**	531	**585**	519
Amounts due from other KPMG International member firms	**119**	98	**108**	89
Trade receivables	**718**	629	**693**	608
Contract assets	**336**	379	**322**	370
Amounts due from other UK group undertakings	**-**	-	**70**	36
Other prepayments	**62**	50	**64**	52
Other receivables	**60**	174	**50**	170
Corporation tax receivable	**5**	2	**-**	-
	1,181	1,234	**1,199**	1,236

Trade and other receivables are due within 12 months. Contract assets include £5 million (2022: £13 million) relating to contract fulfilment costs where recovery is considered probable against future revenue forecasts.

Trade receivables and contract assets are shown net of impairment losses totalling £6 million (2022: £7 million) for the group and £6 million (2022: £7 million) for the partnership. 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. Other trade and other receivables balances are not in scope of the ECL model.

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

	Group		Partnership	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Balance at 1 October	**7**	6	**7**	6
Utilised during the year	**(4)**	(4)	**(4)**	(3)
Impairment provision recognised in income statement	**3**	5	**3**	4
Balance at 30 September	**6**	7	**6**	7

The impairment provision recognised during the year is included in the income statement in 'other operating expenses'.

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13. Trade and other receivables (continued)

Impairment losses

Expected credit loss assessment

The group and partnership use an allowance matrix to measure the ECLs of trade rec0eivables. 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 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:

		Group		Partnership	
	Weighted average loss rate	**Gross 2023 £m**	Gross 2022 £m	**Gross 2023 £m**	Gross 2022 £m
Trade receivables					
Current (not past due)	0.10%	**557**	490	**538**	474
31 - 60 days	0.25%	**71**	64	**70**	60
61 - 90 days	0.49%	**54**	43	**52**	42
91 - 120 days	1.23%	**27**	16	**26**	16
121 - 150 days	3.30%	**4**	6	**4**	6
151 - 180 days	6.13%	**3**	5	**2**	5
181 - 360 days	17.84%	**4**	10	**3**	10
More than 360 days	100%	**3**	2	**3**	2
Gross trade receivables		**723**	636	**698**	615
Gross contract assets	0.24%	**337**	379	**323**	370
		1,060	1,015	**1,021**	985
Expected credit losses		**(6)**	(6)	**(6)**	(6)
Other impairment provisions		**-**	(1)	**-**	(1)
Trade receivables and contract assets, net of impairment losses		**1,054**	1,008	**1,015**	978

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14. Other financial assets

Accounting policy

Other financial assets held by the group comprise bonds and equities that are designated as FVTPL and are measured at fair value, calculated by reference to their listed price at the year-end. Any resulting gain or loss on these assets classified as FVTPL is recognised in the income statement.

In addition, the group has entered into non-deliverable forward exchange contracts (NDFs) which are classified as financial assets if they have a positive fair value at the year end. Those NDFs which are not in a hedge relationship are designated as FVTPL whilst those that are in a cashflow hedge relationship are fair value through other comprehensive income (FVOCI); the effective portion of the cumulative net change in the fair value are presented in Other Comprehensive Income as items that may be subsequently reclassified to profit or loss when specific conditions are met.

	Group		Partnership	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Bonds FVTPL	**28**	30	**-**	-
Equities FVTPL	**10**	10	**-**	-
Derivative financial instruments at Fair Value – cashflow hedge	**3**	-	**3**	-
	41	40	**3**	-

15. Cash and borrowings

Accounting policy

Cash and cash equivalents comprise bank balances and (if relevant) call deposits. The cash and cash equivalents are stated at their nominal values, as this approximates to amortised cost.

Bank borrowings are initially recognised at fair value, based upon the nominal amount outstanding. Subsequent to initial recognition, they are recorded at amortised cost. Borrowings are classified as either non-current or current according to the expected utilisation under the revolving credit facility. Borrowing costs arising on bank borrowings are expensed as incurred within financial expense. Initial facility fees incurred in respect of bank borrowing facilities are capitalised and amortised over the facility life.

	Group		Partnership	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Bank balances	**146**	300	**128**	276
Cash and cash equivalents	**146**	300	**128**	276

Committed borrowing facilities of £385 million (2022: £385 million) were available to the group at 30 September 2023; there were no amounts drawn against the facilities at either 30 September 2023 or 30 September 2022. Of the facilities available as at 30 September 2023, £10 million (2022: £10 million) expires in one year or less, the revolving credit facility of £375 million (2022: £375 million) is due to expire in December 2027. This revolving credit facility is unsecured and availability of the facility is dependent on certain conditions, including a minimum level of members' capital, all of which were satisfied at 30 September 2023 and 2022 and are forecast to be met over the next 12 months.

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15. Cash and borrowings (continued)

Liabilities arising from financing activities

Members' capital, lease liabilities and borrowings are all liabilities arising from financing activities, being those liabilities for which cash flows are classified as cash flows from financing activities in the group and partnership cash flow statement. As set out on page 43, neither the group nor the partnership had any borrowings at either 30 September 2023 or 30 September 2022.

	Group		Partnership	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Members' capital (note 19)	**225**	239	**225**	239
Lease liabilities (note 21)	**453**	457	**422**	429
	678	696	**647**	668

The following table illustrates the movements in liabilities arising from financing activities, including both changes arising from cash and non-cash flows:

	Group		Partnership	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Cash flows from financing activities:				
Capital introduced by members	**14**	10	**14**	10
Repayments of capital	**(18)**	(7)	**(18)**	(7)
Payment of lease liabilities	**(56)**	(55)	**(50)**	(50)
Non-cash flows from financing activities:				
Transfer from reserves in year	**9**	-	**9**	-
Reclassification of liabilities to former partners on retirement	**(19)**	(22)	**(19)**	(22)
Interest expense on lease liabilities	**11**	11	**9**	9
Additions to lease liabilities	**44**	12	**34**	8
Exchange differences	**(3)**	2	**-**	-
Net decrease in liabilities arising from financing activities	**(18)**	(49)	**(21)**	(52)
Liabilities arising from financing activities at the beginning of the year	**696**	745	**668**	720
Liabilities arising from financing activities at the end of the year	**678**	696	**647**	668

Further details on members' capital and lease liabilities are set out in notes 19 and 21 respectively.

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16. 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.

	Group		Partnership	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Accruals	**252**	287	**244**	119
Contract liabilities	**165**	150	**158**	146
Other taxes and social security	**68**	50	**68**	50
Other payables	**28**	13	**13**	5
Trade payables	**43**	50	**42**	49
Amounts due to other UK group undertakings	**-**	-	**70**	232
Amounts due to other KPMG International member firms	**14**	16	**13**	15
	570	566	**608**	616

Included in group and partnership accruals at 30 September 2023 are amounts payable to staff in respect of bonuses; at 30 September 2022, the partnership had no liability for staff bonus accruals as all staff were employed by a subsidiary entity (see note 5).

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17. Provisions and contingent liabilities

Accounting policy

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and it can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is presented in the income statement as a financial expense.

Contingent liabilities arise where the outflow of resources is considered less than probable or cannot be measured reliably.

Property provisions

Provisions for onerous contracts are recognised when the expected benefits to be derived by the group or partnership from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Property provisions are recognised for dilapidation costs anticipated on exiting properties leased by the group and partnership.

Partner annuities

The partnership has conditional commitments to pay annuities to certain former members (and dependants). These annuities are payable only out of profits of the partnership, on which they constitute a first charge. The present value of the best estimate of the expected liabilities for future payments to retired members or their dependants is provided in full, gross of attributable taxation that is deducted by KPMG from payments to annuitants, as a charge against income at the point at which the contractual right arises.

Any changes in the provision for former members' annuities arising from changes in former members and their dependants or in financial estimates and actuarial assumptions are recognised in the income statement. The payment of former members' annuities is shown as a movement against the provision.

Judgement

In addition to former partner annuities, the Operating Provisions of the partnership allow for one-off member retirement payments to current retiring partners in certain circumstances, subject to prior approval by the Executive Committee. Management have assessed that no provision is required for future member retirement payments as these payments reflect an additional profit share and as such there is no additional outflow of resources required to settle the obligation. A different judgement taken in this respect would result in recognition of a liability classified as Amounts due to members; a high-level actuarial exercise estimates that such a provision could be around £72 million at 30 September 2023 (2022: £67 million).

Professional claims and regulatory matters

The group from time to time receives claims in respect of professional service matters and may be subject to disciplinary proceedings brought by regulatory authorities. It defends such claims where appropriate but where an outflow of resources is considered probable and reliable estimates can be made, a provision is made for the best estimate of probable cost (including related legal costs) of settling professional service claims brought against the partnership and group by third parties and disciplinary proceedings brought by regulatory authorities.

The group maintains professional indemnity insurance, principally written through mutual insurance companies. Premiums are expensed as they fall due with prepayments or accruals being recognised accordingly. Reimbursement under insurance contracts is recognised when the recovery becomes virtually certain and would be included within 'trade and other receivables'.

Judgement

Management have determined whether a provision, contingent liability or neither arises at the balance sheet date in respect of each individual matter and whether disclosure of the relevant matter would be seriously prejudicial to the position of the group. These judgements are taken by management based on all the specific circumstances in each case, taking account of all available evidence including the opinion of experts where relevant.

These professional service claims and regulatory matters, or indeed pre-action claims in some cases, are at various stages in lengthy and complex processes that have a variety of possible outcomes.

The likely outcome in any professional service claim or regulatory matter can be difficult to predict based on the evidence available, resulting in a significant level of uncertainty inherent in any assessment as to whether a provision exists at the year end. These uncertainties also mean that it is not always possible to give a reliable estimate of contingent liabilities arising from such professional service claims and regulatory matters.

No separate disclosure is made of the detail of such claims, regulatory matters and proceedings, the methodology used to measure the amount that has been provided, the uncertainties relating to the range of possible outcomes considered or the costs recoverable by insurance, because, in management's view, to do so could seriously prejudice the position of both the group and partnership.

Provisions of £35 million (2022: £179 million) for the group and £34 million (2022: £174 million) for the partnership have been recognised in respect of all known professional claims and regulatory matters. A different judgement taken as to whether a provision, contingent liability or neither arises at the balance sheet date may affect whether a provision is recognised and the disclosures within these financial statements.

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17. Provisions and contingent liabilities (continued)

Significant estimates

At 30 September 2023, the provision for professional claims and regulatory matters amounts to £35 million (2022: £179 million) for group and £34 million (2022: £174 million) for partnership. Inevitably, these estimates depend on the outcome and timing of future events and may need to be revised as circumstances change. As set out above, these provisions are inherently difficult to estimate. A different assessment of the likely outcome of each case or of the probable cost involved may result in a different level of provision recognised; there are reasonably possible changes to assumptions that could result in a material adjustment to the provision recognised in a future period.

Group

	Annuities £m	Property provisions £m	Professional claims and regulatory matters £m	**Total £m**
Balance at 1 October 2022	42	26	179	247
Transferred to accruals	-	(6)	-	(6)
Utilised during the year	(4)	-	(130)	(134)
Provisions recognised/(released) during the year	2	4	(14)	(8)
Unwinding of discounted amounts	2	-	-	2
Balance at 30 September 2023	**42**	**24**	**35**	**101**
Non-current	38	20	27	85
Current	4	4	8	16

Partnership

	Annuities £m	Property provisions £m	Professional claims and regulatory matters £m	**Total £m**
Balance at 1 October 2022	42	26	174	242
Transferred to accruals	-	(6)	-	(6)
Utilised during the year	(4)	-	(126)	(130)
Provisions recognised/(released) during the year	2	4	(14)	(8)
Unwinding of discounted amounts	2	-	-	2
Balance at 30 September 2023	**42**	**24**	**34**	**100**
Non-current	38	20	27	85
Current	4	4	7	15

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17. Provisions and contingent liabilities (continued)

Group and partnership

Property provisions for the group and for the partnership are expected to be utilised within the next ten years whilst provisions for professional claims and regulatory matters are expected to be utilised within the next five years.

The provision for former members' annuities is expected to be utilised as follows:

	2023 £m	2022 £m
Within 12 months of the year-end	**4**	4
Between 1-5 years	**13**	12
Between 5-15 years	**17**	17
In more than 15 years	**8**	9
	42	42

The principal actuarial assumptions used in assessing the provision for former members' annuities are that increases in annuities payable will continue to follow the retail price index as this is the specific obligation set out in the underlying commitment and that, after application of mortality rates, the resulting amounts are discounted at the rates set out below:

	2023 %	2022 %
Discount rate	**5.40**	5.40
Inflation rate (retail price index)	**3.40**	3.75

The tables adopted as at 30 September 2023 were the SAPS Series 3 tables with CMI 2022 projections (2022: SAPS Series 3 tables with CMI 2021 projections) with a loading of 143%/108% applied to the underlying mortality rates in respect of males/females in each case. The assumed future improvements in mortality were consistent with those applied in respect of the defined benefit pension plans (see note 18).

The assumed discount rate and inflation rate both have an effect on the provisions. The following table shows the sensitivity of the value of the member annuities to changes in these assumptions:

		Impact on annuity provision (decrease)/increase	
Assumption	Change in assumption	£m	%
Discount rate	Increase by 0.50%	**(2)**	**(5)**
Inflation rate	Increase by 0.50%	**2**	**5**

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18. Retirement benefits

Accounting policy

The group operates two defined contribution pension plans for which the charge for the year represents the contributions payable to the plans in respect of the accounting period. An accrual or prepayment is included in the statement of financial position to the extent to which such costs do not equate to the cash contributions paid in the year.

The group also operates two defined benefit pension plans for which the partnership is the sponsoring employer and bears all related risks. Both plans are closed to future accrual of benefits. The group's net obligations in respect of its defined benefit plans are calculated separately for each plan by estimating the benefits that former employees have earned in return for their service in prior periods; that benefit is discounted to determine its present value and the fair value of plan assets (at bid price) is deducted.

The group determines the net interest on the net defined benefit liability for the period based on a spot rate approach. Under this approach the full yield curve which has been used to derive the discount rate used to measure the defined benefit obligation is applied to the expected cash flows from the pension schemes in each year. This gives an average rate of interest which is applied to the net defined benefit liability at the beginning of the annual period adjusted for contributions and benefit payments during the period.

The discount rate used to determine the defined benefit obligation is based on a yield curve which has been derived based on information regarding AA-rated corporate bonds at the balance sheet date. The group determines a single equivalent discount rate based on this yield curve being applied to sample pension scheme cash flows that broadly match the profile of the group's pension schemes. The calculations are performed by qualified actuaries using the projected unit credit method.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment is recognised immediately in the income statement when the plan amendment or curtailment occurs.

Remeasurements comprise actuarial gains and losses and the return on plan assets (excluding interest). These are recognised immediately in the statement of comprehensive income taking into account the adverse effect of any minimum funding requirements and all other expenses related to defined benefit plans in either staff costs or financial expense in the income statement.

As there is no contractual agreement or stated policy for charging the net defined benefit cost of the group's pension plans to participating entities, the net defined benefit cost of the pension plans is recognised fully by the partnership, as sponsoring employer.

Surpluses are recognised on defined benefit pension plans only to the extent that they are considered to be recoverable by the group, taking account of contributions payable to the relevant plan.

Members of KPMG LLP are required by the KPMG LLP Limited Liability Partnership Agreement to make their own arrangements for retirement income.

Significant estimates

The net obligations of the group's pension plans of £53 million (2022: £70 million) are based on certain assumptions as to mortality, using current published tables (see page 56), discount rates reflecting current market trends and inflation rates reflecting current expectations. The use of different assumptions would result in a different net obligation liability, resulting in different remeasurement gains and losses and financial expense being recognised. The impact from the use of different assumptions on the plans' liabilities are set out in the sensitivity analysis below.

Sensitivity analysis

The principal actuarial assumptions all have a significant effect on the valuation of the defined benefit obligations. The following table shows the sensitivity of the value of the plans' liabilities to changes in these assumptions.

		2023 impact on plan liability (decrease)/increase		
Assumption	Change in assumption	TMcL plan £m	Pre-2000 fund £m	**Total £m**
Discount rate	Increase by 0.5%	**(4)**	**(25)**	**(29)**
Increase of pensions in payment (RPI linked)	Increase by 0.5%	**2**	**7**	**9**
Life expectancy	Increase by 1 year	**3**	**14**	**17**

The sensitivity impacts disclosed in 2022 reflected a lower variability in discount rate and increase in pensions in payment as set out below. However, given current market conditions, these low levels of variability were determined to be inappropriate for the 2023 sensitivity impact assessment.

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18. Retirement benefits (continued)

Assumption	Change in assumption	2022 impact on plan liability (decrease)/increase TMcL plan £m	Pre-2000 fund £m	**Total £m**
Discount rate	Increase by 0.25%	**(3)**	**(13)**	**(16)**
Increase of pensions in payment (RPI linked)	Increase by 0.25%	**1**	**4**	**5**

These sensitivities are based on a change in one assumption while holding all other assumptions constant, so that interdependencies between the assumptions are excluded. The methodology applied is consistent to that used to determine the benefit obligation.

Group and partnership

The cost of employee benefits included within personnel costs of the group for the year was:

	2023 £m	2022 £m
Contributions to defined contribution schemes	**60**	49
Cost of retirement benefits	**60**	49

The net financing cost of £4 million (2022: £2 million), administration costs of £3 million (2022: £3 million) and remeasurement gains of £19 million (2022: £14 million gains) relating to defined benefit pension plans are also considered to be a part of the net cost of retirement benefits.

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18. Retirement benefits (continued)

Defined contribution plans

The group has two contract-based defined contribution Group Flexible Retirement Plans (GFRP) operating in the UK: one plan operated by Standard Life and the other by Aviva.

Contributions of £nil to the defined contribution pension plans were outstanding at the end of either the current or prior financial year.

Defined benefit plans

The group and partnership sponsor two defined benefit pension plans. Both pension plans are HMRC registered pension plans and subject to standard UK pensions and tax law. This means that the payment of contributions and benefits are subject to the appropriate tax treatments and restrictions and the plans are subject to the scheme funding requirements outlined in section 224 of the Pensions Act 2004.

In accordance with UK trust and pensions law, the pension plans have appointed a Trustee who is independent of the group. The Trustee of both pension plans is required by law to act in the best interests of the plans' participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the plans. The assets of each pension plan are held separately from those of the group, administered by trustee directors of KPMG Pension Trust Company Limited.

The Trustee invests the assets of the plans with the aim of ensuring that all members' accrued benefits can be paid. The Trustee of the plans makes all major strategic decisions including, but not limited to, the plans' asset allocation and the appointment and termination of fund managers. When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee has established an Investment Committee to monitor the operation of the plans' investment strategy, make day-to-day decisions as necessary for the smooth running of the plans, and make recommendations to the Trustee on overall strategy. This structure has been established in order to ensure that decisions are taken by those who have the appropriate training and expertise.

The KPMG Staff Pension Fund – pre-April 2000 fund

The KPMG Staff Pension Fund – pre-April 2000 fund (the 'pre-2000 fund') provides benefits based on members' average salary. It was closed to new entrants and ceased future service accrual on 1 April 2000. The weighted average duration of the defined benefit obligation for the pre-2000 fund is approximately 11.0 years.

An actuarial valuation of the pre-2000 fund was completed by Matt Collinson of Isio Group Limited, the Scheme Actuary, as at 31 March 2023. The results of this valuation were used in the preparation of these disclosures and have been updated to 30 September 2023. This valuation resulted in an actuarially assessed funding surplus, including the value of the Asset Backed Funding (ABF) agreement (see page 52). Analysis carried out by the Scheme Actuary has also informed the revised demographic assumptions used in these financial disclosures.

The Trustee of the pre-2000 fund and the group agreed at the time of the 2020 funding valuation that future expenses and administrative costs (including levies paid to the Pension Protection Fund and other bodies) are payable from the pre-2000 fund assets and this practice has continued following completion of the 2023 valuation.

The KMG Thomson McLintock Pension Scheme

The KMG Thomson McLintock Pension Scheme (the TMcL plan) is a defined benefit plan providing benefits based on final pensionable pay. It is closed to new entrants and ceased future service accrual on 1 April 2016. The weighted average duration of the defined benefit obligation for the TMcL plan is approximately 10.0 years.

An actuarial valuation of the TMcL plan was completed by Matt Collinson of Isio Group Limited, the Scheme Actuary, as at 31 March 2023. The results of this valuation were used in the preparation of these disclosures and have been updated to 30 September 2023. This valuation resulted in an actuarially assessed funding surplus including the value of the ABF agreement (see page 52). Analysis carried out by the Scheme Actuary has also informed the revised demographic assumptions used in these financial disclosures. The Trustee of the TMcL plan and the group agreed at the time of the 2017 valuation that future expenses for the TMcL plan are met by the plan and this practice has continued following the completion of the 2023 valuation.

Defined benefit pension plans – valuation and disclosure

Valuations of the defined benefit pension plans have been provided on an IAS 19 'Employee Benefits' (IAS 19) basis as at 30 September 2023 and 30 September 2022 by KPMG's professionally qualified in-house actuaries.

The deficit position for the pre-2000 fund and the TMcL plan have improved over the year to 30 September 2023 due to lower future inflation expectations and a reduction in assumed life expectancy placing a lower value on the liabilities and a smaller fall in the value of the assets.

Minimum funding requirements

The group and partnership have determined that, in accordance with the terms and conditions of the defined benefit plans, the group has an unconditional right to a refund of surplus from the TMcL plan under IFRIC 14.11 (b), assuming the gradual settlement of plan liabilities over time until all members have left the plan. The group does not have an unconditional right to a refund of surplus from the pre- 2000 fund. However, since both the defined benefit plans are in deficit and the deficit in the pre-2000 fund exceeds the present value of future committed contributions, IFRIC 14 has no impact on the pension liabilities or disclosures (2022: £nil) at 30 September 2023.

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18. Retirement benefits (continued)

Risks

The pension plans expose the group to several key risks, the most significant of which are detailed below:

Default risk – the pre-2000 fund and the TMcL plan have a fully credit-based investment strategy based on buying and holding credit instruments which are expected to deliver the income required in order to pay members' pensions, reducing the volatility of the financial position of the schemes. One of the key risks of this type of 'buy and hold' strategy is default risk: the risk that the credit instruments don't deliver the expected income due to default. This risk is managed by investing primarily in investment grade credit instruments which are expected to have a lower risk of default as well as investing in a well diversified portfolio of assets.

Reinvestment risk – the 'buy and hold' strategy mentioned above generates excess asset income in the short-term which would need to be reinvested in the future in order to continue meeting the expected benefits for members over the longer term. There is a risk that this income is reinvested at worse terms than assumed, which might mean that further contributions are required from the group in the future. The scenario where this may apply (narrowing credit spreads) is likely to be during a more buoyant economic environment which is likely to be beneficial for the group more generally.

Mortality risk – the assumptions adopted by the group make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the pre-2000 fund and the TMcL plan and consequently increases in the liabilities. The group and Trustee of each plan review the mortality assumptions on a regular basis to minimise the risk of using an inappropriate assumption. The group has updated their mortality assumption as at 30 September 2023 to reflect the latest available data from the CMI, which includes partial allowance (25%) for the increased mortality experience during 2022 which reflects the potential long term and indirect effects of COVID-19 on long term mortality rates for the pension plan members.

Other matters

At the time of the TUPE transfer of employees from KPMG UK Limited to KPMG LLP on 31 March 2023, the group and Trustee of the pre-2000 fund and TMcL plan agreed to transfer the liabilities of the schemes from KPMG UK Limited to KPMG LLP via a Flexible Apportionment Arrangement. The transfer was formally completed on 9 April 2023, from which point KPMG LLP is the sole employer responsible for the schemes and the guarantees it was providing to each of the pre-2000 fund and TMcL plan have been removed.

The group expects to contribute approximately £4.5 million (which is made up entirely of payments from the ABF arrangement – see below) to its defined benefit pension plans in the next financial year.

Effective from 29 September 2014, KPMG LLP entered into an ABF agreement with the pension plans through the establishment of a Scottish Limited Partnership (SLP). Under this agreement, the beneficial interest in certain trade receivables to a fair value of £90 million was transferred to the SLP. The transfer was effected via a receivables purchase agreement, which sets out how £90 million of the group's receivables will be transferred to the SLP for a 25-year period from the date of implementation.

The plans have a limited interest in the SLP and are entitled to combined annual distribution from the profits of the SLP of £4.5 million (£3.9 million pre-2000 fund; £0.6 million TMcL plan) payable monthly for 25 years from the date of implementation. The payments to a plan will cease if it reaches a fully funded status determined using a low-risk measure of the plan's liabilities.

The SLP is controlled by the group and its results are consolidated by the group. The group's statement of financial position, IAS 19 deficit and income statement are unchanged by the establishment of the SLP. The investment held by the plans in the SLP does not qualify as a plan asset for the purposes of the group's financial statements and is therefore not included within the fair value of plan assets. The value of the trade receivables transferred to the SLP remains on the group's statement of financial position.

As a result of the transactions under the ABF, the partnership's statement of financial position, at the inception of the agreement, was changed to reflect its receivable from the SLP of £30 million, prepayment of contributions to the pension funds of £60 million and a liability of £90 million arising under the receivables purchase agreement. The IAS 19 deficit and income statement were unchanged.

Because taxation in the partnership is a personal liability of the individual members, no deferred tax on the plans' balances falls to be recorded in the financial statements of both the group and partnership.

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18. Retirement benefits (continued)

Composition and fair value of plan assets

The fair values of the plans' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the plans' liabilities, which are derived from cash flow projections over long periods and thus are inherently uncertain, were:

	TMcL plan		Pre-2000 fund	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Quoted in an active market				
Debt instruments				
UK government fixed interest	**17**	25	**151**	142
UK government index-linked	**31**	33	**67**	80
Corporate bonds	**60**	79	**245**	318
Investment funds				
Multi-Asset Credit	**11**	-	**43**	-
Cash and cash equivalents				
Cash	**7**	21	**20**	66
Derivatives				
Credit contracts	**(23)**	(53)	**(117)**	(186)
Not quoted in an active market				
Investment funds				
Distressed debt fund	**1**	2	**6**	9
Fair value of plan assets	**104**	107	**415**	429
Present value of funded defined benefit obligations	**(104)**	(114)	**(468)**	(492)
Net liability in the statement of financial position	**-**	(7)	**(53)**	(63)

The plans' assets do not include any of the group's own transferable financial instruments, property occupied by, or other assets used by the group.

A key component of the Trustees' investment strategy for the TMcL plan and the pre-2000 fund is liability-driven investments (LDI) whose values increase and decrease with movements in the liabilities of each arrangement.

These LDI portfolios are made up of physical holdings of government bonds as well as sale and repurchase agreements (gilt repos) of government bonds in order to achieve the objectives of the LDI portfolio in a capital efficient way. The negative values shown for the 'credit contracts' in the table above represent the cash obligation for repurchase of the government bonds under the gilt repo arrangements within the LDI portfolio and the values included under the 'debt instruments' heading in the table above include the value of government bonds which have been 'sold' as part of the sale and repurchase agreements within the LDI portfolio.

The LDI portfolio (together with the wider ABF arrangement described on page 52) meant that at 30 September 2023 the interest-rate risks and inflation risks of the TMcL plan and the pre-2000 fund were fully hedged on the triennial funding valuation basis. Both the TMcL plan and pre-2000 fund had sufficient liquidity throughout the recent period of increased market volatility, following the government's 'mini budget', to ensure the necessary margin calls were available to the LDI portfolios in order to maintain the hedges.

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18. Retirement benefits (continued)

Movements in present value of obligations

Movements in the present value of the funded defined benefit obligations for the plans were as follows:

	TMcL plan		Pre-2000 fund	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Benefit obligation at start of year	**(114)**	(160)	**(492)**	(763)
Interest on obligations	**(6)**	(2)	**(26)**	(13)
Remeasurement gain arising from changes in demographic assumptions	**1**	-	**4**	1
Remeasurement gain arising from changes in financial assumptions	**4**	48	**9**	256
Remeasurement gain/(loss) arising from experience on the plan's liabilities	**4**	(7)	**8**	(2)
Benefits paid	**7**	7	**29**	29
Benefit obligation at end of year	**(104)**	(114)	**(468)**	(492)
Of which: amounts owing to active members	**-**	-	**-**	-
Of which: amounts owing to deferred members	**(23)**	(37)	**(209)**	(247)
Of which: amounts owing to pensioner members	**(81)**	(77)	**(259)**	(245)

There have been no plan amendments, curtailments or settlements for either the TMcL or pre-2000 plan during either period.

Movements in fair value of assets

Movements in the fair value of the plans' assets were as follows:

	TMcL plan		Pre-2000 fund	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Fair value of plan assets at start of year	**107**	159	**429**	680
Interest income	**5**	2	**23**	11
Return on plan assets, excluding interest income	**(1)**	(47)	**(10)**	(235)
Contributions by employer	**1**	1	**4**	4
Administrative expenses	**(1)**	(1)	**(2)**	(2)
Benefits paid	**(7)**	(7)	**(29)**	(29)
Fair value of plan assets at end of year	**104**	107	**415**	429

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18. Retirement benefits (continued)

Components of pension expense in the income statement

The amounts recognised in the consolidated income statement in respect of the defined benefit plans are as follows:

	2023 £m	2022 £m
Other operating expenses – Administration costs	**3**	3
Finance income and expense – Net interest expense on net defined benefit obligations (note 7)	**4**	2
Total expense recognised in the income statement	**7**	5

Remeasurements recognised in the statement of comprehensive income

The amounts recognised in the consolidated statement of comprehensive income in respect of the defined benefit pension plans are as follows:

	TMcL plan		Pre-2000 fund	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Remeasurement gain arising from changes in demographic assumptions	**1**	-	**4**	1
Remeasurement gain arising from changes in financial assumptions	**4**	48	**9**	256
Remeasurement gain/(loss) arising from experience on the plan’s liabilities	**4**	(7)	**8**	(2)
Return on plan assets, excluding interest income	**(1)**	(47)	**(10)**	(235)
Total remeasurements recognised in statement of comprehensive income	**8**	(6)	**11**	20

Remeasurement gains and losses arise as a result of changes in assumptions or represent experience adjustments.

Remeasurement gains and losses are recognised in the statement of comprehensive income in the period in which they occur.

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18. Retirement benefits (continued)

Assumptions

Under IAS 19 measurement of plan liabilities must be calculated under the projected unit method, which requires certain demographic and financial assumptions. The assumptions used are applied for the purposes of IAS 19 only.

The significant financial and other assumptions used to calculate the liabilities over the life of the plans on an IAS 19 basis were:

Actuarial assumptions

	2023 %	2022 %
Discount rate to calculate defined benefit obligation	5.40	5.40
Discount rate to calculate pension expense	5.45	5.50
Increase of pensions in payment (RPI linked)	3.00	3.60

Both plans have been valued using mortality assumptions which retain an allowance for future improvement in longevity. The mortality tables used for the plans at 30 September 2023 were 93% (pre 2000-fund) and 94% (TMcL plan) of the SAPS Series 3 tables with CMI 2022 projections using a long term trend rate of 1.25% p.a., a smoothing parameter of 7.0 and an initial addition parameter of 0.25% and 2020, 2021 and 2022 weight parameter of 0%, 0% and 25% respectively for both males and females. (2022: 93% (pre 2000-fund) and 94% (TMcL plan) of the SAPS Series 3 tables with CMI 2021 projections using a long term trend rate of 1.25% p.a. and a smoothing parameter of 7.0 and an initial addition parameter of 0.25% and 2020 and 2021 weight parameter of 0% for both males and females).

These tables lead to life expectancies as follows:

	2023 Years	2022 Years
Retiring today, age 60		
Males	26.8	27.4
Females	29.5	30.0
Retiring at age 60, currently aged 45		
Males	27.9	28.5
Females	30.6	31.0

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19. Equity, members' capital and other interests

Accounting policy

Members' capital

The capital requirements of the group and partnership are determined from time to time by the Board, following recommendation from the Executive Committee. Each member is required to subscribe a proportion of this capital. Hence, members' capital of the group represents capital subscribed by members of the partnership to the partnership.

On leaving the partnership, a member's capital must be repaid within one month of the leaving date (except as noted below), unless other arrangements have been agreed between the member and the Executive Committee. Members' capital is therefore considered a current liability and is stated at its nominal value, being the amount repayable.

During the year ended 30 September 2021, the partners voted to allocate £201 million of profits arising in year on disposal of the restructuring business to individual members' capital. No interest is payable on these balances which are repayable over five years commencing on the second anniversary of leaving the partnership; payment is subject to good leaver provisions and early payment is made in certain limited circumstances. These balances are initially classified as a non-current liability to partners, reclassified to non-current third-party liabilities upon retirement and subsequently to current third-party liabilities within 12 months of repayment date.

Amounts due to and from members

Current amounts due to and from members are stated at their nominal value, as this approximates to amortised cost.

Equity

Group and partnership

Other members' interests classified as equity includes members' other reserves comprising certain amounts retained from profits arising in previous years pending their allocation to members and foreign currency translation reserves in respect of overseas subsidiaries. Also included in members' other reserves are remeasurement gains and losses arising on the defined benefit pension plans (see note 18) and gains and losses arising on cashflow hedges (see note 20). Other movements during the prior year relate to the acquisition of the non-controlling interest of MBS (see note 9).

Members' capital

Group and partnership

The group is financed by members' capital. In addition, the working capital and longer-term requirements of the group will be met by the bank facilities (see note 15). The phasing of member distributions may also be altered to give further flexibility to meet finance requirements. The group's capital structure is regularly reviewed to ensure it remains relevant for the business. Movements in members' capital were as follows:

	£m
Balance at 1 October 2021	258
Capital introduced by members	10
Reclassification of liabilities to former partners on retirement	(22)
Repayments of capital	(7)
Balance at 30 September 2022	239
Capital introduced by members	**14**
Transfer from reserves in year	**9**
Reclassification of liabilities to former partners on retirement	**(19)**
Repayments of capital	**(18)**
Balance at 30 September 2023	**225**
Non-current	**146**
Current	**79**

At 30 September 2023, members' capital owed to former partners totalled £56 million, £50 million of which was classified as a non-current liability (2022: £42 million) and the remaining £6 million as a current liability (2022: £nil).

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19. Equity, members' capital and other interests (continued)

Amounts due from/(to) members

In addition to other members' interests classified as equity, members' interests also comprise amounts due from/(to) members as follows:

	Group		Partnership	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Amounts due from members	**41**	40	**41**	40
Amounts due to members	**(221)**	(302)	**(221)**	(302)
	(180)	(262)	**(180)**	(262)

Amounts due from members relate to amounts advanced to members in their first year of appointment, to cover the liabilities arising for those individuals as a result of the change in tax basis to self-employed. These balances are repayable by the member upon retirement or earlier cessation of membership.

Amounts due to members that are classified as current liabilities relate to tax withheld from allocated profits, 75% of partnership accounting profits which fall to be recognised as a liability and certain historical reserves allocated to members following a member vote, less amounts paid to members during the year as drawings or profit shares. There are no loans or other amounts payable to members. In the event of a winding up, amounts due to members may be set-off against amounts due from members but would otherwise rank (with individual members' capital) after unsecured creditors.

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20. 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 group and partnership become a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transactions costs that are directly attributable to its acquisition. A trade receivable without a significant financial component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

Classification

On initial recognition, a financial asset is classified as measured at either amortised cost or FVTPL.

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.

All financial assets not classified as measured at amortised cost are measured at FVTPL. This includes all derivative financial assets.

Financial assets that are managed and whose performance is evaluated on a fair value basis are also measured at FVTPL.

Subsequent measurement and gains and losses

Financial assets at FVTPL – these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Derivatives which are in a cashflow hedge relationship are recognised at fair value and the effective portion of the cumulative net change in the fair value are presented in 'other comprehensive income' as items that may be subsequently reclassified to profit or loss when specific conditions are met.

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 cash flows 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.

Derivative financial instruments

The group uses derivative financial instruments to provide an economic hedge against exposures to foreign exchange rate and interest risks arising from operational, financing and investment activities. In accordance with the group's treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. The derivative financial instruments which do not satisfy highly probable criteria of the future forecasted transaction are recorded at FVTPL. Derivative financial instruments used by the group include non-deliverable forward exchange contracts (NDFs).

Derivative financial instruments are recognised at fair value. The fair value of a derivative financial instrument represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the forward rates of exchange prevailing at the balance sheet date. Subsequent to initial recognition, unless designated as hedging instruments, derivatives are measured at fair value and any gains or losses arising from changes in fair value are taken directly to the income statement. Those with a positive fair value are classified within 'Other financial assets'; derivative financial instruments with a negative fair value are classified within 'Trade and other payables'. Attributable transaction costs are recognised in the income statement when incurred.

Subsequent gains or losses on remeasurement of fair value are recognised immediately in the income statement. The fair value of forward exchange contracts, and other derivatives is the estimated amount that the group or partnership would receive or pay at the year-end, taking into account current exchange rates, interest rates and the current credit worthiness of the counterparties.

Hedge accounting has been adopted for derivative financial instruments where specific criteria is met. At the inception of the designated hedging relationships, the risk management objective and strategy for undertaking the hedge is documented. Additionally, the group documents the economic relationship between the item being hedged and the hedging instrument, and a qualitative and forward-looking approach is taken to assess whether the hedge will be effective on an ongoing basis. At the end of each financial reporting period, for each derivative financial instrument, prospective testing is performed to ensure that the economic relationship remains; the impact of credit risk on changes in values is reviewed and the hedging ratio is reassessed.

Hedge accounting is discontinued when the hedging instrument matures, is terminated or exercised, the designation is revoked, or it no longer qualifies for hedge accounting.

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20. Financial instruments (continued)

A cash flow hedge is a hedge of the exposure to variability of cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction. The effective portion of changes in the intrinsic fair value of derivatives that are designated and qualify as cash flow hedges are recognised directly in equity. All other changes in fair value are recognised immediately in the income statement within other gains or losses. For all hedged forecast transactions, amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. The group has entered into non-deliverable forward exchange contracts (NDFs) as qualifying instruments for cash flow hedge accounting.

Risk management framework

The group's principal financial instruments arise directly from its operations. Members' capital and amounts due to and from members also fall to be treated as financial instruments. The main purpose of these financial instruments is to finance the operations of the group.

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

The Board has overall responsibility for the establishment and oversight of the risk management framework. The 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 activities. The group, through 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 group's financial assets and liabilities approximate their carrying values at 30 September 2023 and 2022, largely owing to their short maturity. The bases for determining fair values are disclosed throughout these financial statements.

The table on page 61 shows the classification and carrying amounts of the group's and partnership's financial assets and financial liabilities. The only assets designated at fair value for the group are the bonds, equities, derivatives and other investments shown on the table on page 61; the partnership has only derivatives and non-current amounts due from other UK group undertakings carried at fair value at 30 September 2023.

When measuring the fair value of an asset or a liability, the group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy as follows:

— **Level 1**: quoted prices (unadjusted) in active markets for identical assets and liabilities;

— **Level 2**: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices); and

— **Level 3**: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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20. Financial instruments (continued)

Assets designated at fair value are classified as Level 1 (bonds and equities), Level 2 (derivatives) and Level 3 (investments and non-current amounts due from other UK group undertakings). Level 2 assets have been valued using market inputs whilst Level 3 assets have been valued using discounted cash flows.

There have been no transfers between Level 1 and 2 during the current or prior year.

		Group		Partnership	
	Note	**2023 £m**	2022 £m	**2023 £m**	2022 £m
At amortised cost					
Trade receivables	13	**718**	629	**693**	608
Contract assets	13	**336**	379	**322**	370
Cash and cash equivalents	15	**146**	300	**128**	276
Amounts due from members	19	**41**	40	**41**	40
Other receivables – current and non-current	12,13	**61**	181	**51**	177
Amounts due from other UK group undertakings	13	**-**	-	**70**	57
Total financial assets at amortised cost		**1,302**	1,529	**1,305**	1,528
Financial assets designated as at fair value through profit or loss					
Bonds	14	**28**	30	**-**	-
Equities	14	**10**	10	**-**	-
Amounts due from other UK group undertakings – non-current	12	**-**	-	**45**	43
Other investments	12	**2**	1	**-**	-
Total financial assets at fair value through profit or loss		**40**	41	**45**	43
Financial assets designated as hedging instruments and measured at fair value					
Derivative financial instruments – NDFs (Hedge accounted)	14	**3**	-	**3**	-
Total financial assets at fair value – in hedge accounting		**3**	-	**3**	-
Total financial assets		**1,345**	1,570	**1,353**	1,571
Non-derivative financial liabilities measured at amortised cost					
Amounts due to members	19	**221**	302	**221**	302
Lease liabilities	21	**453**	457	**422**	429
Members' capital – current and non-current	19	**225**	239	**225**	239
Accruals	16	**165**	152	**159**	116
Other payables	16	**28**	13	**13**	5
Trade payables	16	**43**	50	**42**	49
Amounts due to other UK group undertakings	16	**-**	-	**70**	232
Amounts due to other KPMG International member firms	16	**14**	16	**13**	15
Other non-current liabilities	12	**51**	42	**50**	42
Amounts due to other UK group undertakings – non-current	12	**-**	-	**90**	90
Total non-derivative financial liabilities measured at amortised cost		**1,200**	1,271	**1,305**	1,519
Total financial liabilities		**1,200**	1,271	**1,305**	1,519
Total net financial instruments		**145**	299	**48**	52

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20. Financial instruments (continued)

b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group'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 group uses derivatives on a case-by-case basis in order to manage market risks. The group does not hold or issue derivative financial instruments for trading purposes.

Interest rate risk

The group 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 group and partnership are non-interest bearing, with the exception of the following:

		Group		Partnership	
	Note	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Fixed rate instruments					
Lease liabilities	21	**(453)**	(457)	**(422)**	(429)
Bonds	14	**28**	30	**-**	-
Variable rate instruments					
Cash and cash equivalents	15	**146**	300	**128**	276

Cash flow sensitivity analysis for variable rate instruments

A reasonable change in interest rates is not expected to have a material impact on group profits, therefore, no sensitivity analysis has been disclosed.

Exchange rate risk

The functional currency of the partnership is pounds sterling. The functional currencies of other group entities are assessed individually and are considered to be pounds sterling, euro, US dollar and Indian rupee. However, certain expenses and charges from other KPMG International member firms or other international relationships are denominated in currencies other than the functional currency of the entities within the group. In addition, some fees are rendered in other currencies where this is requested by the clients involved.

The group maintains 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.

In respect of other monetary assets and liabilities denominated in foreign currencies, the group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances.

As set out above, the group trades in its functional currency and so does not generally have material receivable and payable balances denominated in non-functional currencies.

Foreign currency balances represented 5% (2022: 5%) of total assets and 1% (2022: 1%) of total liabilities at 30 September 2023. A reasonable change in closing exchange rates is not expected to have a material impact on group profits, therefore, no sensitivity analysis has been disclosed.

The group uses derivative financial instruments to manage exposures to movements in exchange rates arising from transactions of their forecasted payments denominated in Indian Rupee to be made to KPMG Global Services Private Limited (KGS) and KPMG Resource Centre Private Limited (KRC) which are subject to foreign exchange risk due to the functional currency of the group being pounds sterling.

Foreign currency exposures are hedged primarily using non-deliverable forward exchange contracts (NDFs) covering up to 100% of forecast direct exposures on a rolling basis. NDFs used to hedge forecast currency requirements are designated as cash flow hedges with fair value movements recognised directly in equity. Derivative financial instruments that were designated as cash flow hedges during the year were effective.

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20. Financial instruments (continued)

The group designates the spot element of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. The forward elements of forward exchange contracts are excluded from the designation of the hedging instrument and are separately accounted for as a cost of hedging, which is recognised directly in equity in a cost of hedging reserve. The group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item.

In these hedge relationships, the main sources of ineffectiveness are:

- Changes in the timing of the cash flows relating to the hedged item;
- A reduction in the total amount of the hedged item; and
- A change in the credit risk of the Company or the Counterparty to the hedging instrument.

The fair value of a derivative financial instrument represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the forward rates of exchange and interest rates prevailing at the balance sheet date; an independent bank valuation is used to value the financial instruments at the year end. Derivative financial instruments are classified as Level 2 as all significant inputs to the valuation model used are based on observable data and are not traded in an active market.

At 30 September 2023, the notional value of open NDFs of £90 million (2022: £nil million) had been entered into, to hedge purchases in foreign currencies which will mature over the next 12 months; the fair value of foreign currency NDFs (recognised in other comprehensive income) as at 30 September 2023 was £2 million (2022: £nil million) which is not material. The average foreign exchange rate applicable to the NDFs was 105.7032.

The following table provides a movement in the foreign exchange hedging reserve for the group and partnership:

	Cash flow hedging reserve		Cost of hedging reserve	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Balance at beginning of year	**-**	-	**-**	-
Change in fair value recognised in other comprehensive income	**2**	-	**-**	-
Balance at end of year	**2**	-	**-**	-

There was no hedge ineffectiveness recognised in the group or partnership income statement for the year ended 30 September 2023.

Equity price risk

Equity price risk arises from FVTPL equity securities. Material investments within the portfolio are managed in line with an agreed investment strategy.

The primary goal of the group's investment strategy is to maximise investment returns; management is assisted by external advisers in this regard. In accordance with this strategy certain investments are designated at FVTPL because their performance is actively monitored and they are managed on a fair value basis.

The only financial assets which are considered to be exposed to equity price risk are equity securities, totalling £10 million (2022: £10 million) and other investments of £2 million (2022: £1 million).

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20. Financial instruments (continued)

c) Credit risk

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

Trade and other receivables

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

The group'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 group establishes allowances for impairment that represent its estimate of expected credit losses in respect of trade and other receivables and investments.

Impairment information is included in note 13. There are no significant impairment provisions against the other classes of assets.

Securities, other investments and derivatives

Cash investments are made only in liquid securities, mainly fixed-term deposits or government or high-quality corporate bonds and are monitored regularly. Derivatives are concluded with high-quality counterparties (A rated as per Standard & Poor Credit rating in 2023) only and are monitored regularly. However, the partnership also considers other factors that may influence the credit risk of its derivative valuation, including the immaterial year end balances and short maturity which is less than 12 months. These financial assets are measured at fair value and carrying amount reflects the contractual cash flows due to the short maturity of less than 12 months.

The maximum exposure to credit risk is represented by the carrying amount of the group's and partnership's financial assets as set out in the table in section a) on page 61.

d) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group'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 or from bonds or equities.

The Treasury function monitors the group's significant cash positions 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 group has access to committed overdraft and revolving credit facilities which are drawn down as required (see note 15).

The group and partnership have non-derivative financial liabilities as set out in the table on page 61. All of those financial liabilities are measured at amortised cost. In each case except lease liabilities (see note 21), the carrying amount reflects the contractual cash flows due to the short maturity. In the case of the partnership only, non-current amounts due to other UK group undertakings of £90 million (2022: £90 million) has a maturity of 16 years but is matched by non-current and current receivables.

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21. Leases

Accounting policy

At the inception of a contract, the group and partnership assess whether a contract is, or contains, a lease as defined in IFRS 16.

The group and partnership recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and, if relevant, an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The estimated useful life of right-of- use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group and partnership's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— the exercise price under a purchase option that the group and partnership are reasonably certain to exercise;

— lease payments in an optional renewal period if the group and partnership are reasonably certain to exercise an extension option; and

— penalties for early termination of a lease unless the group and partnership are reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured if the group and partnership changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'non-current liabilities' and 'current liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The group and partnership have elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The group and partnership recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases as a lessee

The group and partnership lease a number of office facilities. The periods of the leases vary between 1-25 years; lease payments are generally subject to rent review every five years. The group also leases certain IT equipment, IT data storage facilities, office equipment and motor vehicles. These leases typically run for a period of four years. With the exception of short-term leases and leases of low-value assets, each lease is reflected in the statement of financial position as a right-of-use asset, within property, plant and equipment, and a lease liability.

The lease agreements do not impose any covenants, but each lease imposes a restriction that, unless there is a contractual right for the group and partnership to sublet the asset to another party, the right-of-use asset can only be used by the group and partnership. Leases are either non-cancellable or may be cancelled by exercising an earlier break date.

Some leases contain an option to extend the lease for a further term. The group and partnership are prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the group and partnership must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the group and partnership must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The group and partnership sub-lease certain properties under operating leases.

As a lessor

As an intermediate lessor, the group and partnership accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the group and partnership applied the exemption described above, then it classifies the sub-lease as an operating lease.

The group and partnership recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other operating income'.

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21. Leases (continued)

Right-of-use assets

At 30 September 2023 property, plant and equipment includes right-of-use assets as follows:

Net book values	Office buildings £m	Computer and communication equipment £m	Office furniture, fittings and equipment £m	Motor vehicles £m	Total £m
Group					
Balance at 1 October 2021	388	4	5	3	400
Additions	17	-	-	-	17
Disposals	(5)	-	-	-	(5)
Depreciation charge for the year	(32)	(1)	(1)	(2)	(36)
Exchange differences	2	-	1	-	3
Balance at 30 September 2022	370	3	5	1	379
Additions	**43**	**1**	**-**	**-**	**44**
Depreciation charge for the year	**(34)**	**(1)**	**-**	**(1)**	**(36)**
Exchange differences	**(3)**	**-**	**-**	**-**	**(3)**
Balance at 30 September 2023	**376**	**3**	**5**	**-**	**384**
Partnership					
Balance at 1 October 2021	370	3	-	3	376
Additions	11	-	-	-	11
Disposals	(4)	-	-	-	(4)
Depreciation charge for the year	(28)	(1)	-	(2)	(31)
Balance at 30 September 2022	349	2	-	1	352
Additions	**33**	**1**	**-**	**-**	**34**
Depreciation charge for the year	**(30)**	**(1)**	**-**	**(1)**	**(32)**
Balance at 30 September 2023	**352**	**2**	**-**	**-**	**354**

Depreciation charge for the year ended 30 September 2023 included £1 million (2022: £nil million) for the partnership and group in respect of impairment losses recognised on right-of-use assets. These impairment losses reflect the amount by which the right-of-use asset value exceeds the recoverable amount taking into account the expected utilisation of certain office space during the remaining lease term.

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21. Leases (continued)

Lease liabilities

Maturity analysis – contractual undiscounted cash flows are set out as follows:

	Group		Partnership	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Within 1 year	**44**	43	**37**	37
Between 1-5 years	**174**	170	**149**	152
More than 5 years	**320**	323	**310**	317
Total undiscounted lease liabilities at 30 September	**538**	536	**496**	506
Lease liabilities included in the statement of financial position at 30 September:	**453**	457	**422**	429
Current	**33**	34	**29**	28
Non-current	**420**	423	**393**	401

Movement in lease liabilities

Movements in lease liabilities during the year are as set out below:

	Group		Partnership	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Recognised on 1 October	**457**	487	**429**	462
Additions and adjustments	**44**	12	**34**	8
Lease payments	**(56)**	(55)	**(50)**	(50)
Interest expense on lease liabilities	**11**	11	**9**	9
Exchange differences	**(3)**	2	**-**	-
	453	457	**422**	429

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss:

	Group		Partnership	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Interest expense on lease liabilities	**11**	11	**9**	9
Expenses relating to leases of low-value assets accounted, excluding short-term leases of low-value assets	**1**	1	**-**	-

Amounts recognised in the statement of cash flows

	Group		Partnership	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Total cash outflow for leases	**56**	55	**50**	50

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21. Leases (continued)

Leases as a lessor

The group and partnership sub-lease space in properties that it previously occupied from time to time and over which it still has the head-leases. At 30 September 2023, the group and partnership had two sub-leases in place, one of which was classified as an operating lease, expiring in February 2024 and the other classified as a finance lease under IFRS 16; the finance lease expires in February 2025 and a finance lease receivable of £3 million has been recognised at 30 September 2023, £2 million of which will be received within the next two years and £1 million thereafter.

22. Commitments

Capital commitments for contracted purchases of property, plant and equipment at the end of the financial year, for which no provision has been made, were £11 million (2022: £7 million) for both the group and partnership. These commitments are expected to be settled in the following financial year.

23. Related parties

The group has a related party relationship with its key management, considered to be the members of the Board and the Executive Committee who were also individual members of the partnership.

Transactions with key management

The members of the UK Board and the Executive Committee are responsible for planning, directing and controlling the activities of the group. The members of the UK Board and the Executive Committee all share in the profits of the partnership and the following disclosures relate to those members only.

As set out in note 5, the partnership does not finalise the division of profits amongst members until after the financial statements have been finalised and approved by the members. The estimated profit entitlement due to the partnership's key management in respect of the current year totalled £22.3 million (2022: £27.4 million).

There were no balances due to or from key management at 30 September 2023 or 2022 save in respect of relevant shares of profit (or related taxation), shares of historical reserves and members' capital.

As discussed in note 5, members receive monthly drawings and other distributions representing payments on account of current year profits. Any such amounts paid in excess of the liability recognised in respect of 75% of the adjusted group profits would be shown as 'Amounts due from members' until allocation of the current year profits. Amounts that are retained from allocated profits in respect of taxation liabilities that fall on members are classified as 'Amounts due to members' together with the 75% of adjusted group profits treated as a liability. All amounts are expected to be paid in the short term.

Amounts due from/(to) key management of the partnership and the group are as follows:

	2023 £m	2022 £m
Amounts due from key management	**2**	2
Amounts due to key management	**(26)**	(31)
	(24)	(29)

Total members' capital invested by key management in the partnership amounted to £13 million at 30 September 2023 (2022: £13 million).

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23. Related parties (continued)

Transactions with fellow group entities

Transactions with fellow group entities mainly reflect appropriate charges for the cost of shared services; services provided by KPMG UK Limited, in the provision of staff to the partnership, ceased on 1 April 2023. The transactions and year-end balances between the partnership and fellow group entities are set out below:

				Partnership
	Services provided by fellow group entities £m	Services provided to fellow group entities £m	Amounts due from fellow group entities £m	Amounts due to fellow group entities £m
2023				
UK group undertakings – other services provided	**145**	**25**	**32**	**-**
UK group undertakings – provision of staff	**817**	**38**	**-**	**32**
Transactions with Associates	**-**	**-**	**2**	**-**
2022				
UK group undertakings – services provided	147	13	24	-
KPMG UK Limited – provision of staff	1,462	-	-	197
Transactions with Associates	-	-	-	-

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24. Group undertakings

Accounting policy

The partnership's investments in subsidiaries are stated at cost less provision for impairment in the entity's financial statements. Investments where the group and partnership have neither control nor significant influence are stated at fair value calculated by reference to an appropriate earnings multiple.

Subsidiaries are entities controlled by the partnership. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases.

Joint arrangements are arrangements in which the group, according to contractual agreements with one or more other parties, has joint control. The arrangements are classified as joint ventures if the contracting parties' rights are limited to net assets in the separate legal entities; the arrangements are classified as joint operations if the parties have direct and unlimited rights to the assets and obligations for the liabilities of the arrangement. The group has accounted for its interest in its joint operations by recognising its share of individual assets, liabilities, revenue and costs. The group has accounted for its interest in its joint venture by recognising its share of net assets, adjusted for its share of losses incurred in the year.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Judgement

As set out below, certain investee entities are not 100% owned by the group. A judgement is required as to whether the group controls these investee entities despite non- standard ownership arrangements:

- Queen Street Mutual (QSM): no ownership but power to control through power to appoint majority board members and right to entitlement to benefit from future profits or existing retained reserves;
- Operations in India: the group and other shareholding partners are the recipients of substantially all the services provided by the entities and will be the only source of funding to settle the entities' liabilities.

The group have assessed that QSM is a subsidiary and operations in India fall to be treated as joint operations but a different assessment of the agreements in place could have resulted in a different conclusion on control and the impact on consolidation.

All of the group and partnership's investments in subsidiaries, joint arrangements and joint venture at 30 September 2023 are listed in the table on page 71.

All subsidiary undertakings are consolidated within these financial statements. All subsidiaries make up their accounts to 30 September except 4D Insights Limited, a newly acquired entity that has been dormant since the date of acquisition. The joint operations and joint venture provide management information at 30 September for the purposes of group reporting. All entities prepare their accounts under uniform accounting policies and operate principally in their country of incorporation.

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Notes

Forming part of the consolidated financial statements

24. Group undertakings (continued)

	Incorporated in	Principal activity	Regulatory status	% of ordinary shares held
Subsidiary undertakings				
KPMG Holdings Limited	England[4]	Holding company	UK registered auditor	100
KPMG Audit Plc	England[4]	Advisory services	None	100[3]
KPMG United Kingdom Plc	England[4]	Advisory services	None	100[3]
KPMG UK Limited[1]	England[4]	Dormant	None	100[3]
KPMG IT Advisory Limited	England[17]	In liquidation	None	100
KPMG CIO Advisory Limited	England[17]	In liquidation	None	100[3]
KPMG Overseas Services Limited	England[4]	Advisory services	UK registered auditor	100[3]
KPMG Archer Limited (formerly Makinson Cowell Limited)	England[17]	In liquidation	None	100[3]
KPMG Archer (US) Limited (formerly Makinson Cowell (US) Limited)	England[4]	Dormant	None	100[3]
KPMG Pension Trust Company Limited	England[4]	Trust company	None	100
KPMG Pension Funding (GP) Limited	Scotland[5]	General Partner of SLP	None	100
KPMG Nunwood Holdings Limited	England[4]	Holding company	None	100[3]
KPMG Nunwood Consulting Limited	England[4]	Advisory services	None	100[3]
KPMG UK (Transatlantic) LLC	United States of America[6]	Dormant	None	100[3]
KPMG Boxwood Limited	England[4]	Advisory services	None	100[3]
Queen Street Mutual Company PCC Limited	Guernsey[7]	Insurance	Guernsey Insurer	0[2]
K Nominees Limited	England[4]	Dormant	None	100[3]
Daymer International Limited	England[4]	Dormant	None	100[3]
KPMG Investments Malta Limited	Malta[8]	Holding company	None	100[3]
Crimsonwing Limited	Malta[9]	Holding company	None	100[3]
KPMG Crimsonwing Limited	England[4]	Advisory services	None	100[3]
KPMG Crimsonwing (Malta) Limited	Malta[9]	Advisory services	None	100[3]
KPMG Limited	Gibraltar[10]	Audit services	Gibraltar registered auditor	100[3]
KPMG Advisory Limited	Gibraltar[10]	Advisory services	None	100[3]
4D Insight Limited	England[4]	Dormant	None	100[3]
Joint ventures				
KPMG Acceleris Limited	England[16]	Advisory services	None	50[3]
Joint operations				
KPMG Resource Centre Private Limited	India[11]	Internal support services	None	50[3]
KPMG Global Advisory Holdings (Bermuda) LP	Bermuda[12]	Holding company	None	50[3]
GKAS (Mauritius) Limited	Mauritius[13]	Holding company	None	50[3]
KPMG Global Services Management Private Limited	India[14]	Internal advisory support services	None	33[3]
KPMG Global Services Private Limited	India[14]	Internal advisory support services	None	33[3]
KPMG Global Services Inc.	United States of America[15]	Internal advisory support services	None	16[3]

1 This company employed the staff occupied in the businesses of KPMG LLP and certain other group companies until 1 April 2023 when it ceased to trade. It has been dormant since 1 April 2023.

2 KPMG LLP has a 100% interest in the UK related net assets of this company through its right to control the Board and its right to entitlement to benefit from future profits or existing retained reserves arising from those assets.

3 Held indirectly through intermediate holding companies.

Registered offices:

4 15 Canada Square, Canary Wharf, London, E14 5GL

5 Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD

6 The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle County, Delaware, 19801

7 Dorey Court, Admiral Park, St. Peter Port, Guernsey CI, GY1 4AT

8 92, Marina Street, Pietà, PTA 9044, Malta

9 Lignum House, Aldo Moro Road, Marsa, MRS 9065, Malta

10 3B Leisure Island Business Centre, Ocean Village, Gibraltar

11 5th Floor, Tower C, Building No 10, DLF Cyber City, Phase – II Gurgaon, Gurgaon HR 122002, India

12 Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda

13 C/o Trident Trust Company (Mauritius) Limited, 5th Floor, Nexsky Building, Ebène, Cybercity, 72201, Mauritius

14 6th Floor, Tower C, Building No 10, DLF Cyber City, Phase – II Gurgaon, Gurgaon HR 122002, India

15 3 Chestnut Ridge Road, Montvale, New Jersey, USA 07645

16 No 1 Circle Square, 3 Symphony Park, Manchester, England, M1 7FS

17 c/o Interpath Limited, 10 Fleet Place, London, EC4M 7RB

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Forming part of the consolidated financial statements

24. Group undertakings (continued)

The partnership has an interest in a SLP, KPMG Pension Funding Limited Partnership, which is fully consolidated into these group accounts. The SLP is not required to present and file accounts at Companies House as it is not a qualifying partnership as defined in the Partnerships (Accounts) Regulations 2008. The SLP was set up during the year ended 30 September 2014 in connection with the Asset Backed Funding agreement (see note 18).

The group is a 33.33% partner in KPMG Global Services Private Limited and KPMG Global Services Management Private Limited, joint arrangements formed with KPMG US and KPMG India to provide advisory support services for KPMG International member firms. The group is also a 50% partner in KPMG Resource Centre Private Limited, a joint arrangement formed with KPMG India to provide support services for KPMG International member firms.

Although these entities are legally separated from their shareholders (as detailed above), the group has classified them as joint operations. This is on the basis that the partners are the recipients of substantially all the services provided by the entities and will be the only source of funding to settle their liabilities.

25. Events after the year end

Discussions are ongoing with the Swiss KPMG firm to explore bringing the two firms together as one firm to bring greater benefits to our clients, people and partners. Partners at both member firms will be consulted on the details of any potential merger with a vote on the proposed merger by the Equity partners in both the UK and Swiss firms expected in mid-2024 which, if agreed, would take effect from 1 October 2024. There is currently no commitment to this transaction and therefore nothing has been reflected in these financial statements.

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Appendix: Climate-related financial disclosure

Climate-related financial disclosure

Introduction

Businesses, like ours, have an important role to play in addressing the climate crisis and supporting the decarbonisation of the economy. We are committed to reducing our own impact, in line with climate science, as well as supporting our clients to build their own resilience to the climate crisis. Taking action across the value chain will encourage long-term sustainable growth, safeguarding the planet for future generations.

We publish climate-related disclosures as part of KPMG's Annual Review through our 'Planet Impact Report' and this year marks the publication of the firm's first Climate-Related Financial Disclosure (TCFD), in line with The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. This report also includes our Streamlined Energy and Carbon Reporting (SECR) in line with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Our disclosure is structured around the four pillars of TCFD: Governance, Strategy, Risk Management and Metrics & Targets. We have assessed our physical and transition risks which has helped us to identify possible climate-related risks and opportunities that may occur in the short to medium term. Undertaking this TCFD report has provided an opportunity to reflect on the progress we've made as we align with the Net Zero transition and to identify and embed climate-related risks and opportunities into our business planning. We will continue to monitor, review and adapt to ensure that we play our part in a just transition.

To drive positive climate action, we engage and convene. We are a member and supporter of leading frameworks including the Transition Plan Taskforce (TPT), Taskforce on Climate-Related Financial Disclosures (TCFD), Global Reporting Initiative (GRI), CDP and the Glasgow Financial Alliance for Net Zero (GFANZ). KPMG Partners are Taskforce members of both the TCFD and Taskforce on Nature-related Financial Disclosures (TNFD).

Our environment strategy includes ambitious environmental targets aligned to the 1.5-degree pathway and approved by the Science Based Targets Initiative. We continue to make investments in climate training, operational efficiencies and our suppliers and to provide best in class support to our clients. We are committed to sharing our sustainability performance through 'Our Impact' website.

Our Climate and Sustainability Journey: Progress highlights

2023

- We enhanced our Board-level accountability on climate to ensure more oversight of key climate considerations. See the governance section for more information.
- KPMG has introduced a balanced scorecard for partner remuneration from 1 October 2023. This KPI suite includes environmental performance for those with related responsibilities.
- Achieved our ambition of procuring 100% renewable electricity.
- Installation of solar panels in our London office, expected to have an estimated saving of 160,000 kWh annually.

2022

- Awarded an A for our CDP climate disclosure.
- We set our first Internal Carbon Price (ICP) to help drive a culture of climate conscious decision-making.
- 99% of electricity procured is renewable.
- Created our in-house Climate IQ scenario analysis tool.
- Launched our ACCEPT framework, a principle-led decision-making framework designed to guide consistent decision making on ESG issues across the firm.
- We strengthened our client offering in ESG to meet evolving societal needs and developed an in-house climate scenario analysis tool, Climate IQ, to support detailed climate analytics.

2021

- Launched Our Impact ESG report.
- High level materiality assessment on biodiversity impacts.
- Our award-winning Sustainable Procurement Programme has been running for over a decade and we have seen a 55% decrease in emissions across our supply chain since 2019. In 2021, we expanded our Programme more than doubling the number of suppliers we engage.

2020

- We were the first of the 'Big Four' to set a science-based target back in 2020 aligned with a 1.5°C temperature scenario, we have made progress in setting targets, tracking metrics and reducing our impact.
- Set 100% renewable energy target by 2024 and 100% renewable gas across our estate by 2030.

Future areas for development

We are committed to ongoing improvement.

- Further alignment of our strategy to our metrics and targets, and the role of the new ICP in this, which will be regularly reviewed.
- We continue to work with our risk function to further integrate, upskill and adapt as climate-related risks evolve over time.

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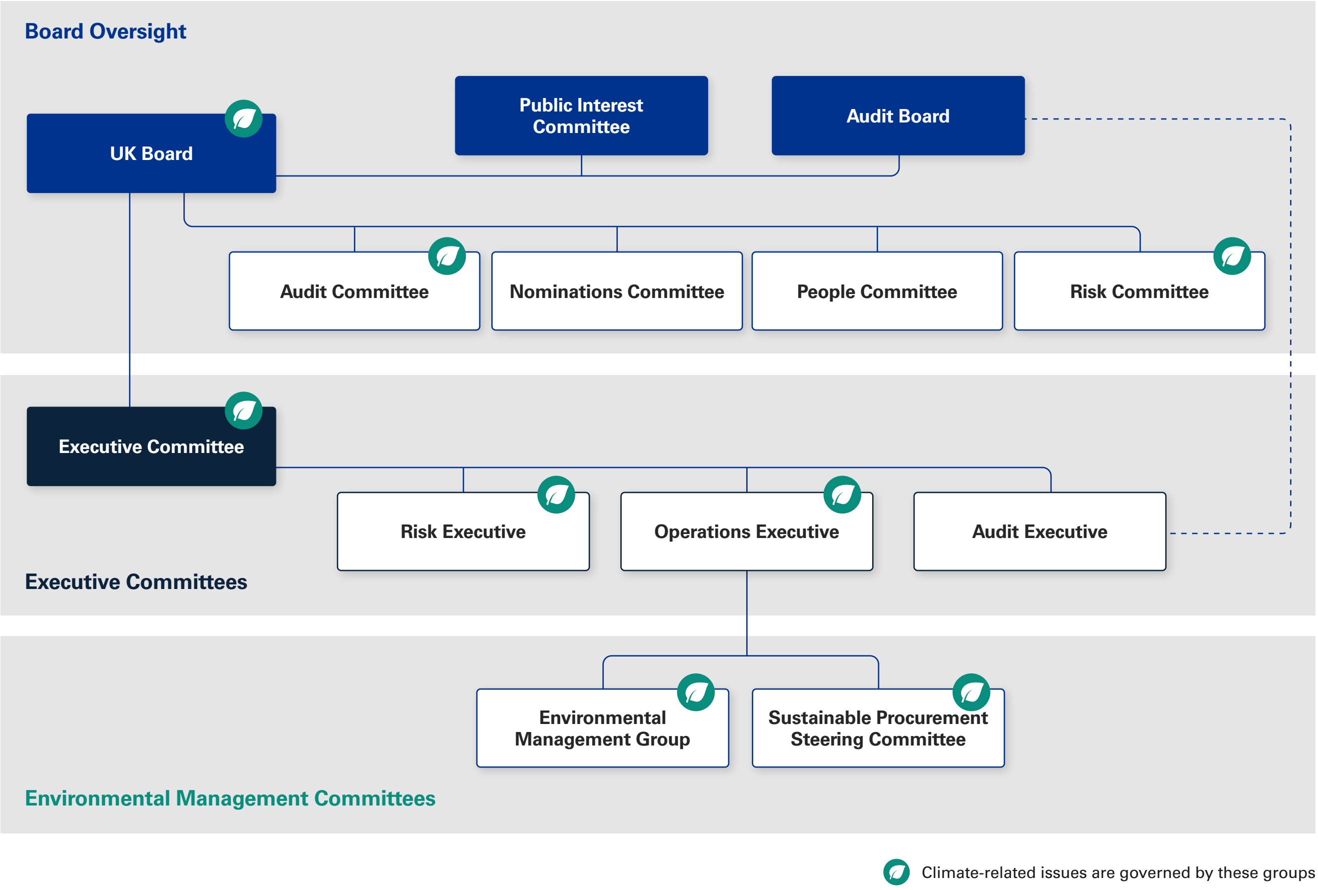
Climate-related financial disclosure

Continued

Our structure and governance

The Board is KPMG's main governance body and is responsible for the firm's growth and long-term prosperity, ensuring it stays true to its purpose and vision. The Executive Committee is responsible for the day-to-day management of our firm, including the development and implementation of the firm's ESG strategy, which takes account of climate-related issues. This includes setting an ESG ambition supported by commitments and targets (Metrics & Targets) and driving and communicating progress towards this ambition. Responsibilities for climate are incorporated into our governance structure as shown below:



Strategic and Board oversight of the firm's approach to climate

The Board is directly responsible for approving the following:

- **ESG ambition, commitments and strategy**, as developed by the Executive Committee
- **Annual budget and business plan** to deliver on this strategy, including staffing
- **Risk appetite, key policies and Enterprise Risk Management Framework**, as recommended by the Risk Committee
- **Public reporting**, except where authority is delegated to the Executive.

In 2023, the Board met six times with climate-related issues discussed at several meetings. Examples of climate-related issues discussed by the Board during this financial year includes:

- Updates and background information on our work towards the new SBTi Net Zero standard and TCFD reporting
- Approval of the annual budget and UK business plan, which includes budget spend for climate-related projects
- Approval and oversight of the firm's ESG strategy, including the firm's ESG ambition and commitments.

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Climate-related financial disclosure

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The Audit Committee assists the UK Board in its oversight of ESG-related public reporting, with specific oversight responsibility of the independent assurance of KPMG's ESG data. For example, the Audit Committee oversees the independent assurance process over KPMG's annual 'Planet Impact Report', which contains our climate-related performance data, and reviews our Climate, Energy and Carbon Disclosure Report before it is submitted to the Executive Board.

The Environmental Management Group (EMG) met eight times during FY23 and is responsible for the delivery of our Net Zero target and the supporting action plan. The EMG also examines Internal Carbon Price (ICP) investments as well as operational decisions in buildings, supply chain, travel and climate-related technology. The EMG has responsibility for monitoring progress against our sustainability metrics and targets which are reported annually to the Executive Committee and UK Board. The Sustainable Procurement Steering Committee (SPSC) met three times in FY23 and is responsible for providing oversight to climate-related supplier strategy, targets and engagement programme. The work of the EMG and SPSC is overseen by the Operations Executive chaired by the UK Chief Operating & Financial Officer.

Building climate into the fabric of our business

We continue to integrate climate: bringing our entire workforce of over 16,000 employees as well as clients and suppliers on the journey is crucial to driving the climate agenda forwards.

ESG Centre of Excellence

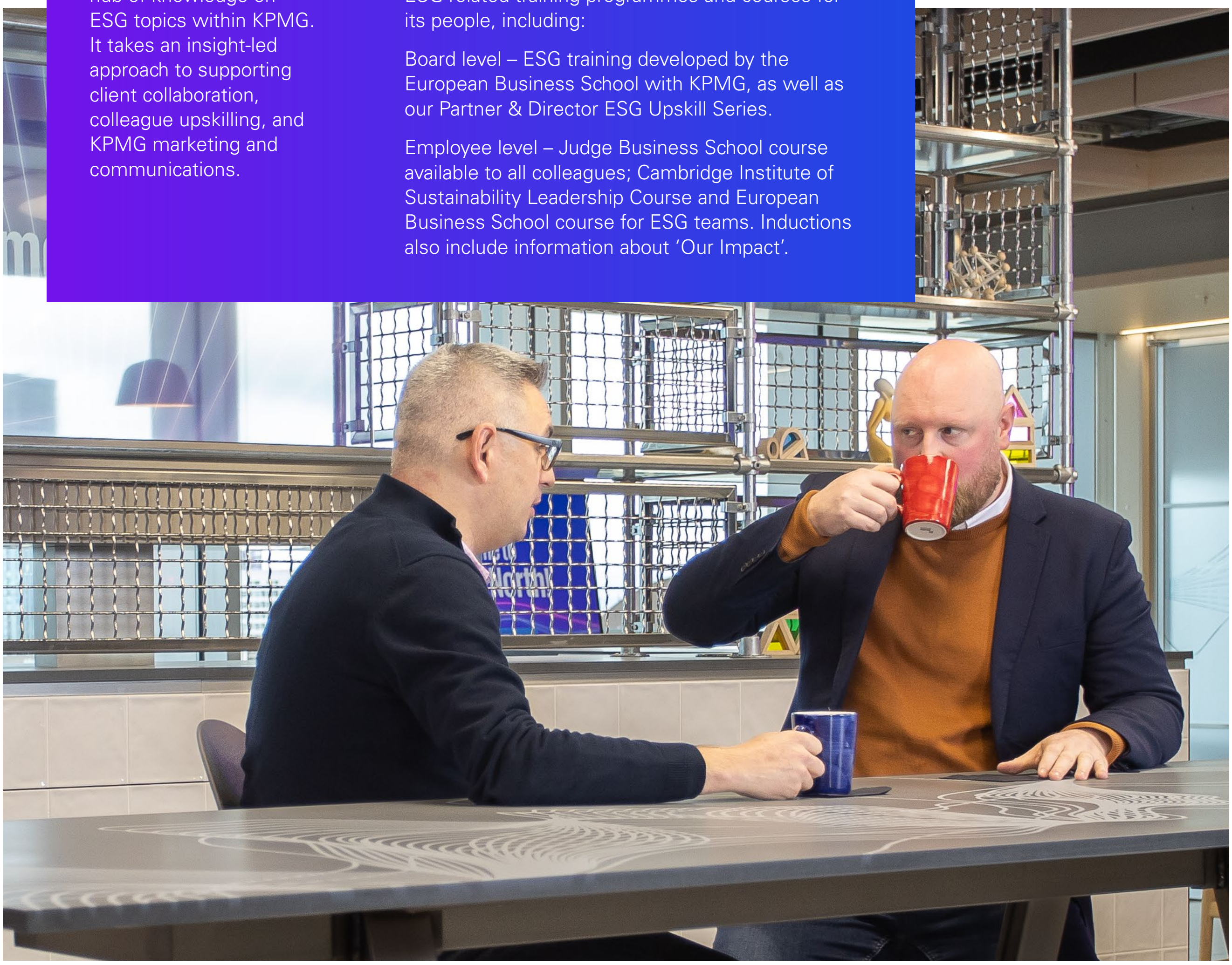
The centre exists as a hub of knowledge on ESG topics within KPMG. It takes an insight-led approach to supporting client collaboration, colleague upskilling, and KPMG marketing and communications.

Climate and ESG training

KPMG has made available a suite of climate and ESG related training programmes and courses for its people, including:

Board level – ESG training developed by the European Business School with KPMG, as well as our Partner & Director ESG Upskill Series.

Employee level – Judge Business School course available to all colleagues; Cambridge Institute of Sustainability Leadership Course and European Business School course for ESG teams. Inductions also include information about 'Our Impact'.



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Climate-related financial disclosure

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Strategy and scenario analysis

KPMG in the UK is committed to taking action on climate change and driving the transition to a greener and fairer economy. 'Our Impact' strategy sets out our overarching commitments: becoming a net zero business and becoming a zero-waste business. This includes engaging with our value chain, from how we work with our suppliers through to the services we provide to our clients. In order for us to deliver on these commitments and protect our own business from climate-related risks while optimising new business opportunities, it is essential for us to continue to build a detailed understanding of our climate-related risks and opportunities, and how these may shape the work we do and the progress we make towards these commitments.

Qualitative Analysis Findings

Using both a financial and strategic lens qualitative analysis was conducted this year through interviews and workshops bringing together key decisions makers to gather insights of the potential climate change impacts on strategy, risk and financial planning under the 1.5°C and 4°C scenarios and consider future transition risks and opportunities. These climate considerations related to our people, products and services and wider stakeholders including clients, suppliers, regulators, government. Interviewees were in agreement that we must retain our focus on climate action. The interviews identified risks and opportunities in four key areas:

Our People: KPMG is a people business and attracting and retaining talent is critical. We must continue to live up to the expectations of our people and doing so will involve the work we do and how we do it. As physical risks of climate change intensify there is also potential risks to business continuity in areas where we rely on work from our offshore colleagues.

Our Clients: Climate change and the transition may impact the clients and sectors that we work with, as well as their expectations of us as their professional service provider. There is a complex array of regulatory and legal developments, geopolitical and other macroeconomic factors, the needs of the market and our clients are certain to change. The products and services we offer to our clients will continue to evolve as policy, markets and technology develop in response to climate change. We need to constantly adapt, upskill and develop new capabilities.

Wider Stakeholders: Government policy is a critical determinant of successful climate action. We regularly engage with policymakers, industry bodies and regulators, both directly in terms of our operations and service offerings and indirectly through our clients, to help them shape standards relating to climate change.

Products and Services: The products and services we offer to our clients will continue to evolve as policy, markets and technology develop in response to climate change. We need to constantly adapt, upskill and develop new capabilities.

Physical Risk Scenario Analysis Findings

In 2022, we performed a quantitative physical risk assessment under 1.5°C, 2.5°C and 4°C warming pathways (RCP 2.6, RCP 4.5 and RCP 8.5) across eight different hazards to understand the physical risks to our business. The assessment examined the exposure of our 21 UK offices to the physical impacts of climate change in the period to the year 2100. Climate scenarios warming pathways were considered across eight different hazards (coastal inundation, soil movement, pluvial or surface flooding, riverine flooding, extreme wind, forest fire, freeze-thaw and extreme heat).

The analysis found that by 2030, under the most severe scenario of 4°C warming, two of our offices are deemed to be at high-risk from physical climate change impacts, both due to the threat of coastal inundation. This is expected to increase to four offices by the year 2100, with three at risk of coastal inundation and one at risk of riverine flooding. The analysis also showed that extreme wind and soil movement have the potential to impact the greatest number of our offices, in both the short and long-term, albeit all properties are low risk for both hazard types.

Transition Risk Scenario Analysis Findings

Transition risks and opportunities were discussed using 4°C and 1.5°C scenario pathways to represent a baseline or "business-as-usual pathway" (4°C) and a "Paris-aligned" (1.5°C) trajectory, respectively. We conducted transition risk scenario using KPMG's Climate IQ tooling capability to understand how changes in the economy due to climate change may affect us as a business as well as sector related risks.

Based on the analysis, the greatest risks and opportunities come via revenue exposure to the resilience of industries to which we provide services. Some sectors may grow substantially whilst others contract, with the effects for KPMG exacerbated by the existing exposure to these industries. The outputs of this scenario analysis have also been incorporated into the risk and opportunities identified below and into our strategy and business planning. The scenarios used for these exercises are underpinned by the Shared Socioeconomic Pathways (SSPs) published by the International Panel on Climate Change (IPCC).

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Risk management

KPMG in the UK recognises that climate change presents a significant risk to how we operate as a business. It impacts our clients, our staff, wider society and the regulatory landscape that we operate within. This includes risks in our whole value chain — from how we work with our suppliers through to the services we provide to our clients.

KPMG in the UK views climate-related risk as a cross-cutting risk within our Enterprise Risk Management (ERM) framework, which must be considered alongside other risk types and be integrated into the fabric of how we operate as a business. To address this, our risk owners are expected to consider potential climate-related opportunities and risks under their purview at each level of our risk taxonomy.

Risks are monitored and measured across different parts of KPMG UK's business (capabilities and market segments), and then considered together with other risk indicators to generate firm-wide reporting to the relevant governance forums.

The firm's risk measurement matrix requires the measurement of the impact and likelihood of each risk by capability/market segments. Impact is considered across a number of measurement areas including: Financial loss (loss of revenue), Impact on Colleagues, Impact on Clients/Audited entities, Impact on Brand and/or Reputation, Impact on Strategic and/or Operational progress and/or Priorities.

Risks & opportunities identified

Risk		Time horizon	Likelihood	Impact
Physical risks	Extreme weather (acute and chronic)	Medium term	Possible	Direct or indirect financial loss due to impact on offices, our people, suppliers and clients from extreme weather events. Results showed two of our smaller offices may be impacted by coastal inundation under a 4°C scenario by 2030.
	Travel disruption	Medium term	Possible	Extreme weather, disease and other climate-related risk factors could impact our ability to travel for client engagements or to own offices, resulting in loss of billable time and/or revenue. The investment in technology has helped to mitigate some of this risk.
	Regulatory non-compliance	Medium term	Remote	Non-compliance with environmental regulation within our own business and when providing advice to clients could have financial implications as well as restricting our legal and reputational license to operate.
Transition risks	Increased cost of energy supply	Short term	Possible	Changes to the energy market including policy changes, taxation and supply chain disruptions could impact our cost of energy or security of energy supply for our offices.
	Reputation	Short-to-long term	Possible	Actual or perceived failure to meet the growing expectations of stakeholders in response to climate change could lead to loss of clients and/or our ability to attract and retain talent.
	Client sector contraction	Medium term	Possible	Potential contraction of some client sectors due to the climate transition, resulting in reduction in revenue from impacted clients.

Opportunity	Time horizon	Likelihood	Impact
Market leadership	Medium term	Probable	Differentiating ourselves as a leader on climate and ESG by proactively responding to regulation and policy debates, setting a climate strategy and demonstrating our commitments to manage our impacts.
Sector-related growth	Medium term	Probable	Supporting clients in key sectors with climate change and decarbonisation, leading to growth opportunities and substantial revenue impacts.
Supply chain optimisation	Medium term	Probable	Engagement with our suppliers to identify efficiencies in our supply chain, reduce emissions and associated costs and help us meet Net Zero ambition.

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Climate-related financial disclosure

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Risk Rating Criteria – Time Horizons

KPMG in the UK assesses risks based on their likelihood to occur within the next three years, however for the purpose of this report we have considered climate-related risks and opportunities using the following time horizons, as we recognise such risks and opportunities could materialise within a longer timeframe.

Time horizon	From (years) - to (years)
Short-term	0-3
Medium-term	3-10
Long-term	10-30

Likelihood is based on a five-point scale as shown in the table below:

Remote	Unlikely	Possible	Probable	Almost certain
Less than 5% chance of happening in the next 3 years	5%-10% chance of happening in the next 3 years	11%-30% chance of happening in the next 3 years	31%-60% chance of happening in the next 3 years	More than 61% chance of happening in the next 3 years

Mitigation activities and integrating findings into risk management and business planning

As a service-based business our model is reliant on people as opposed to high energy use, our hybrid working approach to the delivery of our services means that we are not reliant on set locations, and our diverse service offering across a wide range of sectors build natural resilience into our business model. As a result, and with our mitigation measures in place, we believe the impact from the identified climate-related risks is significantly reduced. The outcomes of our climate-related risk and opportunity assessment and scenario analysis are integrated into our finance, business planning, risk and other relevant processes in the following ways to ensure they are used to inform our decision-making and strategic planning:

Decarbonising our supply chain and operations

We have had a science-based target validated by the Science Based Target Initiative (SBTI) since 2020 and are working to align our ambition with the new Net Zero standard. In our buildings, we purchase renewable electricity and are investing in measures to improve efficiency and reduce consumption. Since 2012, we have operated a Sustainable Procurement Programme which engages with our top suppliers to help manage carbon impact of our supply chain.

Risk Management

A cross-disciplinary team conduct quarterly horizon scanning for legislative changes as part of our ERM process. This TCFD disclosure is part of our regulatory response, as is our Energy Savings Opportunity Scheme and Streamlined Energy and Carbon Reporting. Regulation and climate risk and opportunity is also assessed as part of our ISO14001 compliance.

Building resilience against physical risks

We have a business continuity management (BCM) programme designed to minimise disruption to the firm's operations from physical risk impacts. Every office has additional physical risk mitigation measures and responses proportionate to local risks which would apply for both 1-degree and 4-degree scenarios. Our data centres have been outsourced to disperse risk, and each office has additional mitigation measures in place. Our hybrid working capability and traveller security programme help mitigate potential business impacts from travel disruption. As a result, we consider that these risks are less significant as a result of our mitigation measures.

Climate change investment

In 2022 we implemented an Internal Carbon Price designed to drive positive decision-making in business travel and utilities consumption. We have made investments on our client services, training, and operational efficiencies.

ESG and horizon scanning

We are mitigating against the climate-related risks to specific client sectors by leveraging our existing products and services and expanding into new offerings to support clients and audited entities in these areas through the energy transition. We are working with our clients in these sectors to establish transition plans and decarbonisation strategies that will help them build resilience through the process. We engage with regulators, policymakers and industry bodies to inform climate standards. Our wide range of services, and expertise in a wide range of industries and sectors, results in an underlying level of resilience in the firm as risks arise in the different scenarios considered.

Our internal ESG Centre of Excellence exists as a hub of knowledge on ESG topics within KPMG, and our Corporate Responsibility team maintain our internal standards and communicate these with clients. The Head of ESG responds directly into the Executive Committee who, like the Board, regularly assess the ESG landscape and our strategy.

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Climate-related financial disclosure

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KPMG's Enterprise Risk Management framework

Within our Enterprise Risk Management (ERM) framework, we define principal or substantive risks to the business across a firm-wide 'Risk Taxonomy', which includes four risk 'families': (i) Strategic, (ii) Operational, (iii) Reputation, Regulation and Legal, and (iv) Financial.

Within each family exist Level 1 and Level 2 risks which are informed by the firm's strategic priorities, a Dynamic Risk Assessment, regular risk horizon scanning and ongoing consultation with senior leadership. We manage climate as a cross cutting risk within our wider Enterprise Risk Management (ERM) framework as we see climate as a permeating issue to be considered across all of our functions and risk owners.

Horizon scanning for new and developing risks to the firm is supported by quarterly preparation (by subject matter experts in each area) of a 'PESTLE' analysis, which involves evaluating the potential impact of specific risks across a number of categories including: Political, Economic, Social, Technological, Legal and Environmental. The analysis is reported back to the Risk function for evaluation and integration within the ERM.

Risk materiality is assessed based on appetite, likelihood and time horizon, and is considered across multiple measurement areas, from financial loss to impact on brand. To address this, our risk owners are expected to consider potential climate-related impacts to the risks under their purview at each level of our risk taxonomy.

Managing risks

Where we have identified a risk that requires monitoring or managing, be this a climate-related risk or other, it is managed through the following processes:

01 Once a risk is identified, an assessment of the likelihood and severity of the risk is undertaken.

02 A risk owner is assigned.

03 The risk owner is then accountable for developing an action plan to manage the risk.

04 The risk is then attached to the relevant risk family in the risk taxonomy.

05 The risk owners assess risks and action plans to ensure they have been correctly assessed and mitigated.

Level 2 risks collated across capabilities and regions are updated, reviewed, and reported on a quarterly basis to the Board.

Risks are monitored and measured across different parts of KPMG UK's business (capabilities and market segments), and then considered together with other risk indicators to generate firm-wide reporting to the relevant governance forums. Through the 'PESTLE' analysis risks are reassessed by subject matter experts every 3 months while we expect to refresh our scenario analysis at least every three years.

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Metrics and targets

We are committed to becoming a Net Zero business, as well as contributing to a greener economy and society through environmental objectives including renewable energy procurement, improved energy efficiency and waste management. We have committed to the following targets to help us achieve our ambitions:

Targets

Absolute targets (2017 baseline)	Description (KPIs and progress)
Near-Term Target towards Net Zero: 1.5°C aligned SBTi-approved target to reduce absolute Scope 1 & 2 emissions by 100% and Scope 3 supply chain emissions by 25% by 2030.	Our current SBTi was approved in 2020. We are currently undergoing a re-baselining exercise, which we are required to undertake every five years in line with SBTi requirements.
100% renewable electricity across our estate by 2024.	We have achieved 100% renewable electricity.
Switching to renewable gas across our estate by 2030.	We are reducing gas use across our estates through efficiency upgrades. This includes upgrades to boilers and our building management systems. We regularly review renewable gas options through the Environmental Management Group (EMG).
100% electric company cars by end of 2030.	CO2e cap is in place for new cars.
Becoming a zero-waste business by eliminating all avoidable waste from our operations by 2030.	We have made good progress, reducing total waste by 22% against prior year and by 59% against our 2017 baseline.
Engaging 100+ suppliers to make significant carbon reductions across our supply chain.	161 suppliers engaged on climate.

The data underpinning the above targets is collected six-monthly and progress against these targets is regularly monitored and assessed, including against industry best practice. The above targets and our progress against them are key to ensuring sustainable growth and building resilience in our future operations.

Climate-related metrics

We have also identified climate-related metrics that help us to manage the key risks and opportunities identified for our business:

Transition risks

- Estimated % of energy saved in buildings plus associated capital expenditure (CapEx) and operating expense (OpEx)
- Scope 1 carbon costs
- Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)

Physical risks

- Number of high-risk properties (and as a percentage of all locations)
- Total Technical Insurance Premium (or 'Annual Average Loss')[1]
- Maximum Value at Risk (MVAR)[2]
- Average Annual Failure Probability[3]

Climate-related opportunities

- Investment in tech-enabled climate and ESG tools and training for our people and clients
- Revenue from ESG and climate-related services

Internal Carbon Price

- Set price per tonne of carbon emitted
- Used to fund emissions reduction initiatives

1 Annual average loss to an asset for all hazard impacts, based on cost of damage. Total technical insurance premium is the sum of TIPs for all assets in a given area, e.g. within the UK.

2 MVAR is the highest value at risk for an asset reached up to a given year, as a percentage based on the asset's replacement cost.

3 Statistical probability that an asset's failure threshold to a hazard is exceeded by the hazard in a given year. Summed for all hazards and averaged across the portfolio.

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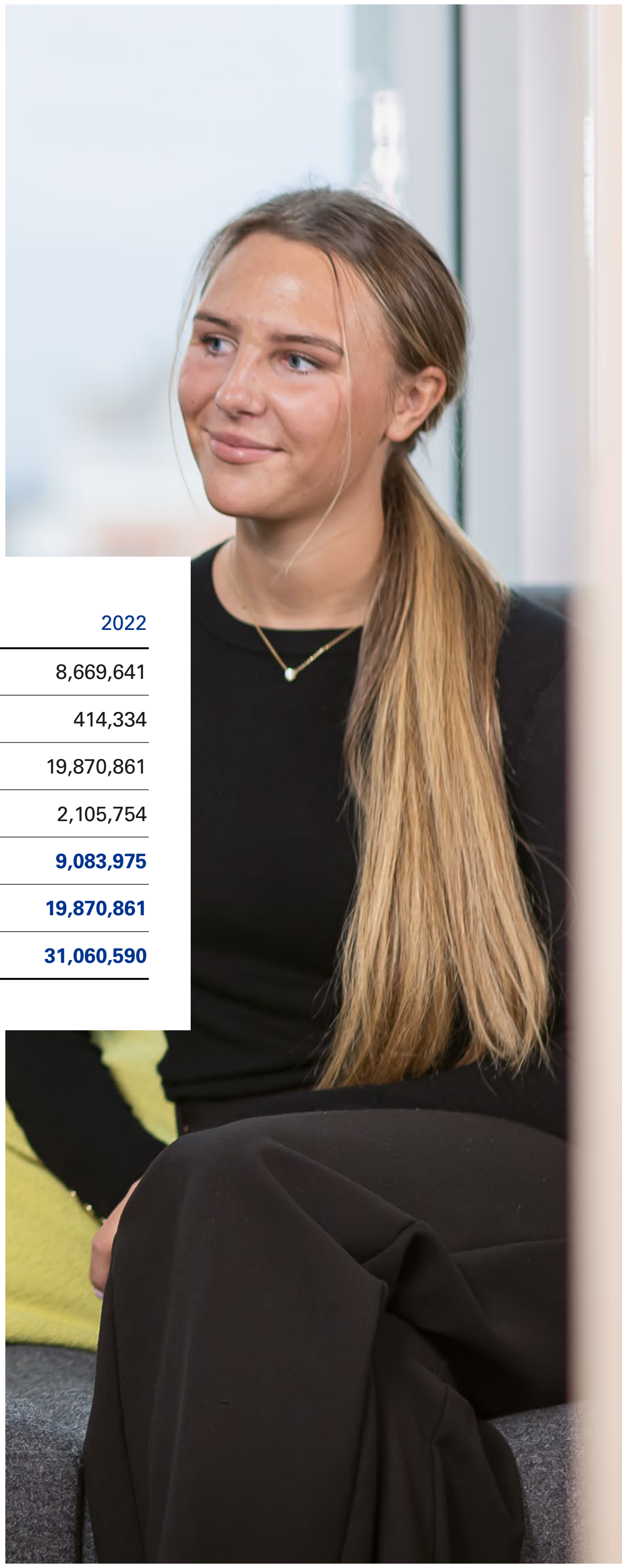
Climate-related financial disclosure

Continued



Energy and carbon footprint

This report covers the reporting period from the 1 October 2022 to 30 September 2023 and data for the comparative reporting period in previous years has also been included from a 2017 baseline. The scope of the report includes KPMG's operations in the UK excluding the Channel Islands and Gibraltar. We use electronic data collection processes to gather our data and where data does not exist for a full 12-month reporting period, we have estimated outstanding data by extrapolating known data. Our method for calculating Greenhouse Gas (GHG) emissions is based on the GHG Protocol standards and guidance documents. We use carbon conversion factors issued annually by the Department for Environment, Food and Rural Affairs (DEFRA) and the Department for Energy Security and Net Zero (DESNZ) to report carbon emissions.

Grant Thornton UK LLP were engaged by KPMG LLP to provide limited assurance over the data below marked with ‡. Please see 'Our Impact Planet' report for the full assurance statement, in addition to further information on definitions and how these metrics are calculated.

Energy (kWh) – (SECR)	2023	2022
Natural gas	8,123,729	8,669,641
Owned and leased vehicles	534,491	414,334
Electricity consumption	20,652,457	19,870,861
Business-related car travel	3,425,625	2,105,754
Scope 1 ‡ (kWh)	**8,658,220**	**9,083,975**
Scope 2 ‡ (kWh)	**20,652,457**	**19,870,861**
Total – Scope 1, 2 & 3 energy consumption (kWh)	**32,736,302**	**31,060,590**

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Climate-related financial disclosure

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Our carbon emissions data

Emissions	2023	2022	2021	2017
Natural gas (kgCO2e)	1,486,065	1,584,249	1,761,783	2,049,145
Owned and leased vehicles (kgCO2e)	131,583	103,549	38,409	1,325,004
Scope 1 emissions ‡ (kgCO2e)	**1,617,648**	**1,687,798**	**1,800,192**	**3,374,149**
Electricity (location-based) ‡ (kgCO2e)	4,276,593	3,933,653	3,562,123	9,285,333
Electricity (market-based) ‡ (kgCO2e)	0	80,923	957,072	3,247,760
Scope 2 emissions (market-based) ‡ (kgCO2e)	**0**	**80,923**	**957,072**	**3,247,760**
Total – Scope 1 & 2 emissions (location-based) ‡ (kgCO2e)	**5,894,241**	**5,621,451**	**5,362,315**	**12,659,482**
Total – Scope 1 & 2 emissions (market-based) ‡ (kgCO2e)	**1,617,648**	**1,768,721**	**2,757,264**	**6,621,909**
Air travel (kgCO2e)	20,838,464	7,224,519	1,032,931	34,361,717
Rail travel (kgCO2e)	697,119	371,539	33,449	1,229,001
Business-related car travel (kgCO2e)	828,674	519,326	104,392	2,476,743
Emissions from air, business-related car and rail travel ‡ (kgCO2e)	**22,364,257**	**8,115,384**	**1,170,772**	**38,067,461**
Transmissions and distribution electricity ‡ (kgCO2e)	369,991	356,799	315,228	868,156
Well to Tank ‡ (kgCO2e)	4,260,583	1,325,574	421,790	5,287,214
Total Scope 3 emissions not including Employee Commuting, Homeworking, Purchased Goods & Services (kgCO2e)	**26,994,831**	**9,797,757**	**1,907,790**	**44,222,831**
Employee Commuting ‡ (kgCO2e)[4]	1,976,450	^	^	^
Homeworking ‡ (kgCO2e)[4]	4,800,158	^	^	^
Purchased Goods & Services (kgCO2e)[5]		58,150,813	39,973,045	
Total – Scopes 1, 2 & 3 location-based ‡ (kgCO2e) (SECR)[6]	**32,889,072**	**15,419,208**	**7,270,105**	
Total – Scopes 1, 2 & 3 market-based ‡ (kgCO2e) (SECR)[6]	**28,612,479**	**11,566,478**	**4,665,054**	
Intensity ratio – Scopes 1 & 2 location-based emissions per FTE ‡ (kgCO2e/FTE) (SECR)	**322**	**342**	**360**	
Intensity ratio – Scopes 1,2 & 3 location-based emissions per FTE ‡ (kgCO2e/FTE) (SECR)[7]	**1,796**	**939**	**488**	
Full-time equivalent workers (FTE) (SECR)[8]	**18,308**	**16,425**	**14,896**	

4 2023 was the first year that we reported our Employee Commuting and Homeworking emissions.

5 Purchased Goods and Services emissions are reported a year in arrears and were only introduced into our external reporting from 2018.

6 Totals for Scopes 1, 2 & 3 emissions exclude Scope 3 - Extended categories, namely Purchased Goods and Services, Employee Commuting and Homeworking emissions.

7 Total emissions for the calculation of this intensity ratio comprise combustion of gas, fuel used in KPMG owned/leased cars on business use, purchase of electricity, emissions from business travel, including fuel used in personal/hire cars on business use, transmission and distribution of electricity, and well to tank. These total emissions do not include Employee Commuting, Homeworking and Purchased Goods and Services Scope 3 emissions.

8 This figure includes Partners, staff and contractors.

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Climate-related financial disclosure

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Energy

Whilst we continue to work proactively to reduce our energy consumption and our carbon emissions where possible, this year has seen an increase in energy consumption since the pandemic period. The increase is directly due to a shift from remote working to hybrid working, with more colleagues returning to work to collaborate in our offices and with clients. However, overall emissions remain below pre-pandemic (2019) levels. In the reporting period, we have seen our gas consumption decrease by 10% and our electricity consumption increase by 4%.

We manage our energy consumption through our Building Management System (BMS) which controls our key engineering equipment as efficiently as possible. Our ISO50001 Energy Management System together with our ISO14001 Environmental Management System support us to monitor and report energy consumption and total environmental impact more effectively, as well as identify areas for continual improvement. We have achieved energy and carbon reductions through efficiency measures, targeted investments, and firm-wide strategic and policy changes. We do not use carbon offsets towards carbon reductions. Our engineers also benefit from an auto approval mechanism for projects with a three-year payback, this allows them to capitalise on opportunities across the estate.

Projects this year have included ongoing finetuning of our boilers and continued LED lighting upgrades. We have completed the first phases of the projects at our Birmingham and Canary Wharf offices, and we successfully trialled new motors with improved efficiency in air handling units at our Canary Wharf office which we plan to roll out in FY24. We have also seen a reduction in our office carbon footprint and have modified temperature controls in the way we heat and cool buildings, resulting in less energy consumption across the estate. Whilst our offices have experienced increased occupancy as more colleagues adapt to our hybrid working model, the energy efficiency upgrades that we have made across our estate have meant that consumption has not increased at the same rate as occupancy.

We continue to purchase renewable energy for our managed estate, as well as purchasing additional Guarantees of Origin from renewable sources to cover all of our electricity consumption within landlord managed offices that were not already procuring REGO-backed renewable electricity from April 2022. We are pleased to report that we have achieved our target of procuring only renewable electricity by 2024, with 100% of the electricity we consume now backed by REGOs and we continue to engage our landlords to transition over to procuring REGO-backed renewable electricity themselves. In Autumn 2023, we installed solar panels at our Canary Wharf head office which is expected to have an estimated saving of 160,000 kWh annually.

In FY23, our scope 1 and 2 GHG emissions totalled 1,617 tCO_2e. This is a 76% reduction since we set our ambition of achieving Net Zero emissions across scope 1 and 2 by 2030 and a 9% reduction in emissions compared to 2022.

We are continuously reviewing our scope 3 disclosures and striving to improve data quality to be able to include additional categories to our reporting.

Travel

Business travel across all forms of transport has increased from FY22 due to the lifting of travel restrictions and the ability for our colleagues to recommence travel to client sites and offices where necessary. Overall, business travel remains below pre-pandemic (2019) levels as we continue to use collaboration technologies.

Our hybrid working model is about making a purposeful and deliberate choice about where and how we work, depending on what needs to be done, and as such colleagues are able to split their time between home, the office and client sites. We continue to use Microsoft Teams to work remotely, and we are supporting colleagues to make sustainable travel choices through our greening travel strategy. KPMG is supporting industry groups, suppliers and other corporates within the travel industry through round table discussions to review a new carbon emission methodology for rail.

Since launching our Office Concierge app in 2022, which requires all colleagues to register daily visits to KPMG sites, we have been able to track the mode of transport used and distance travelled by colleagues commuting to our offices. This data provides access to a high level of management information on the emissions associated with employee commuting, enabling us to identify further initiatives to drive reductions in this area, building on our hybrid working plans, EV charging point roll out and cycle facilities.

In FY23 our travel emissions totalled 22,364,257 $KgCO_2e$ and is an increase of 14,248,873 but is below pre pandemic levels. The UK Government Conversion Factors for air travel have increased and therefore the associated emissions have also risen accordingly.

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Climate-related financial disclosure

Continued

Continuing our climate journey

Completing our first climate-related financial disclosure has been a welcome opportunity to further engage and explore the impact climate will have on our business and our level of preparedness. We recognise that integrating climate considerations within our business is imperative to the long-term sustainability of KPMG in the UK as a business and are therefore committed to building on the progress outlined in this report.

We will continue to monitor our exposure to new and emerging risks and opportunities and regularly update our assessments. We recognise we have a responsibility and are committed to continuing our journey to play our part in the transition to a Net Zero economy.

In the section below we provide further detail on the assumptions and limitations of our scenario analysis.

Physical Scenario Analysis: Assumptions and Limitations

Models provide a simplified understanding of an infinitely complex reality. We have therefore used the following assumptions:

Assumption	Description of impact
Building type: simple office archetype	Our physical risk analysis is based on a 'simple office' archetype which includes design and construction materials with a wind rating for a 1 in 500-year return frequency, floor elevation of 0.2m, moderate-rigidity foundations and no specialised forest fire protection. These design and construction settings materially impact the vulnerability of the modelled office to the hazards to which it is likely to be exposed.
Maximum Value at Risk (MVAR)	MVAR is an indication of damage-related impacts and will not provide a complete picture for non-damaging disruptions (failure probability) or the duration of impacts (productivity loss/loss of use).
Static Portfolio	This analysis assumes that the existing portfolio of offices remains static over time, with no changes in the vulnerability of the offices due to adaptation or resilience measures.
Property Risk Index	Properties are indexed as high, moderate or low risk under the RCP 8.5 scenario based on an interpretation of the US Government's FEMA index used for insurance.
Replacement Costs	All properties have been assigned the same replacement value ($1 million) and all hazards are assumed to be fully insured for all properties. Replacement cost is used to calculate MVAR but it does not account for variations in material or labour costs for regional versus urban areas. Therefore, actual costs may be higher in urban and coastal areas.

The climate and related financial disclosures, including the group's energy and carbon reporting, were authorised for issue and signed on 22 January 2024 on behalf of the members of KPMG LLP (a full list of members is published online with Companies House), registered number OC301540 by:

Chris Hearld
Designated Member

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