



# UK Members' Report and Financial Statements 2024

In respect of the year ended 30 September 2024

Registered number OC301540

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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 UK group) for the year ended 30 September 2024.

## 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.

## Post balance sheet events

KPMG LLP was wholly owned by its members throughout the year. However, with effect from 1 October 2024, KPMG LLP merged with KPMG AG, the KPMG member firm in Switzerland. In order to effect the merger, control over KPMG LLP was passed to a new limited liability partnership, KPMG Holding LLP, as set out in note 27 and the members of KPMG LLP also became members of KPMG Holding LLP. As a result, a new governance structure at the KPMG Holding LLP level took effect from 1 October 2024 but the UK Board and Executive Committee remained in place.

## Principal activities

The principal activities of the UK group are the provision of professional services, notably audit, tax and legal and advisory, the latter comprising deal advisory and consulting. The UK 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 26).

## Governance

During the year ended 30 September 2024, the governance structure of the partnership comprised:

- The Board: the main governance body of the UK group, responsible for overseeing the stewardship, accountability and leadership of the UK group, providing clear-sighted counsel on the strategic direction of the UK group and alignment to its vision, values and purpose.
- The Executive Committee: responsible for driving the board-approved strategy for the UK group and leading on issues that cut across the UK 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 UK group's website and in the UK 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
- Chris Hearld
- Cath Burnet
- Jeremy Barton (resigned 6 February 2024)
- Edward Neil Barnicoat (appointed 6 February 2024)

## Members' capital

The UK 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 21, 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 UK 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 December each year and is determined in relation to an individual's medium-term value to the UK 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 UK 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. An element is also 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.

## Report to the members

Continued

### Financial performance during the year

Revenue grew by 1% year on year, to £2,990 million (2023: £2,960 million). Good growth in Audit and Tax & Legal was offset by a decline in Advisory revenues. This was partly influenced by the anticipated conclusion of certain major contracts but also reflected market conditions, with challenges in the Financial Services consulting market specifically. Having already anticipated the likely market challenges during the prior financial year, the UK group maintained good control of costs and limited recruitment to those areas exhibiting strong growth. Unfortunately, certain specific actions were required to reduce headcount in a small number of areas. As a consequence of these early actions being taken, and a reduction in the use of contractors in response to market conditions, overall profit for the financial year before members' profit shares grew from £345 million to £390 million and we were able to increase the year end staff bonus pot by £14 million.

See note 4 for reconciliation between internal measures of capability performance (net sales) and UK group revenue for the financial year.

### Financial position at the end of the year

The financial position of the UK 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 £638 million at 30 September 2024 (2023: £693 million) for the UK group and £558 million (2023: £602 million) for the partnership.

The main current assets of the UK 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 UK group. These assets totalled £981 million (2023: £1,054 million) for the UK group and £927 million (2023: £1,015 million) for the partnership.

### Going concern

The UK 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 UK group well placed to manage the financial impact of our business risks.

Forecasts have been prepared for the UK group reflecting the UK group's 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 UK group can withstand periods of reduced profitability, operating within borrowing facilities and covenants throughout the forecast period without reliance on liquidity enhancing measures. The scenarios prepared assume no impact from the changes in the KPMG Holding LLP group (see note 27) as it is considered remote that there will be a downside impact to the forecast position of the UK group.

At 30 September 2024, the UK group had cash balances of £201 million (2023: £146 million) and undrawn facilities of £385 million (2023: £385 million) including a £375 million revolving credit facility extended to the UK 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 UK group to actively pursue, respond to and invest in opportunities in line with the UK group's financial plan. Full details of the borrowing facilities are set out in note 16. These facilities remain unchanged following the change in structure from 1 October 2024 (see note 27).

The UK group's objectives, policies and processes to address risks arising from the UK group's use of financial instruments, in particular its exposure to market, credit and liquidity risks are set out in note 22.

Having considered the UK group's forecasts and the wider business risks faced by the UK group, (as set out in the UK 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 UK 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, fluctuations in the level of business confidence and investment and broader geographical uncertainty.

However, the UK group operates across a wide range of sectors and markets providing resilience within the business model. The UK group has a strong statement of financial position and this supports the ability to invest in markets, technologies and people, to provide growth opportunities even in this uncertain market.

### 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 UK group recognises the importance of its environmental responsibilities and has policies and initiatives in place designed to minimise the negative impact of the UK group on the environment.

Our published Impact Plan brings together all of the UK 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 UK group's energy and carbon reporting, are available alongside this report in the Appendix.

## 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 UK 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 UK group and partnership financial statements for each financial year. Under that law the members have elected to prepare both the UK group and partnership financial statements in accordance with 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 UK group and partnership and of the profit or loss of the UK group for that period.

In preparing each of the UK 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 UK 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 UK 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 UK 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 UK 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 UK 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 UK 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.

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

## Opinion

We have audited the financial statements of KPMG LLP (the 'limited liability partnership') and its subsidiaries (the 'UK group') for the year ended 30 September 2024, which comprise the consolidated income statement, consolidated statement of comprehensive income, statements of financial position, statements of changes in equity, 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 financial statements give a true and fair view of the state of the UK group's and of the limited liability partnership's affairs as at 30 September 2024 and of the UK group's profit for the year then ended;
- the 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 UK group and the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 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 UK 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 UK group to cease to continue as a going concern.

Our evaluation of the members' assessment of the UK group's ability and of the limited liability partnership'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 UK group's and limited liability partnership'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 2024 and 30 September 2023 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;
- 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.

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

Continued


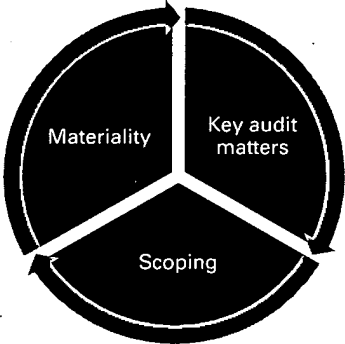
In our evaluation of the members' conclusions, we considered the inherent risks associated with the UK group's and the limited liability partnership's business model including effects arising from macro-economic uncertainties such as inflationary pressures and the cost of living. We assessed and challenged the reasonableness of estimates made by the members and the related disclosures and analysed how those risks might affect the UK 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 UK 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

  	<p><b>Overview of our audit approach</b></p> <p>Overall materiality:</p> <p>UK group: £18.5 million, which represents approximately 5% of the UK group's profit before taxation and members' profit share.</p> <p>Limited Liability Partnership: £175 million, which represents 5% of the limited liability partnership's profit before taxation and members' profit share capped at approximately 95% of UK group materiality.</p>
	<p>Key audit matters were identified as:</p> <ul style="list-style-type: none"> <li>— Revenue recognition includes the risk of fraud (same as previous year);</li> <li>— Professional claims and regulatory matters (same as previous year); and</li> <li>— Defined benefit scheme obligations (same as previous year).</li> </ul> <p>Our auditor's report for the year ended 30 September 2023 included no key audit matters that have not been reported as key audit matters in our current year's report.</p> <p>We performed a full scope audit of the financial statements of the limited liability partnership, which represents 94% of the UK group's revenue, 89% of total assets and 86% of profit before taxation and member's profit share. We completed specified or analytical audit procedures on the financial information of all other UK group components, other than for one component for which specific audit procedures on the financial information was completed by a component auditor.</p>

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

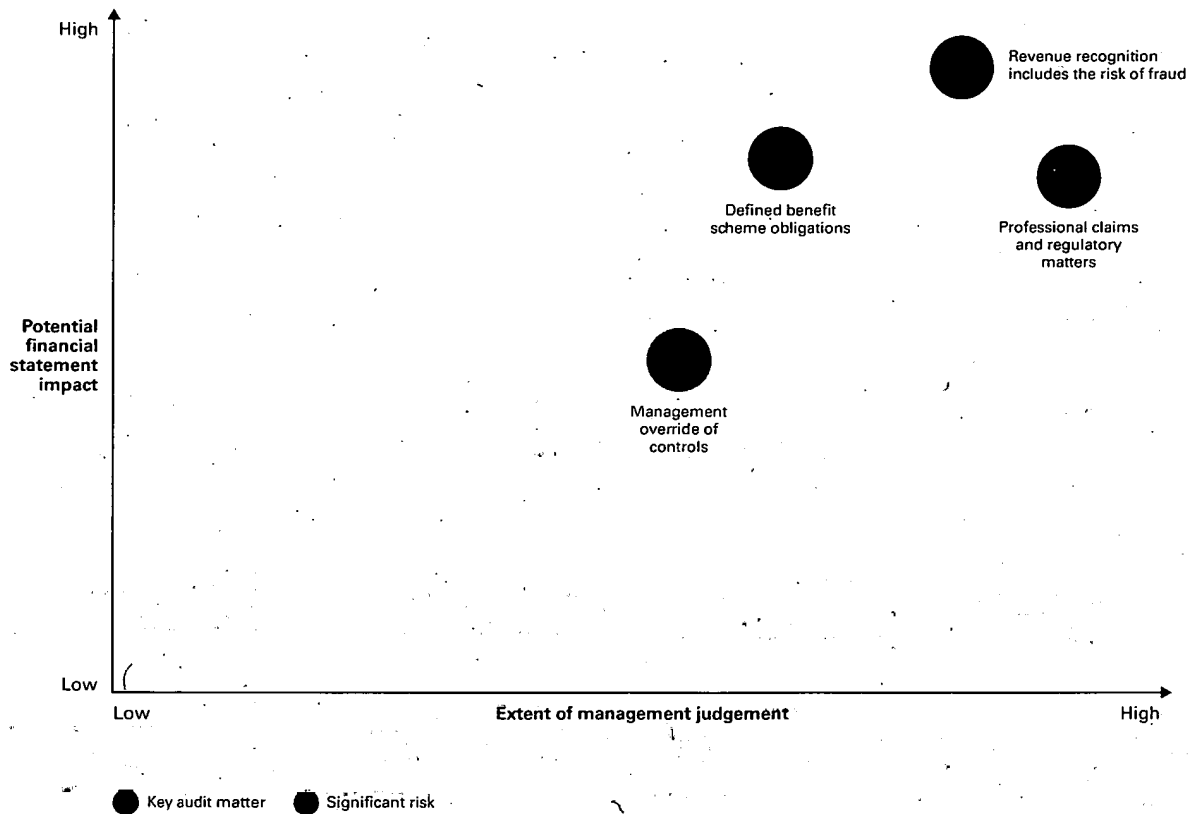
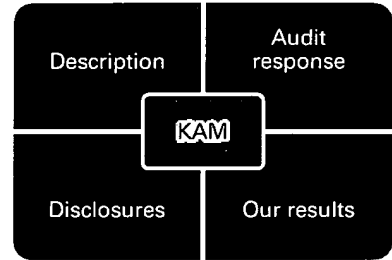
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## Key Audit Matters

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 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.



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

Continued

Key Audit Matters (continued)

### Key Audit Matter – UK group and limited liability partnership

#### 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 UK group's revenue amounted to £2,990 million (2023: £2,960 million).

The majority of the UK group's revenue is derived from contracts where the consideration is based on time and materials. For these contracts, the UK 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 £259 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 2024

- Note 4, Revenue

### How our scope addressed the matter – UK group and limited liability partnership

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 UK 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 UK group and limited liability partnership financial statements.

We consider the related disclosure in note 4 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.

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

Continued

Key Audit Matters (continued)

## Key Audit Matter – UK group and limited liability partnership

### 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.

UK group and limited liability partnership provisions in respect of professional claims and regulatory matters amount to £31 million (2023: £35 million) and £31 million (2023: £34 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 UK 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 and concluding such matters is characterised with a high level of estimation uncertainty.

### Relevant disclosures in the UK Members' Report and Financial Statements 2024

- Note 18, Provisions and contingent liabilities

## How our scope addressed the matter – UK group and limited liability partnership

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 UK group and its competitors and by reference to the underlying facts and circumstances of claims against the UK group;
- determined whether the information obtained was complete through review of publicly available information and that held by the UK 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 18 which omit certain information deemed to be seriously prejudicial to the UK 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.

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

Continued

Key Audit Matters (continued)

## Key Audit Matter – UK group and limited liability partnership

### 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 2024

- Note 19, Retirement benefits

## How our scope addressed the matter – UK group and limited liability partnership

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);
- consideration of the impact of the recent Virgin Media case rulings on the UK group's pension schemes;
- 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 19 to the financial statements appropriately describes the significant degree of uncertainty in the underlying assumptions and estimates.

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

Continued

## 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	UK group	Limited liability partnership
<b>Materiality for financial statements as a whole</b>	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	£18.5 million which represents approximately 5% of UK group's profit before taxation and members' profit share.	£17.5 million which represents 5% of the limited liability partnership's profit before taxation and members' profit share, capped at approximately 95% of UK group materiality.
Significant judgements made by auditor in determining the materiality	<p>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.</p> <p>This benchmark was communicated to the Audit Committee during the audit planning phase and has been consistently applied in the current and prior years.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 30 September 2023 to reflect the increase in profit before taxation and members' profit share.</p>	<p>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.</p> <p>This benchmark was communicated to the Audit Committee during the audit planning phase. We increased the materiality cap in the current year given no significant audit findings were identified in the prior year. There have been no other changes to the benchmarks applied in the prior year.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 30 September 2023 to reflect the increase in profit before taxation and members' profit share.</p>
Significant revisions 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 materiality 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 materiality accordingly.

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

Continued

Our application of materiality (continued)

Materiality measure	UK group	Limited liability partnership
<b>Performance materiality used to drive the extent of our testing</b>	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	£13.875 million, which is 75% of financial statement materiality.	£13.125 million, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining 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.
<b>Specific materiality</b>	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.
<b>Communication of misstatements to the Audit Committee</b>	We determine a threshold for reporting unadjusted differences to the Audit Committee.	
Threshold for communication	£0.925 million, which represents 5% of financial statement materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£0.875 million, which represents 5% of financial statement materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

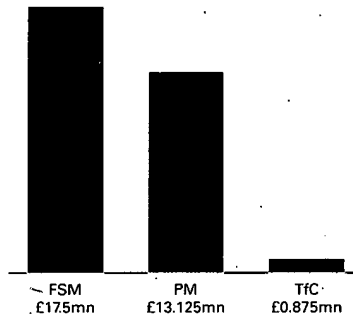
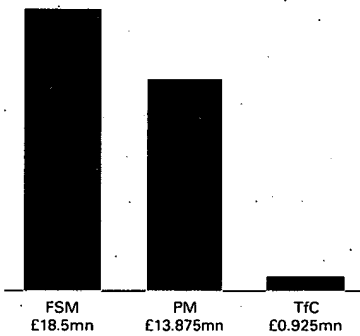
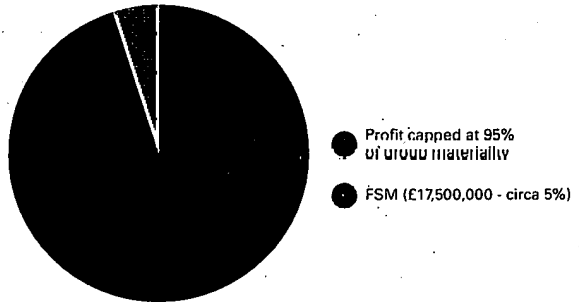
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The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

## Overall materiality – UK group



## Overall materiality – Limited liability partnership



FSM: Financial statements materiality

PM: Performance materiality

TFC: Threshold for communication to the audit committee

# 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 UK group's and the limited liability partnership's business and in particular matters related to:

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

The engagement team obtained an understanding of the UK 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 UK group's IT systems.

### Identifying significant components

The performance of the UK group is substantially derived from that of the limited liability partnership which is the only significant component of the UK group. We assessed quantitative and qualitative factors to identify components which are significant to the UK group, we considered components in terms of their nature and influence on the UK group and any individual component which is financially significant to the UK 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 UK 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 procedures for the rest of the UK group. 94% of the UK group's revenue, 89% of the UK group's total assets and 86% of the UK group's profit before taxation and members' profit shares were subject to an audit based upon the limited liability partnership's materiality, with the UK 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 UK 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 KPMG component not audited by the UK 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 UK group's revenue and represents less than 2% of the UK 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 UK 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 UK 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 UK 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 UK group risks that should be addressed. We also communicated information required to be reported back to the UK group engagement team, together with the UK group materiality threshold (in the knowledge that this component is subject to local audit using a materiality set at a lower level than UK 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	89%	94%	86%
Specified audit procedures	2	4%	3%	4%
Analytical procedures	27	7%	3%	10%

## 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 2024, 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 2024. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the UK 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 UK 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 UK 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, CAEW and PCAOB.
- We understood how the UK 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 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).

## 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the 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.

*Grant Thornton UK LLP*

**Jonathan Maile BSc (Hons) FCA**  
Senior Statutory Auditor

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

Crawley  
19 December 2024

 **Grant Thornton**

# Consolidated income statement

For the year ended 30 September 2024

	Note	2024 £m	2023 £m
<b>Revenue</b>	4	<b>2,990</b>	2,960
Recoverable expenses		(383)	(344)
<b>Net sales</b>		<b>2,607</b>	2,616
Other operating income	5	129	111
Staff costs	6	(1,538)	(1,545)
Profit on disposal of business	10	-	12
Depreciation and amortisation	11,12	(84)	(75)
Impairment of trade receivables and contract assets	14	(7)	(3)
Other operating expenses	7	(697)	(742)
<b>Operating profit</b>		<b>410</b>	374
Financial income	8	21	20
Financial expense	8	(27)	(30)
<b>Net financial expense</b>		<b>(6)</b>	(10)
<b>Profit before taxation and members' profit shares</b>		<b>404</b>	364
Tax expense in corporate entities	9	(14)	(19)
<b>Profit for the financial year before members' profit shares</b>		<b>390</b>	345
Members' profit shares charged as an expense	6	(287)	(259)
<b>Profit for the financial year available for discretionary division among members, attributable to members as owners of the parent entity</b>		<b>103</b>	86

# Consolidated statement of comprehensive income

For the year ended 30 September 2023

	Note	2024 £m	2023 £m
<b>Profit for the financial year available for discretionary division among members</b>		<b>103</b>	<b>86</b>
<b>Other comprehensive income, net of tax:</b>			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plans	19	4	19
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences		(3)	(3)
Fair value (loss)/gain on cash flow hedges	22	(4)	2
<b>Other comprehensive income for the financial year, net of tax</b>		<b>(3)</b>	<b>18</b>
<b>Total comprehensive income for the financial year, net of tax, attributable to members as owners of the parent entity</b>		<b>100</b>	<b>104</b>

# Statements of financial position

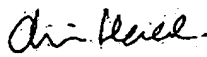
At 30 September 2024

	Note	UK group		Partnership	
		2024 £m	2023 Restated* £m	2024 £m	2023 Restated* £m
<b>Assets, excluding members' interests</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	444	499	419	468
Intangible assets	12	45	47	17	23
Shares in subsidiary undertakings	26	-	-	16	16
Other non-current assets	13	6	7	89	88
		495	553	541	595
<b>Current assets, excluding members' interests</b>					
Trade and other receivables	14	1,097	1,181	1,089	1,199
Other financial assets	15	32	41	-	3
Cash and cash equivalents	16	201	146	166	128
		1,330	1,368	1,255	1,330
<b>Total assets, excluding members' interests</b>		<b>1,825</b>	<b>1,921</b>	<b>1,796</b>	<b>1,925</b>
<b>Liabilities, excluding members' interests</b>					
<b>Non-current liabilities</b>					
Retirement benefits	19	49	53	49	53
Lease liabilities	23	385	420	362	393
Provisions	18	46	47	46	47
Other non-current liabilities	13	58	51	147	140
Insurance contract liabilities	20	37	38	37	38
		575	609	641	671
<b>Current liabilities, excluding members' interests</b>					
Trade and other payables	17	576	570	566	608
Lease liabilities	23	27	33	22	29
Provisions	18	5	12	5	11
Insurance contract liabilities	20	4	4	4	4
		612	619	597	652
<b>Total liabilities, excluding members' interests</b>		<b>1,187</b>	<b>1,228</b>	<b>1,238</b>	<b>1,323</b>
<b>Net assets attributable to members</b>		<b>638</b>	<b>693</b>	<b>558</b>	<b>602</b>
<b>Represented by:</b>					
<b>Amounts classified as non-current liabilities:</b>					
Members' capital	21	135	146	135	146
<b>Amounts classified as current liabilities:</b>					
Amounts due to members	21	160	180	160	180
Members' capital	21	76	79	76	79
		236	259	236	259
<b>Amounts classified as equity:</b>					
Other members' interests classified as equity		267	288	187	197
<b>Total members' interests</b>		<b>638</b>	<b>693</b>	<b>558</b>	<b>602</b>

\* Prior year comparatives have been restated to reclassify certain provisions as insurance contract liabilities on adoption of IFRS 17 (see notes 2 and 20) and to offset amounts due from members previously disclosed as current assets against amounts due to members, with no impact on net assets attributable to members.

The partnership reported a profit available for discretionary division among members for the year ended 30 September 2024 of £111 million (2023: £99 million). The financial statements on pages 18 to 63 were authorised for issue and signed on 19 December 2024 on behalf of the members of KPMG LLP, registered number OC301540 by:

  
Jon Holt  
Chief Executive Officer

  
Chris Heard  
Chief Operating and Financial Officer

# Statements of changes in equity

For the year ended 30 September 2024

		UK group		Partnership	
	Note	Members' other reserves £m	Translation and cashflow hedging reserves £m	Total £m	Members' other reserves and cashflow hedging reserves £m
Balance at 1 October 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	19	19	-	19	19
Foreign exchange translation differences		-	(3)	(3)	-
Hedging gains and losses and costs of hedging	22	-	2	2	2
<b>Total comprehensive income</b>		<b>105</b>	<b>(1)</b>	<b>104</b>	<b>120</b>
2022 profits available for discretionary division, allocated to members during the year		(56)	-	(56)	(56)
Other movements	21	(10)	-	(10)	(10)
<b>Transactions with owners</b>		<b>(66)</b>	<b>-</b>	<b>(66)</b>	<b>(66)</b>
Balance at 30 September 2023		286	2	288	197
Profit for the financial year available for discretionary division among members		103	-	103	111
Remeasurement of defined benefit pension plans	19	4	-	4	4
Foreign exchange translation differences		-	(3)	(3)	-
Hedging gains and losses and costs of hedging	22	-	(4)	(4)	(4)
<b>Total comprehensive income</b>		<b>107</b>	<b>(7)</b>	<b>100</b>	<b>111</b>
2023 profits available for discretionary division, allocated to members during the year		(112)	-	(112)	(112)
Other movements	21	(9)	-	(9)	(9)
<b>Transactions with owners</b>		<b>(121)</b>	<b>-</b>	<b>(121)</b>	<b>(121)</b>
<b>Balance at 30 September 2024</b>		<b>272</b>	<b>(5)</b>	<b>267</b>	<b>187</b>

# Statements of cash flows

For the year ended 30 September 2024

	Note	Group		Partnership	
		2024 £m	2023 Restated* £m	2024 £m	2023 Restated* £m
<b>Cash flows arising from operating activities</b>					
Profit for the financial year after members' profit shares charged as an expense		103	86	111	99
Adjustments for:					
Tax expense	9	14	19	-	-
Depreciation and amortisation	11,12	84	75	77	71
Financial income	8	(21)	(20)	(71)	(85)
Financial expense	8	27	30	29	32
Impairment of trade receivables and contract assets	14	7	3	7	3
Profit on disposal of business	10	-	(12)	-	(12)
Members' profit shares charged as an expense	6	287	259	287	259
Changes in working capital:					
Decrease in trade and other receivables		69	55	102	61
Decrease in trade and other payables		(9)	(4)	(55)	(17)
Decrease in insurance contract liabilities		(3)	(2)	(3)	(2)
Decrease in provisions and retirement benefits		(11)	(148)	(10)	(144)
<b>Cash flows arising from operations</b>		<b>547</b>	<b>341</b>	<b>474</b>	<b>265</b>
Net interest and other financial costs received	8	12	8	10	6
Corporate taxes paid		(9)	(17)	-	-
<b>Net cash flows arising from operating activities before transactions with members</b>		<b>550</b>	<b>332</b>	<b>484</b>	<b>271</b>
Payments to members		(419)	(400)	(419)	(400)
<b>Net cash flows arising from operating activities</b>		<b>131</b>	<b>(68)</b>	<b>65</b>	<b>(129)</b>
<b>Cash flows arising from investing activities</b>					
Net proceeds from sale of business	10	-	12	-	12
Acquisition of businesses	10	(1)	(2)	-	-
Dividends received		-	-	49	63
Disposal of other financial assets		8	4	-	-
Proceeds from sale of property, plant and equipment	11	3	7	3	6
Acquisition of property, plant and equipment	11	(20)	(29)	(20)	(28)
Development of intangible assets	12	(6)	(18)	(6)	(18)
<b>Net cash flows arising from investing activities</b>		<b>(16)</b>	<b>(26)</b>	<b>26</b>	<b>35</b>
<b>Cash flows arising from financing activities</b>					
Payment of lease liabilities	23	(56)	(56)	(49)	(50)
Capital introduced by members	21	11	14	11	14
Capital repayments to members	21	(15)	(18)	(15)	(18)
<b>Net cash flows arising from financing activities</b>		<b>(60)</b>	<b>(60)</b>	<b>(53)</b>	<b>(54)</b>
Net increase/(decrease) in cash and cash equivalents		<b>55</b>	<b>(154)</b>	<b>38</b>	<b>(148)</b>
Cash and cash equivalents at the beginning of the year		<b>146</b>	<b>300</b>	<b>128</b>	<b>276</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>16</b>	<b>201</b>	<b>146</b>	<b>166</b>	<b>128</b>

\* Prior year comparatives have been restated to reclassify certain provisions as insurance contract liabilities on adoption of IFRS 17 (see notes 2 and 20) and to offset amounts due from members previously disclosed as current assets against amounts due to members, with no impact on cashflows.

# Notes

Forming part of the consolidated financial statements

## 1. Basis of preparation

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

Both the UK group and partnership financial statements have been prepared in accordance with 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 UK 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.

The UK group and partnership have consistently applied the following accounting policies to all periods presented in these consolidated financial statements except if mentioned otherwise.

A number of new IFRSs have been endorsed by the UK Endorsement Board with effective dates such that they fall to be applied by the UK group.

The following standards and amendments to adopted IFRSs are the only changes of relevance to these financial statements that have been applied in the year ended 30 September 2024:

- 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 IFRS 17' 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.

These amendments had no material impact on either the UK group's or partnership's financial statements. Whilst the impact of the IFRS 17 adoption on the valuation of the partner annuity liability was immaterial, it did result in a change in the presentation of that liability in the statement of financial position (as set out in note 2). The Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies' did not result in any changes to the underlying accounting policies but did impact the accounting policy information disclosed in the 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 standards and amendments issued by the International Accounting Standards Board (IASB) that will be effective for financial statements after this reporting period, once endorsed by the UK Endorsement Board. The most relevant changes for the UK group and partnership are:

- IFRS 18 'Presentation and Disclosure in Financial Statements': effective for periods beginning on or after 1 January 2027.
- Amendments to the Classification and Measurement of Financial Instruments: effective for periods beginning on or after 1 January 2026.

Based on preliminary assessments, the adoption of this standard and amendment is not expected to have a significant impact on either the UK group's or partnership's results, financial position or disclosures.

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 UK group is pounds sterling. The financial statements are presented in millions of pounds (£m) unless stated otherwise.

# Notes

Forming part of the consolidated financial statements

## 1. Basis of preparation (continued)

### Going Concern

As set out in the Report to the members, the UK 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 UK group well placed to manage the financial impact of our business risks. Forecasts have been prepared for the UK group, reflecting the UK group's 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 UK group can withstand periods of reduced profitability, operating within borrowing facilities and covenants throughout the forecast period without reliance on liquidity enhancing measures. The scenarios prepared assume no impact from the changes in the KPMG Holding LLP group (see note 27) as it is considered remote that there will be a downside impact to the forecast position of the UK group.

At 30 September 2024, the UK group had cash balances of £201 million (2023: £146 million) and undrawn facilities of £385 million (2023: £385 million) including a £375 million revolving credit facility extended to the UK 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 UK group to actively pursue, respond to and invest in opportunities in line with the UK group's financial plan. Full details of the borrowing facilities are set out in note 16. These facilities remain unchanged following the change in structure from 1 October 2024 (see note 27).

The UK group's objectives, policies and processes to address risks arising from the UK group's use of financial instruments, in particular its exposure to market, credit and liquidity risks are set out in note 22.

Having considered the UK group's forecasts and the wider business risks faced by the UK group, (as set out in the UK 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 UK 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.

## 2. Material accounting policies

### Consolidation

Subsidiaries are entities controlled by the partnership. The UK 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 UK 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 UK group has accounted for its interest in its joint operations by recognising its share of individual assets, liabilities, revenue and costs. The UK 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-UK group balances and transactions, and any unrealised income and expenses arising from intra-UK group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the UK 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.

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

# Notes

Forming part of the consolidated financial statements

## 2. Material accounting policies (continued)

### Foreign currency

Transactions in foreign currencies are translated into the respective functional currency of the UK group entities at the exchange rates 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 UK 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	
	2024	2023	2024	2023
US Dollar	1.27	1.23	1.34	1.23
Euro	1.17	1.15	1.20	1.16
Indian Rupee	105.74	100.99	112.35	101.87

### Revenue

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

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

# Notes

Forming part of the consolidated financial statements

## 2. Material accounting policies (continued)

### Members' profit shares

The LLP Partnership Agreement requires that 75% of the UK group profits, excluding the results of certain overseas subsidiaries and profit arising on significant disposals of property or business (adjusted UK 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 UK group profits for the period. Any proposal of the Board to retain more than 25% of the adjusted UK 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 UK 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 UK 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 UK 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'.

### Financial income and expense

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 and insurance contract liabilities. 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.

### Tax expense in corporate entities

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.

### Business combinations

For business combinations, fair values that reflect conditions at the date of the business combination and the terms of each business combination are attributed to the identifiable assets, liabilities and contingent liabilities acquired. For business combinations achieved in stages, the UK 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 UK group incurs in connection with a business combination, such as legal fees, are expensed as incurred.

### Property, plant and equipment

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:

	Life of lease
Office buildings	
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.

# Notes

Forming part of the consolidated financial statements

## 2. Material accounting policies (continued)

### Intangible assets

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 UK 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.

### Other non-current assets and liabilities

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.

### Trade and other receivables

Trade and other receivables (except contract assets) are initially recognised at their transaction price as defined by IFRS 15.

Subsequent to initial recognition, trade and other receivables are recorded at amortised cost less expected credit losses (ECLs).

Contract assets represent revenues recognised in satisfying performance obligations where consideration is conditional on something other than the passage of time. Contract assets are recognised at their transaction price as defined by IFRS 15 (in accordance with the revenue accounting policy set out on page 25) less provision for foreseeable losses and net of amounts billed on account.

### Other financial assets

Other financial assets held by the UK 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 UK 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 or financial liabilities if they have a negative 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.

### Cash

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.

### Trade and other payables

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.

### Provisions and contingent liabilities

A provision is recognised when the UK 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 UK 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 UK group and partnership.

# Notes

Forming part of the consolidated financial statements

## 2. Material accounting policies (continued)

### Professional claims and regulatory matters

The UK 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 UK group by third parties and disciplinary proceedings brought by regulatory authorities.

The UK 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'.

### 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.

These annuities meet the IFRS 17 criteria of an insurance contract as a contract exists between the partnership and the former members to pay annuities in the event of the survival of the annuitant (or dependants) which is the insured event.

The IFRS 17 liability is valued as:

- The best estimate of the fulfilment cash flows, being the expected outflows to annuitants (or dependants) plus an allowance for administering the policies;
- Consideration of a Risk Adjustment to represent the uncertainty on the timing and amount of cashflows; and
- Discounted back using an appropriate discount rate.

Movements in the liability arising in year from unwinding discount are recognised in financial expenses in the income statement whilst those arising from experience adjustments are recognised in other operating expenses.

### Retirement benefits

The UK 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 UK group also operates two defined benefit pension plans for which the partnership is the employer and bears all related risks. Both plans are closed to future accrual of benefits. The UK 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 UK 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 UK 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 UK 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 UK group's pension plans to participating entities, the net defined benefit cost of the pension plans is recognised fully by the partnership, as employer.

Surpluses are recognised on defined benefit pension plans only to the extent that they are considered to be recoverable by the UK 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.

# Notes

Forming part of the consolidated financial statements

## 2. Material accounting policies (continued)

### Members' capital

The capital requirements of the UK 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 UK 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 reserves to individual members' capital. No interest is payable on these balances which are repayable over five years commencing in the October following 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 members

Amounts due to members are stated at their nominal value, as this approximates to amortised cost.

### Financial instruments

#### Recognition and initial measurement

Financial assets and financial liabilities are initially recognised when the UK group and partnership become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at fair value through profit or loss are recognised immediately in profit or loss.

#### 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 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 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 UK 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 UK group's treasury policy, the UK 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 UK group include non-deliverable forward exchange contracts (NDFs).

# Notes

Forming part of the consolidated financial statements

## 2. Material accounting policies (continued)

### Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the UK 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).

### Impairment

#### Financial assets (including receivables)

The UK group and partnership recognise loss allowances for Expected Credit Losses (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 UK 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.

The UK group and partnership use an allowance matrix to measure the ECLs of trade receivables. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages to write-off. In addition, ECLs are measured using forward looking information as to probability of default due to specific industry and economic factors.

### Non-financial assets

The carrying amounts of the UK 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. Goodwill is tested annually for impairment.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 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)). Goodwill arising from a business combination, 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. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU 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. For other assets, 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.

# Notes

Forming part of the consolidated financial statements

## 2. Material accounting policies (continued)

### Leases

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

The UK 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 UK 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;
- lease payments in an optional renewal period if the UK group and partnership are reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the UK 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 UK 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 UK 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 UK 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 UK group and partnership recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### Changes in material accounting policies

The UK group and partnership adopted IFRS 17 from 1 October 2022 (the transition date for the UK group).

The transition to IFRS 17 resulted in an immaterial impact on the valuation of the partner annuity liability, reducing by £1 million on the provision previously calculated under IAS 37; the change in provision of £1 million is included in the experience adjustments movement for the year (see note 20).

As a result, liabilities previously recognised in the partnership and UK group statement of financial position have not been restated. However, the liabilities are now presented as insurance contract liabilities rather than provisions and this has resulted in a restatement of both the prior year statement of financial position and statement of cashflows in order to correctly reflect the nature of those liabilities under IFRS 17, as follows:

- Statement of financial position: reclassification of £38 million (non-current) and £4 million (current) from provisions to insurance contract liabilities;
- Statement of cash flows: reclassification of £2 million from provisions to insurance contract liabilities.

# Notes

Forming part of the consolidated financial statements

## 3. 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.

### Key sources of judgement

Critical accounting judgements in applying the UK group's accounting policies that have the most significant effect on amounts recognised in the 2024 financial statements are as follows:

#### Asset Backed Funding (ABF) partnership only

As set out in more detail in note 13, under the Asset Backed Funding (ABF) agreement, the partnership has a receivable from the Scottish Limited Partnership (SLP) of £47 million (2023: £45 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 £47 million (2023: £45 million) is calculated based on cashflows, discounted at the rate inherent in the ABF agreement.

#### Member retirement provisions

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 £118 million at 30 September 2024 (2023: £72 million).

#### Professional claims and regulatory matters

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 UK 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 UK group and partnership.

Provisions of £31 million (2023: £35 million) for the UK group and £31 million (2023: £34 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.

#### UK group undertakings

As set out in note 26, certain investee entities are not 100% owned by the UK group. A judgement is required as to whether the UK 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 UK 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 UK 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.

# Notes

Forming part of the consolidated financial statements

## 3. Accounting estimates and judgements (continued)

### Key sources of estimation

### Professional claims and regulatory matters

At 30 September 2024, the provision for professional claims and regulatory matters amounts to £31 million (2023: £35 million) for UK group and £31 million (2023: £34 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 on page 28, 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.

### Retirement benefits

The net obligations of the UK group's pension plans of £49 million (2023: £53 million) are based on certain assumptions as to mortality, using current published tables (see note 19), 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 in note 19.

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:

In calculating revenue from service contracts, the UK group and partnership make certain estimates as to the extent to which performance obligations have been satisfied. In doing so, the UK group and partnership estimate the remaining time and external costs to be incurred in completing contracts. 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 £348 million (2023: £336 million) for the UK group and £320 million (2023: £322 million) for the partnership at 30 September 2024. 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 (2023: £17 million) for UK group and £16 million (2023: £16 million) for the partnership.

# Notes

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## 4. Revenue

The UK group and partnership generate revenue from the provision of professional services. Following a change in structure during the year ended 30 September 2024, revenue is generated across three capabilities – Audit, Tax & Legal (T&L) and Advisory. These capabilities, or service lines, reflect the categories determined for the purpose of disaggregation of revenues under IFRS 15.

2024	Audit £m	T&L £m	Advisory £m	Total £m
Net sales (as reported internally)	872	525	1,215	2,612
Recoverable expenses (as reported internally)	47	132	219	398
<b>Gross sales (as reported internally)</b>	<b>919</b>	<b>657</b>	<b>1,434</b>	<b>3,010</b>
Elimination of intra-UK group trading and other financial adjustments				(20)
<b>Total UK group revenue</b>				<b>2,990</b>

2023	Audit £m	T&L £m	Advisory £m	Total £m
Net sales (as reported internally)	829	493	1,285	2,607
Recoverable expenses (as reported internally)	50	110	202	362
<b>Gross sales (as reported internally)</b>	<b>879</b>	<b>603</b>	<b>1,487</b>	<b>2,969</b>
Elimination of intra-UK group trading and other financial adjustments				(9)
<b>Total UK group revenue</b>				<b>2,960</b>

The UK 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 UK group generates 82% (2023: 82%) 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 (2024: 5%; 2023: 4%).

### Major clients

The UK group has no reliance on any one client – no more than 3% (2023: 3%) of UK group revenue and 3% (2023: 3%) 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 14 and 17).

At 30 September 2024 and 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 UK 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.

During the financial year ended 30 September 2024, £165 million (2023: £150 million) of the UK group's and £158 million (2023: £146 million) of the partnership's contract liabilities held at 30 September 2023 were recognised as revenue.

# Notes

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## 5. Other operating income

Included in other operating income are the following items:

	UK group	
	2024 £m	2023 £m
Charges to other KPMG International member firms	117	95
Other items including sub-let rental and shared service recharges	12	16
	<b>129</b>	<b>111</b>

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

## 6. Members and staff

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

	UK group		Partnership	
	2024 Number	2023 Number	2024 Number	2023 Number
Audit	5,380	5,162	5,362	5,149
Tax & Legal	2,379	2,541	2,379	2,537
Advisory	6,176	6,842	5,822	6,487
KPMG Business Services, Technology and Coverage Central	2,738	2,649	2,700	2,667
	<b>16,673</b>	<b>17,194</b>	<b>16,263</b>	<b>16,840</b>

All UK staff (2024: average 16,263) were employed by KPMG LLP during the year. KPMG UK Limited (a subsidiary of the partnership, see note 26) previously employed all UK staff until 1 April 2023 when all staff employment contracts were transferred to KPMG LLP; the 2023 disclosures have been extended to include those relating to the partnership, reflecting the partnership average for the period since 1 April 2023.

# Notes

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## 6. 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).

	UK group		Partnership	
	2024 £m	2023 £m	2024 £m	2023 £m
Salaries (including bonuses)	1,333	1,339	1,314	708
Social security costs	144	146	144	70
Cost of retirement benefits (note 19)	61	60	61	30
<b>Staff costs per income statement</b>	<b>1,538</b>	<b>1,545</b>	<b>1,519</b>	<b>808</b>
Amounts charged to the income statement in respect of defined benefit pension plans (note 19)	5	7	5	7
Amounts recognised in the statement of comprehensive income in respect of defined benefit pension plans (note 19)	(4)	(19)	(4)	(19)
<b>Total staff related costs</b>	<b>1,539</b>	<b>1,533</b>	<b>1,520</b>	<b>796</b>

As noted above, KPMG LLP employed staff in the UK from 1 April 2023. The salaries and related costs disclosed above have been extended to include those relating to the partnership, with 2023 disclosures reflecting only those costs of employment from that date. However, as the sponsoring employer of the defined benefit pension schemes, the amounts recognised in respect of the defined benefit pension scheme were fully attributable to KPMG LLP in the prior year.

### Members' profit shares

Members' profit shares charged as an expense totalled £287 million for the year ended 30 September 2024, representing 75% adjusted UK group profits (2023: £259 million). Average partner distribution totalled £830,000 reflecting distribution of adjusted UK group profits (2023: £746,000, reflecting distribution of adjusted UK group profits after taking into account amounts released from reserves).

Further disclosures are given in note 25 regarding transactions with members who are considered to be key management.

# Notes

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## 7. Other operating expenses

Other operating expenses of the UK group totalled £697 million (2023: £742 million) and included property and IT costs, together £117 million (2023: £97 million), training and subscription costs of £99 million (2023: £92 million), travel and accommodation costs of £50 million (2023: £45 million) and the KPMG International Levy of £122 million (2023: £94 million).

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

	UK group	
	2024 £000	2023 £000
Auditor's remuneration:		
Audit of partnership and consolidated financial statements	699	642
Amounts receivable by auditors, of the partnership, and their associates in respect of:		
Audit of financial statements of subsidiaries	249	301
Audit related assurance services provided to the UK group	105	77
Audit of certain UK group pension plans	93	97
	<b>1,146</b>	<b>1,117</b>

Audit related assurance services of £105,000 (2023: £77,000) included services that were not related to the statutory audit of the UK 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.

## 8. Financial income and expense

	UK group	
	2024 £m	2023 £m
Interest income	12	8
Net change on fair value of financial assets at FVTPL	2	2
Exchange gains	7	10
<b>Financial income</b>	<b>21</b>	<b>20</b>
Net interest expense on defined benefit pension plan liabilities (note 19)	3	4
Net finance expenses from insurance contracts (note 20)	2	2
Interest expense on lease liabilities (note 23)	11	11
Exchange losses	11	13
<b>Financial expense</b>	<b>27</b>	<b>30</b>

The total interest income on financial assets that were not classified as FVTPL was £12 million (2023: £8 million). The total interest expense on financial liabilities that were not classified as FVTPL was £11 million (2023: £11 million).

# Notes

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## 9. Tax expense in corporate entities

The charge to tax arises in the corporate subsidiaries included within these financial statements and comprises:

	UK group	
	2024	2023
	£m	£m
<b>Current tax expense:</b>		
Current tax on income of subsidiary entities for the financial year	5	7
Adjustment in respect of prior years	(1)	(2)
Share of overseas taxes of joint operation	9	9
Deferred tax	1	5
<b>Total tax expense in income statement</b>	<b>14</b>	<b>19</b>

The following table reconciles the tax expense at the standard rate to the actual tax expense:

	UK group	
	2024	2023
	£m	£m
<b>Profit before taxation arising in UK group entities excluding KPMG LLP</b>	<b>6</b>	<b>6</b>
Tax at 25% (2023: 22% being the average rate of corporate taxes levied on the profits of UK group companies)	2	1
Impact of tax exempt and disallowable items	4	11
Adjustment in respect of prior years	(1)	(2)
Overseas taxes	9	9
<b>Total tax expense in income statement</b>	<b>14</b>	<b>19</b>

There was no tax charge/(credit) recognised in the statement of comprehensive income (2023: £nil).

Deferred tax assets have been recognised at 30 September 2024, totalling £3 million in respect of temporary differences arising in the corporate entities (2023: £4 million). No deferred tax assets arise in respect of tax losses at 30 September 2024 or 30 September 2023.

### Factors affecting the tax charge in future periods

OECD Base Erosion and Profit Shifting Pillar Two rules, specifically the multinational and domestic top-up taxes, will apply in the UK for the accounting periods beginning on or after 31 December 2023. These rules will therefore come into effect for the KPMG UK group for the year ended 30 September 2025. Although KPMG LLP is fiscally transparent, the partnership profits are subject to UK income tax locally on the partners at rates significantly higher than the minimum 15% tax rate required under Pillar 2. The effective tax rate on profits of KPMG LLP's subsidiaries is also in most cases likely to exceed the minimum rate. We are continuing to monitor the impact of the Pillar 2 rules, but do not expect this to be material.

## 10. Acquisitions and disposals

### Acquisitions

There were no material acquisitions during either the year ended 30 September 2024 or 30 September 2023.

### Disposals

There were no material disposals during the year ended 30 September 2024.

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

# Notes

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## 11. Property, plant and equipment

### UK group

	Office buildings £m	Computer and communication equipment £m	Office furniture, fittings and equipment £m	Motor vehicles £m	Total £m
<b>Cost</b>					
Balance at 1 October 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
Additions	3	7	11	4	25
Disposals	(31)	(21)	(49)	(19)	(120)
Exchange difference	(4)	-	(1)	-	(5)
<b>Balance at 30 September 2024</b>	<b>510</b>	<b>116</b>	<b>265</b>	<b>16</b>	<b>907</b>
<b>Depreciation and impairment</b>					
Balance at 1 October 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
Charge for the year	33	16	19	3	71
Disposals	(28)	(21)	(48)	(17)	(114)
Exchange difference	(2)	-	-	-	(2)
<b>Balance at 30 September 2024</b>	<b>169</b>	<b>97</b>	<b>190</b>	<b>7</b>	<b>463</b>
<b>Net book value</b>					
At 1 October 2022	370	36	83	9	498
At 30 September 2023	376	28	85	10	499
<b>At 30 September 2024</b>	<b>341</b>	<b>19</b>	<b>75</b>	<b>9</b>	<b>444</b>

# Notes

Forming part of the consolidated financial statements

## 11. 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
<b>Cost</b>					
Balance at 1 October 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
Additions	2	6	10	4	22
Disposals	(30)	(21)	(48)	(19)	(118)
<b>Balance at 30 September 2024</b>	<b>473</b>	<b>113</b>	<b>258</b>	<b>16</b>	<b>860</b>
<b>Depreciation and impairment</b>					
Balance at 1 October 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
Charge for the year	29	15	18	3	65
Disposals	(27)	(21)	(47)	(17)	(112)
<b>Balance at 30 September 2024</b>	<b>151</b>	<b>95</b>	<b>188</b>	<b>7</b>	<b>441</b>
<b>Net book value</b>					
At 1 October 2022	349	34	78	9	470
At 30 September 2023	352	27	79	10	468
<b>At 30 September 2024</b>	<b>322</b>	<b>18</b>	<b>70</b>	<b>9</b>	<b>419</b>

Property, plant and equipment includes right-of-use assets which are detailed in note 23.

# Notes

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## 12. Intangible assets

				UK group	Partnership
	Internally generated software £m	Customer relationships and similar items £m	Goodwill £m	Total £m	Internally generated software £m
<b>Cost</b>					
Balance at 1 October 2022	111	14	29	154	109
Additions	18	-	-	18	18
Disposal	(2)	-	-	(2)	(2)
Balance at 30 September 2023	127	14	29	170	125
Additions	6	-	5	11	6
<b>Balance at 30 September 2024</b>	<b>133</b>	<b>14</b>	<b>34</b>	<b>181</b>	<b>131</b>
<b>Amortisation and impairment</b>					
Balance at 1 October 2022	91	13	6	110	89
Charge for the year	13	-	-	13	13
Balance at 30 September 2023	104	13	6	123	102
Charge for the year	12	1	-	13	12
<b>Balance at 30 September 2024</b>	<b>116</b>	<b>14</b>	<b>6</b>	<b>136</b>	<b>114</b>
<b>Net book value</b>					
At 1 October 2022	20	1	23	44	20
At 30 September 2023	23	1	23	47	23
<b>At 30 September 2024</b>	<b>17</b>	<b>-</b>	<b>28</b>	<b>45</b>	<b>17</b>

Goodwill of £28 million (2023: £23 million) includes £5 million arising on the acquisition of the 50% interest in KPMG Acceleris Limited. The remaining goodwill has arisen on previous business acquisitions, none of which are individually material.

# Notes

Forming part of the consolidated financial statements

## 13. Other non-current assets and liabilities

	UK group		Partnership	
	2024 £m	2023 £m	2024 £m	2023 £m
Other prepayments	-	-	40	42
Amounts due from other UK group undertakings	-	-	47	45
Other receivables	3	1	2	1
Deferred tax assets (see note 9)	3	4	-	-
Other investments	-	2	-	-
<b>Other non-current assets</b>	<b>6</b>	<b>7</b>	<b>89</b>	<b>88</b>
Amounts due to other UK group undertakings	-	-	90	90
Other liabilities	58	51	57	50
<b>Other non-current liabilities</b>	<b>58</b>	<b>51</b>	<b>147</b>	<b>140</b>

### Partnership

Under the ABF arrangement (see note 19), 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 UK 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 2024, the prepayment was £45 million (2023: £46 million); £40 million (2023: £42 million) is non-current, whilst the remaining £5 million (2023: £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 2024, a receivable balance of £47 million is classified as amounts due from other UK group undertakings within other non-current assets with the discount unwinding through financial income (2023: £45 million).

Also under the ABF, the partnership has transferred £90 million of its trade receivables to the SLP (see note 19). 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 (2023: £4.5 million) has been recognised in the partnership's income statement in respect of the unwinding discount on this liability.

# Notes

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## 14. Trade and other receivables

	UK group		Partnership	
	2024 £m	2023 £m	2024 £m	2023 £m
Client receivables	528	599	512	585
Amounts due from other KPMG International member firms	105	119	95	108
Trade receivables	633	718	607	693
Contract assets	348	336	320	322
Amounts due from other UK group undertakings	-	-	60	70
Other prepayments	53	62	55	64
Other receivables	63	60	47	50
Corporation tax receivable	-	5	-	-
	<b>1,097</b>	<b>1,181</b>	<b>1,089</b>	<b>1,199</b>

Trade and other receivables are due within 12 months. Contract assets include £2 million (2023: £5 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 £10 million (2023: £6 million) for the UK group and £10 million (2023: £6 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:

	UK group		Partnership	
	2024 £m	2023 £m	2024 £m	2023 £m
Balance at 1 October	6	7	6	7
Utilised during the year	(3)	(4)	(3)	(4)
Impairment provision recognised in income statement	7	3	7	3
<b>Balance at 30 September</b>	<b>10</b>	<b>6</b>	<b>10</b>	<b>6</b>

The impairment provision recognised during the year is reflected separately in the income statement in 'impairment of trade receivables and contract assets'.

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## 14. Trade and other receivables (continued)

The table below provides information about the exposure to credit risk and ECLs for trade receivables as at 30 September 2024:

	Weighted average loss rate	UK group		Partnership	
		Gross 2024 £m	Gross 2023 £m	Gross 2024 £m	Gross 2023 £m
<b>Trade receivables</b>					
Current (not past due)	0.09%	474	557	450	538
31-60 days	0.23%	87	71	85	70
61-90 days	0.52%	47	54	44	52
91-120 days	1.18%	22	27	21	26
121-150 days	3.05%	2	4	4	4
151-180 days	6.33%	2	3	4	2
181-360 days	20.26%	4	4	4	3
More than 360 days	100%	5	3	5	3
Gross trade receivables		643	723	617	698
Gross contract assets	0.24%	348	337	320	323
		991	1,060	937	1,021
Expected credit losses		(10)	(6)	(10)	(6)
Trade receivables and contract assets, net of impairment losses		981	1,054	927	1,015

## 15. Other financial assets

	UK group		Partnership	
	2024 £m	2023 £m	2024 £m	2023 £m
Bonds FVTPL	24	28	-	-
Equities FVTPL	8	10	-	-
Derivative financial instruments at Fair Value – cashflow hedge	-	3	-	3
	32	41	-	3

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## 16. Cash and borrowings

	UK group		Partnership	
	2024 £m	2023 £m	2024 £m	2023 £m
Cash and cash equivalents – bank balances	201	146	166	128

Committed borrowing facilities of £385 million (2023: £385 million) were available to the UK group at 30 September 2024; there were no amounts drawn against the facilities at either 30 September 2024 or 30 September 2023. Of the facilities available as at 30 September 2024, £10 million (2023: £10 million) expires in one year or less, the revolving credit facility of £375 million (2023: £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 2024 and 2023 and are forecast to be met over the next 12 months.

### Liabilities arising from financing activities

Members' capital, lease liabilities and borrowings (when relevant) are all liabilities arising from financing activities, being those liabilities for which cashflows are classified as cash flows from financing activities in the UK group and partnership cash flow statement. As set out above, neither the UK group nor the partnership had any borrowings at either 30 September 2024 or 30 September 2023.

	UK group		Partnership	
	2024 £m	2023 £m	2024 £m	2023 £m
Members' capital (note 21)	211	225	211	225
Lease liabilities (note 23)	412	453	384	422
	623	678	595	647

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

	UK group		Partnership	
	2024 £m	2023 £m	2024 £m	2023 £m
<b>Cash flows from financing activities:</b>				
Capital introduced by members	11	14	11	14
Repayments of capital	(15)	(18)	(15)	(18)
Payment of lease liabilities	(56)	(56)	(49)	(50)
<b>Non-cash flows from financing activities:</b>				
Transfer from reserves in year	9	9	9	9
Reclassification of liabilities to former partners on retirement	(19)	(19)	(19)	(19)
Interest expense on lease liabilities	11	11	9	9
Additions to lease liabilities	7	44	2	34
Exchange differences	(3)	(3)	-	-
Net decrease in liabilities arising from financing activities	(55)	(18)	(52)	(21)
Liabilities arising from financing activities at the beginning of the year	678	696	647	668
Liabilities arising from financing activities at the end of the year	623	678	595	647

Further details on members' capital and lease liabilities are set out in notes 21 and 23 respectively.

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## 17. Trade and other payables

	UK group		Partnership	
	2024 £m	2023 £m	2024 £m	2023 £m
Accruals	267	252	259	244
Contract liabilities	152	165	145	158
Other taxes and social security	71	68	67	68
Other payables	44	28	15	13
Trade payables	33	43	33	42
Amounts due to other UK group undertakings	-	-	38	70
Derivative financial instruments at Fair Value – cashflow hedge	2	-	2	-
Amounts due to other KPMG International member firms	7	14	7	13
	<b>576</b>	<b>570</b>	<b>566</b>	<b>608</b>

Included in UK group and partnership accruals at 30 September 2024 and 30 September 2023 are amounts payable to staff in respect of bonuses.

## 18. Provisions and contingent liabilities

### Group

	Property provisions £m	Professional claims and regulatory matters £m	Total £m
Balance at 1 October 2023	24	35	59
Transferred to accruals	(5)	-	(5)
Utilised during the year	-	(9)	(9)
Provisions recognised/released during the year	1	5	6
<b>Balance at 30 September 2024</b>	<b>20</b>	<b>31</b>	<b>51</b>
Non-current	19	27	46
Current	1	4	5

### Partnership

	Property provisions £m	Professional claims and regulatory matters £m	Total £m
Balance at 1 October 2023	24	34	58
Transferred to accruals	(5)	-	(5)
Utilised during the year	-	(8)	(8)
Provisions recognised/released during the year	1	5	6
<b>Balance at 30 September 2024</b>	<b>20</b>	<b>31</b>	<b>51</b>
Non-current	19	27	46
Current	1	4	5

Property provisions for the UK 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.

# Notes

Forming part of the consolidated financial statements

## 19. Retirement benefits

### Defined contribution plans

The UK 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.

No contributions to the defined contribution pension plans were outstanding at the end of either the current or prior financial year.

### Defined benefit plans

The UK 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 UK 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 UK 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 11.4 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 2024. This valuation resulted in an actuarially assessed funding surplus, including the value of the Asset Backed Funding (ABF) agreement (see page 48). 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 UK 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 9.9 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 2024. This valuation resulted in an actuarially assessed funding surplus including the value of the ABF agreement (see page 48). 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 UK 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 2024 and 30 September 2023 by KPMG's professionally qualified in-house actuaries.

The deficit position for the pre-2000 fund has slightly reduced and the surplus in the TMCL plan has slightly increased over the year to 30 September 2024, due to a decrease in the discount rate offset by lower future inflation expectations and a reduction in assumed life expectancy placing a lower value on the liabilities and an increase in the value of the assets.

#### Minimum funding requirements

The UK group and partnership have determined that, in accordance with the terms and conditions of the defined benefit plans, the UK 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 UK group does not have an unconditional right to a refund of surplus from the pre-2000 fund. However, since the pre-2000 fund is in deficit and the deficit exceeds the present value of future committed contributions, IFRIC 14 has no impact on the pension liabilities or disclosures (2023: £nil) at 30 September 2024.

# Notes

Forming part of the consolidated financial statements

## 19. Retirement benefits (continued)

### Risks

The pension plans expose the UK 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 UK 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 UK group more generally.

**Mortality risk** – the assumptions adopted by the UK 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 UK group and Trustee of each plan review the mortality assumptions on a regular basis to minimise the risk of using an inappropriate assumption. The UK group has updated their mortality assumption as at 30 September 2024 to reflect the latest available data from the CMI, which includes partial allowance (15%) for the increased mortality experience during 2023 and 2022 which reflects the potential long term direct 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 UK 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 UK 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 UK 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 UK group and its results are consolidated by the UK group. The UK 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 UK 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 UK 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 UK group and partnership.

### The Virgin Media Limited vs NTL Pension Trustees II

On 16 June 2023 the High Court handed down its decision in *The Virgin Media Limited v NTL Pension Trustees II* which concerned the implications of section 37 of the Pensions Schemes Act 1993. Subsequently Virgin Media Limited filed an appeal, the hearing for which took place on 26 and 27 June 2024 and on 25 July 2024 it was announced that the Court of Appeal upheld the High Court ruling. The Court of Appeal's ruling confirms that the requirement to obtain section 37 confirmation on rule alterations applies to both past and future service rights.

The Trustee has taken legal advice to determine the possible implications for the pre-2000 and the TMcL plan. The pre-2000 fund was not contracted out at any time and therefore is not impacted by the court ruling. For the TMcL plan, the legal advice concluded that as the TMcL plan only has one deed in scope of the ruling, which has a section 37 confirmation attached to it, the court ruling has no impact on the TMcL plan and no provision is required in the financial statements.

# Notes

Forming part of the consolidated financial statements

## 19. Retirement benefits (continued)

### UK group and partnership

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

	2024 £m	2023 £m
Contributions to defined contribution schemes	61	60
<b>Cost of retirement benefits</b>	<b>61</b>	<b>60</b>

The net financing cost of £3 million (2023: £4 million), administration costs of £2 million (2023: £3 million) and remeasurement gains of £4 million (2023: £19 million gains) relating to defined benefit pension plans are also considered to be a part of the net cost of retirement benefits.

### 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	
	2024 £m	2023 £m	2024 £m	2023 £m
<b>Quoted in an active market</b>				
<b>Debt instruments</b>				
UK government fixed interest	17	17	149	151
UK government index-linked	32	31	68	67
Corporate bonds	64	60	256	245
<b>Investment funds</b>				
Multi-Asset Credit	11	11	45	43
<b>Cash and cash equivalents</b>				
Cash	9	7	21	20
<b>Derivatives</b>				
Credit contracts	(27)	(23)	(104)	(117)
<b>Not quoted in an active market</b>				
<b>Investment funds</b>				
Distressed debt fund	1	1	3	6
<b>Fair value of plan assets</b>	<b>107</b>	<b>104</b>	<b>438</b>	<b>415</b>
<b>Present value of funded defined benefit obligations</b>	<b>(106)</b>	<b>(104)</b>	<b>(488)</b>	<b>(468)</b>
<b>Net asset/(liability) in the statement of financial position</b>	<b>1</b>	<b>-</b>	<b>(50)</b>	<b>(53)</b>

The plans' assets do not include any of the UK group's own transferable financial instruments, property occupied by, or other assets used by the UK 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 48) meant that at 30 September 2024 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.

# Notes

Forming part of the consolidated financial statements

## 19. 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	
	2024 £m	2023 £m	2024 £m	2023 £m
Benefit obligation at start of year	(104)	(114)	(468)	(492)
Interest on obligations	(5)	(6)	(25)	(26)
Remeasurement gain arising from changes in demographic assumptions	-	1	1	4
Remeasurement (loss)/gain arising from changes in financial assumptions	(5)	4	(26)	9
Remeasurement gain arising from experience on the plan's liabilities	-	4	-	8
Benefits paid	8	7	30	29
<b>Benefit obligation at end of year</b>	<b>(106)</b>	<b>(104)</b>	<b>(488)</b>	<b>(468)</b>
Of which: amounts owing to active members	-	-	-	-
Of which: amounts owing to deferred members	(18)	(23)	(207)	(209)
Of which: amounts owing to pensioner members	(88)	(81)	(281)	(259)

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	
	2024 £m	2023 £m	2024 £m	2023 £m
Fair value of plan assets at start of year	104	107	415	429
Interest income	5	5	22	23
Return on plan assets, excluding interest income	5	(1)	29	(10)
Contributions by employer	1	1	4	4
Administrative expenses	-	(1)	(2)	(2)
Benefits paid	(8)	(7)	(30)	(29)
<b>Fair value of plan assets at end of year</b>	<b>107</b>	<b>104</b>	<b>438</b>	<b>415</b>

### 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:

	2024 £m	2023 £m
<b>Other operating expenses – Administration costs</b>	<b>2</b>	<b>3</b>
<b>Finance income and expense – Net interest expense on net defined benefit obligations (note 8)</b>	<b>3</b>	<b>4</b>
<b>Total expense recognised in the income statement</b>	<b>5</b>	<b>7</b>

# Notes

Forming part of the consolidated financial statements

## 19. Retirement benefits (continued)

### 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	
	2024 £m	2023 £m	2024 £m	2023 £m
Remeasurement gain arising from changes in demographic assumptions	-	1	1	4
Remeasurement (loss)/gain arising from changes in financial assumptions	(5)	4	(26)	9
Remeasurement gain arising from experience on the plan's liabilities	-	4	-	8
Return on plan assets, excluding interest income	5	(1)	29	(10)
<b>Total remeasurements recognised in statement of comprehensive income</b>	<b>-</b>	<b>8</b>	<b>4</b>	<b>11</b>

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.

### 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

	2024 %	2023 %
Discount rate to calculate defined benefit obligation	4.90	5.40
Discount rate to calculate pension expense	4.90	5.45
Increase of pensions in payment (RPI linked)	3.05	3.00

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 2024 were 93% (pre 2000-fund) and 94% (TMcL plan) of the SAPS Series 3 tables with CMI 2023 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, 2022 and 2023 weight parameter of 0%, 0%, 15% and 15% respectively for both males and females. (2023: 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).

These tables lead to life expectancies as follows:

	2024 Years	2023 Years
<b>Retiring today, age 60</b>		
Males	26.8	26.8
Females	29.6	29.5
<b>Retiring at age 60, currently aged 45</b>		
Males	27.9	27.9
Females	30.7	30.6

# Notes

Forming part of the consolidated financial statements

## 19. Retirement benefits (continued)

### 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.

Assumption	Change in assumption	Impact on plan liability (decrease)/increase					
		2024			2023		
		TMcL plan £m	Pre-2000 fund £m	Total £m	TMcL plan £m	Pre-2000 fund £m	Total £m
Discount rate	Increase by 0.5%	(5)	(25)	(30)	(4)	(25)	(29)
Increase of pensions in payment (RPI linked)	Increase by 0.5%	2	8	10	2	7	9
Life expectancy	Increase by 1 year	4	15	19	3	14	17

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.

# Notes

Forming part of the consolidated financial statements

## 20. Insurance contracts liabilities

Insurance contract liabilities reflect those liabilities for former partner annuities:

	UK group and partnership	
	2024 £m	2023 £m
Liability at 1 October	42	42
Experience adjustments	1	2
Finance expense – discount unwinding	2	2
Claims paid	(4)	(4)
<b>Liability at 30 September</b>	<b>41</b>	<b>42</b>
Non-current	37	38
Current	4	4

The table below presents the maturity analysis of the insurance contracts that are in a liability position based on the estimated timing of the remaining contractual discounted cash flows:

	2024 £m	2023 £m
Within 12 months of the year-end	4	4
Between 1-5 years	13	13
Between 5-15 years	17	17
In more than 15 years	7	8
	<b>41</b>	<b>42</b>

The principal assumptions used in measuring the insurance contract liability 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:

	2024 %	2023 %
Discount rate	5.45	5.40
Inflation rate (retail price index)	3.25	3.40

The assumed discount rate and inflation rate both have an effect on the insurance contract liability. The following table shows the sensitivity of the value of the member annuities liability to changes in these assumptions; these changes in valuation would impact profit before taxation and equity to the same extent:

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

# Notes

Forming part of the consolidated financial statements

## 21. Equity, members' capital and other interests

### Equity

#### UK 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 19) and gains and losses arising on cashflow hedges (see note 22).

### Members' capital

#### UK group and partnership

The UK group is financed by members' capital. In addition, the working capital and longer-term requirements of the UK group will be met by the bank facilities (see note 16). The phasing of member distributions may also be altered to give further flexibility to meet finance requirements. The UK group's capital structure is regularly reviewed to ensure it remains relevant for the business. Movements in members' capital can be found in note 16.

At 30 September 2024, members' capital owed to former partners totalled £68 million, £57 million of which was classified as a non-current liability (2023: £50 million) and the remaining £11 million as a current liability (2023: £6 million).

### Amounts due to members

In addition to other members' interests classified as equity, members' interests also comprise amounts due to members.

Amounts due to members classified as current liabilities of £160 million (2023: £180 million) reflect Amounts due to members of £207 million (2023: £221 million) offset by Amounts due from members of £47 million (2023: £41 million). These balances 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.

## 22. Financial instruments

### Risk management framework

The UK 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 UK group.

The UK 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 UK group and partnership to each of the above risks and the objectives, policies and processes for measuring and managing risk.

During the year, The Board had 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 UK 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 UK 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.

# Notes

Forming part of the consolidated financial statements

## 22. Financial instruments (continued)

### a) Accounting classifications and fair values

The estimated fair values of the UK group's financial assets and liabilities approximate their carrying values at 30 September 2024 and 2023, largely owing to their short maturity. The bases for determining fair values are disclosed in note 1.

The table below shows the classification and carrying amounts of the UK group's and partnership's financial assets and financial liabilities. The only assets designated at fair value for the UK group and partnership are other financial assets and non-current assets shown in the table below.

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.

	Note	UK group		Partnership	
		2024 £m	2023 £m	2024 £m	2023 £m
<b>At amortised cost</b>					
Trade and other receivables	14	1,044	1,114	1,034	1,135
Other non-current assets	13	3	1	2	1
Cash and cash equivalents	16	201	146	166	128
<b>Total financial assets at amortised cost</b>		<b>1,248</b>	<b>1,261</b>	<b>1,202</b>	<b>1,264</b>
<b>Financial assets designated as at fair value through profit or loss</b>					
Other financial assets	15	32	38	-	-
Other non-current assets	13	-	2	47	45
<b>Total financial assets at fair value through profit or loss</b>		<b>32</b>	<b>40</b>	<b>47</b>	<b>45</b>
<b>Financial assets designated as hedging instruments and measured at fair value</b>					
Other financial assets	15	-	3	-	3
<b>Total financial assets at fair value – in hedge accounting</b>		<b>-</b>	<b>3</b>	<b>-</b>	<b>3</b>
<b>Total financial assets</b>		<b>1,280</b>	<b>1,304</b>	<b>1,249</b>	<b>1,312</b>
<b>Non-derivative financial liabilities measured at amortised cost</b>					
Amounts due to members	21	160	180	160	180
Lease liabilities	23	412	453	384	422
Members' capital – current and non-current	21	211	225	211	225
Trade and other payables	17	252	250	253	297
Other non-current liabilities	13	58	51	147	140
<b>Total non-derivative financial liabilities measured at amortised cost</b>		<b>1,093</b>	<b>1,159</b>	<b>1,155</b>	<b>1,264</b>
<b>Financial liabilities designated as hedging instruments and measured at fair value</b>					
Other financial liabilities	17	2	-	2	-
<b>Total financial liabilities at fair value – in hedge accounting</b>		<b>2</b>	<b>-</b>	<b>2</b>	<b>-</b>
<b>Total financial liabilities</b>		<b>1,095</b>	<b>1,159</b>	<b>1,157</b>	<b>1,264</b>
<b>Total net financial instruments</b>		<b>185</b>	<b>145</b>	<b>92</b>	<b>48</b>

# Notes

Forming part of the consolidated financial statements

## 22. 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 UK 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 UK group uses derivatives on a case-by-case basis in order to manage market risks. The UK group does not hold or issue derivative financial instruments for trading purposes.

#### Interest rate risk

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

	Note	UK group		Partnership	
		2024 £m	2023 £m	2024 £m	2023 £m
<b>Fixed rate instruments</b>					
Lease liabilities	23	(412)	(453)	(384)	(422)
Bonds	15	24	28	-	-
<b>Variable rate instruments</b>					
Cash and cash equivalents	16	201	146	166	128

#### Cash flow sensitivity analysis for variable rate instruments

A reasonable change in interest rates is not expected to have a material impact on UK 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 UK 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 UK group. In addition, some fees are rendered in other currencies where this is requested by the clients involved.

The UK 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 UK 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 UK 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% (2023: 5%) of total current assets and 1% (2023: 1%) of total current liabilities at 30 September 2024. A reasonable change in closing exchange rates is not expected to have a material impact on UK group profits, therefore, no sensitivity analysis has been disclosed.

The UK 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 UK 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.

# Notes

Forming part of the consolidated financial statements

## 22. Financial instruments (continued)

The UK 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 UK group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The UK 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 UK 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 2024, the notional value of open NDFs of £84 million (2023: £90 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 2024 was £2 million loss (2023: £2 million gain) which is not material. The average foreign exchange rate applicable to the NDFs was 109.44 (2023: 105.70).

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

	Cash flow hedging reserve		Cost of hedging reserve	
	2024 £m	2023 £m	2024 £m	2023 £m
Balance at beginning of year	2	-	-	-
Change in fair value recognised in other comprehensive income	(4)	2	-	-
Amount reclassified to costs within profit or loss statement	1	-	(1)	-
<b>Balance at end of year</b>	<b>(1)</b>	<b>2</b>	<b>(1)</b>	<b>-</b>

There was no hedge ineffectiveness recognised in the UK group or partnership income statement for the year ended 30 September 2024.

### 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 UK 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 £8 million (2023: £10 million) and other investments of £nil million (2023: £2 million).

# Notes

Forming part of the consolidated financial statements

## 22. Financial instruments (continued)

### c) Credit risk

Credit risk is the risk of financial loss to the UK group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the UK 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 UK group does not require security in respect of financial assets.

The UK 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 UK 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 14. 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 2024) 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 UK group's and partnership's financial assets as set out in the table in section a) on page 55.

### d) Liquidity risk

Liquidity risk is the risk that the UK group will not be able to meet its financial obligations as they fall due. The UK 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 UK group's reputation.

The focus of the UK 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 UK group's significant cash positions daily and it is the UK 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 UK group has access to committed overdraft and revolving credit facilities which are drawn down as required (see note 16).

The UK group and partnership have non-derivative financial liabilities as set out in the table on page 55. All of those financial liabilities are measured at amortised cost. In each case except lease liabilities (see note 23), 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 (2023: £90 million) has a maturity of 15 years but is matched by non-current and current receivables.

# Notes

Forming part of the consolidated financial statements

## 23. Leases

### Leases as a lessee

The UK 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 UK 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 UK group and partnership to sublet the asset to another party, the right-of-use asset can only be used by the UK 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 UK group and partnership are prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the UK 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 UK group and partnership must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

### Right-of-use assets

At 30 September 2024 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
<b>UK group</b>					
Balance at 1 October 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
Additions	3	1	1	-	5
Disposals	(3)	-	-	-	(3)
Depreciation charge for the year	(33)	(2)	(1)	-	(36)
Exchange differences	(2)	-	-	-	(2)
<b>Balance at 30 September 2024</b>	<b>341</b>	<b>2</b>	<b>5</b>	<b>-</b>	<b>348</b>
<b>Partnership</b>					
Balance at 1 October 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
Additions	2	-	-	-	2
Disposals	(3)	-	-	-	(3)
Depreciation charge for the year	(29)	(1)	-	-	(30)
<b>Balance at 30 September 2024</b>	<b>322</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>323</b>

# Notes

Forming part of the consolidated financial statements

## 23. Leases (continued)

### Lease liabilities

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

	UK group		Partnership	
	2024 £m	2023 £m	2024 £m	2023 £m
Within 1 year	36	44	30	37
Between 1-5 years	165	174	146	149
More than 5 years	284	320	276	310
<b>Total undiscounted lease liabilities at 30 September</b>	<b>485</b>	<b>538</b>	<b>452</b>	<b>496</b>
<b>Lease liabilities included in the statement of financial position at 30 September:</b>	<b>412</b>	<b>453</b>	<b>384</b>	<b>422</b>
Current	27	33	22	29
Non-current	385	420	362	393

### Movement in lease liabilities

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

	UK group		Partnership	
	2024 £m	2023 £m	2024 £m	2023 £m
Recognised on 1 October	453	457	422	429
Additions and adjustments	7	44	2	34
Lease payments	(56)	(56)	(49)	(50)
Interest expense on lease liabilities	11	11	9	9
Exchange differences	(3)	(3)	-	-
	<b>412</b>	<b>453</b>	<b>384</b>	<b>422</b>

### Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss:

	UK group		Partnership	
	2024 £m	2023 £m	2024 £m	2023 £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	-	-

## 24. 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 £1 million (2023: £11 million) for both the UK group and partnership. These commitments are expected to be settled in the following financial year.

# Notes

Forming part of the consolidated financial statements

## 25. Related parties

The UK 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

During the year, the members of the UK Board and the Executive Committee were responsible for planning, directing and controlling the activities of the UK 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.

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 £23.3 million (2023: £22.3 million).

There were no balances due to key management at 30 September 2024 or 2023 save in respect of relevant shares of profit (or related taxation), shares of historical reserves and members' capital.

Amounts due to key management of the partnership and the UK group are as follows:

	2024 £m	2023 £m
Amounts due to key management	(27)	(24)

Total members' capital invested by key management in the partnership amounted to £13 million at 30 September 2024 (2023: £13 million).

### Transactions with fellow UK group entities

Transactions with fellow UK 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 UK group entities are set out below:

	Partnership	
	Services provided by fellow UK group entities £m	Services provided to fellow UK group entities £m
<b>2024</b>		
UK group undertakings – other services provided	166	35
UK group undertakings – provision of staff	9	85
<b>2023</b>		
UK group undertakings – services provided	145	25
UK group entities – provision of staff	817	38

Also during the year ended 30 September 2024 the partnership received dividends of £49 million (2023: £63 million) and interest of £5 million (2023: £5 million) from UK group undertakings and paid interest of £5 million (2023: £5 million) to UK group undertakings.

At 30 September 2024 amounts due from UK group undertakings totalled £60 million (2023: £70 million) and amounts due to UK group undertakings totalled £38 million (2023: £70 million).

# Notes

Forming part of the consolidated financial statements

## 26. UK group undertakings

All of the UK group and partnership's investments in subsidiaries and joint arrangements at 30 September 2024 are listed in the table below.

All subsidiary undertakings are consolidated within these financial statements. All trading subsidiaries make up their accounts to 30 September. The joint operations provide management information at 30 September for the purposes of UK group reporting. All entities prepare their accounts under uniform accounting policies and operate principally in their country of incorporation.

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

1 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.

2 Held indirectly through intermediate holding companies

Registered offices:

3 15 Canada Square, Canary Wharf, London, E14 5GL

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

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

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

7 92, Marina Street, Pietà, PTA 9044, Malta

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

9 3B Leisure Island Business Centre, Ocean Village, Gibraltar

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

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

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

13 6th Floor, Tower C, Building No 10, DLF Cyber City, Phase – II Gurgaon, Gurgaon HR 122002, India

14 3 Chestnut Ridge Road, Montvale, New Jersey, USA 07645

# Notes

Forming part of the consolidated financial statements

## 26. UK group undertakings (continued)

The partnership has an interest in a SLP, KPMG Pension Funding Limited Partnership, which is fully consolidated into these UK 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 19).

The UK 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 UK 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 UK 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.

## 27. Events after the year end

With effect from 1 October 2024, KPMG LLP and KPMG AG merged their previously independent practices. KPMG AG is the KPMG member firm in Switzerland and provides Audit, Tax and Advisory services to clients in that country through 11 offices. For the year ended 30 September 2024 KPMG Switzerland had approximately 145 partners, 2,501 staff and revenues of CHF711 million (£635 million).

The merger was effected as follows:

- The members of KPMG LLP also became members of KPMG Holding LLP, a UK limited liability partnership incorporated for this purpose.
- KPMG Holding LLP became a voting member of KPMG LLP and the UK members of KPMG Holding LLP lost their voting rights in KPMG LLP subject to certain voting rights reserved for qualified individuals.
- The partners in KPMG AG sold their shares in AG to KPMG Holding LLP in exchange for capital in that entity; this will be classified as a liability in the KPMG Holding LLP financial statements and recognised initially at its fair value.
- The individual members of KPMG LLP retain their previous capital in KPMG LLP (although without voting rights) and are not required to subscribe capital in KPMG Holding LLP.

IFRS 3 'Business Combinations' will apply to this merger when it is accounted for by KPMG Holding LLP but does not permit such matters to be accounted for under merger accounting or as a pooling of interests rather it requires one party to be deemed to be the acquirer. For the purposes of the consolidated financial statements of KPMG Holding LLP, under IFRS 3, KPMG LLP will be deemed to have acquired KPMG AG through the mechanism of KPMG Holding LLP and the financial statements of KPMG Holding LLP will therefore be presented as a continuation of those of KPMG LLP.

However, the merger has not affected the balance sheet of KPMG LLP as disclosed in these financial statements. In future years the financial statements of KPMG LLP need only present the results and financial position of the partnership as an individual entity since it will be included in the consolidated financial statements of KPMG Holding LLP, its immediate and ultimate controlling party since 1 October 2024. Full disclosures as to the impact of the merger will be made in the Financial Statements of KPMG Holding LLP.

# Appendix

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## Climate-related financial disclosure

# Climate-related financial disclosure

## Introduction

For KPMG in the UK, this is our second Climate-related Financial Disclosure (CFD) to provide a coherent and connected picture as we continue to transition to a lower carbon economy. We cannot ignore the impact that businesses like ours have on people and the planet, and the vital role we have as an organisation to drive real, sustainable environmental change. We are committed to reducing our own climate impact as well as helping our clients to measure, understand and better communicate their own footprint. As a purpose-driven firm, we have a fundamental duty to take action and build ESG resilience within our value chain.

We publish Climate-related Disclosures as part of KPMG in the UK's Annual Review alongside our financial statements, Our Impact site and our 'Planet Impact Report'. This is in line with The Companies (Strategic Report) (Climate-related Financial Disclosure) and The Limited Liability Partnerships (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 aligned to TCFD (Taskforce on Climate-Related Financial Disclosures): Governance, Strategy, Risk Management and Metrics & Targets. Back in Financial Year 2023 (FY23), we assessed our physical and transition risks which has helped us to identify potential climate-related risks and opportunities that may occur in the short, medium or long term. With this second report, we take the opportunity to reflect on the progress we've made in the past year, as we continue to align with best practice to achieve Net Zero and to continue to embed climate-related risks and opportunities into our business planning. We have made significant progress, but we recognise we are on a journey and we are committed to continual improvement, monitoring and review.

To drive positive climate action, we engage and convene. We are a supporter of leading frameworks and engage with standard setters, including the Transition Plan Taskforce (TPT), Taskforce on Climate-Related Financial Disclosures (TCFD), CDP and the Glasgow Financial Alliance for Net Zero (GFANZ). KPMG in the UK Partners are members of the Taskforce on Nature-related Financial Disclosures (TNFD) and the UK Sustainability Disclosure Technical Advisory Committee (TAC), and this year we have further engaged through secondees at TPT.

Our environment strategy includes decarbonisation 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 in our Responsible Supply Chain programme to bring our suppliers on the decarbonisation journey. We have also invested in our ESG and climate offerings to ensure that we continue to provide best in class support to our clients. We are committed to sharing our sustainability performance through 'Our Impact' website.

**We are committed to reducing our own climate impact as well as helping our clients to measure, understand and better communicate their own footprint.**

## Climate-related financial disclosure

Continued

### Our Climate and Sustainability Journey: Progress highlights

#### FY24

- Strengthened our governance structure for climate and environmental matters, forming two dedicated governance forums, the Environment Working Group and the Environment Steering Committee, reporting to the Operations Executive.
- Embedded climate considerations, including findings from scenario analysis, into financial and business planning through the finance MI packs to management and leadership.
- As part of wider ongoing changes to our Risk Taxonomy, we have updated the definitions of our 11 principal risks to include climate and ESG.
- Following the outputs of physical scenario analysis, we engaged with the local teams to assess further the likelihood and potential impact of the identified risks in the relevant offices.
- Established interim milestones up to 2030 for our phasing out of diesel/petrol company fleet.
- Launched our new Responsible Supply Chain Programme which includes the two strategic pillars of “Climate and Decarbonisation” and “Nature, Waste and Lifecycle Management”.
- Modelled our roadmap with the view to receiving validation for our re-baselined near term target and new Net Zero target to the Science-based Target Initiative by early 2025.
- Included newly material metrics on fugitive emissions as well as emissions from waste in our carbon reporting for the first time this year.
- Conducted a review of Internal Carbon Price investment principles and expanded the scope of projects that can be funded to achieve greater decarbonisation.

#### FY23

- Enhanced our UK Board-level accountability on climate to ensure more oversight of key climate considerations. See the governance section for more information.
- 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.
- Installed solar panels in our London office, expected to have an estimated saving of 160,000 kWh annually.

#### FY22

- Awarded an A for our GDP climate disclosure.
- 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.
- 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 analysis.

#### FY21

- 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 FY19. In FY21, we expanded our Programme more than doubling the number of suppliers we engage with.

#### FY20

- We were the first of the ‘Big Four’ to set a Science-Based Target back in FY20 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.

- Ongoing review of our strategy and progress against our new Science-based Targets once these are verified by SBTi.
- We will continue to work with our risk and finance functions to further integrate, upskill and adapt as climate-related risks evolve over time.
- We will continue to review our physical and transition risks and opportunities and when necessary, refresh our qualitative and quantitative scenario analysis. We will work closely with key stakeholders, including local facilities and risk teams to evaluate and assess any findings.

# Climate-related financial disclosure

Continued

## Our structure and governance

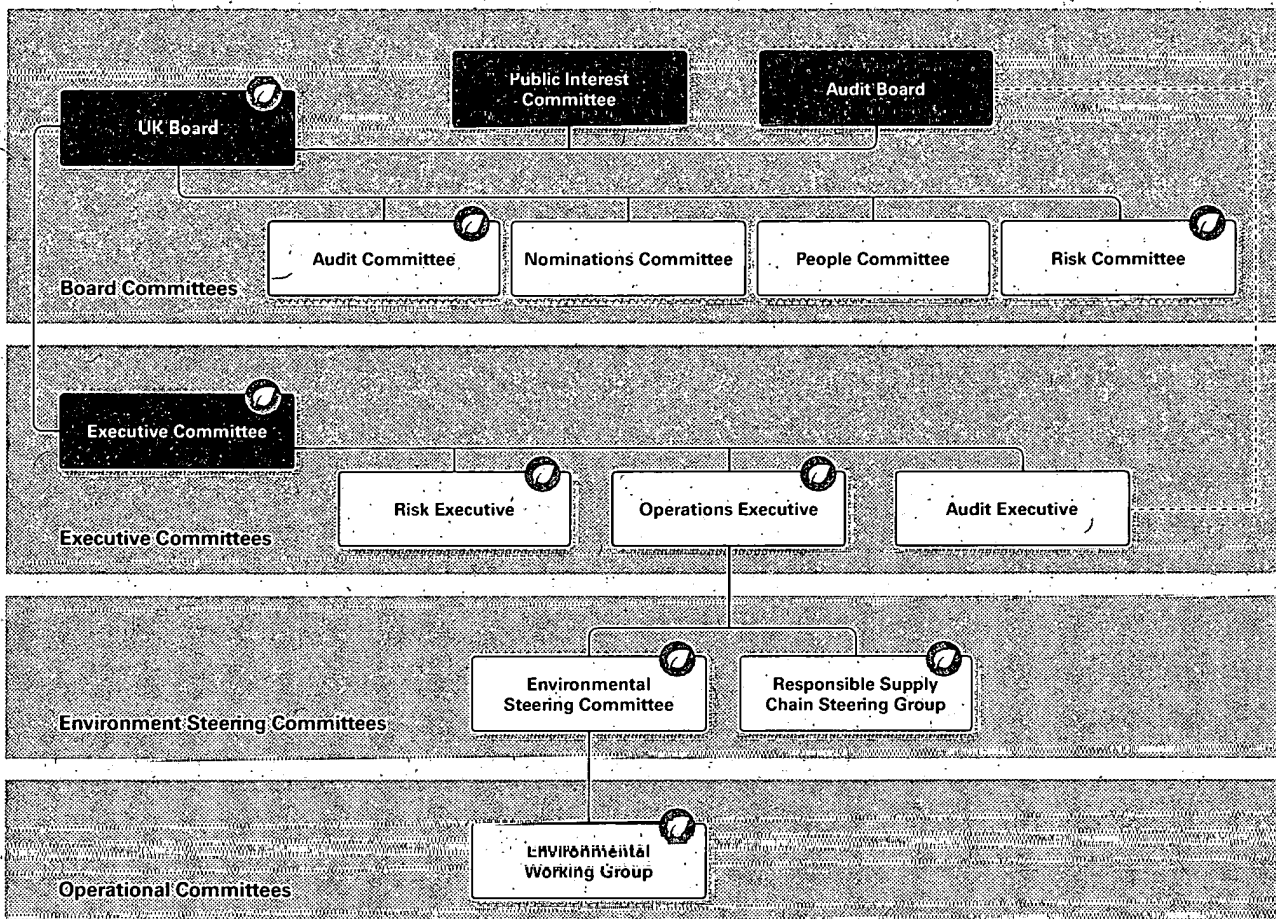
### Governance

As a result of the merger between KPMG Switzerland and KPMG UK, a new governance structure has been established which came into effect on 1 October 2024. For details regarding the new structure, including membership and roles and responsibilities, and the terms of reference, please visit <https://kpmg.com/uk/en/home/about/our-leadership.html>.

The governance description in this section and the rest of the report relates to the structure that has been in place at KPMG in the UK throughout our 2024 financial year.

### Financial year 2024 (FY24)

The UK Board is KPMG in the UK'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:



Climate-related issues are governed by these groups

## Climate-related financial disclosure

Continued

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

The UK 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 FY24, the UK Board met nine times with climate-related issues discussed at several meetings. Examples of climate-related issues discussed by the UK Board during this financial year includes:

- Updates and background information on our work towards the new SBTi Net Zero standard and CFD 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.

In FY24, the Executive Committee and the Audit Committee assist the UK Board in its oversight of ESG-related public reporting, with specific oversight responsibility of the independent assurance of KPMG in the UK's ESG data. For example, the Executive Committee, followed by the Audit Committee, oversees the independent assurance process over KPMG in the UK's annual 'Planet Impact Report', which contains our climate-related performance data, and reviews our Climate-related Financial Disclosure Report before it is submitted to the UK Board.

In FY24, two new groups were introduced to increase accountability and a direct line of reporting on environmental and climate matters: the Environment Working Group (EWG), previously named the Environment Management Group, which reports into the newly formed Environment Steering Committee (ESC), reporting directly to the Operations Executive.

The Environment Steering Committee met 4 times in FY24 and is responsible for reviewing content for approval, decision, information or assurance on sustainability metrics and progress against the firm's environmental objectives, including ICP investments. The ESC provides recommendations to the Operations Executive, Risk Executive and Executive Committee on sustainability and climate matters. The ESC is composed of the Chief Supply Chain Officer, Chief Accounting Officer, Enterprise-wide Technology (EWT) Chief Operating Officer (COO), Markets Deputy COO, and the Head of Sustainability and Corporate Responsibility and is chaired by the KPMG Business Services (KBS) COO.

The Environment Working Group (EWG) met 6 times during FY24 and is responsible for assessing, managing and monitoring climate-related issues alongside other environmental topics, which include carbon targets, energy efficiency and reduction, supplier engagement, CFD requirements, waste management and reduction, decarbonisation of technology and IT, environmental reporting and compliance. The EWG also discusses Internal Carbon Price (ICP) investments as well as operational decisions in buildings, supply chain, travel and climate-related technology to be put forward for review and approval to the ESC. The EWG has responsibility for monitoring and reporting progress against our sustainability objectives which include the following:

- Decarbonisation
- Zero Waste
- Environmental Reporting
- Compliance and risk management

Progress and performance data is reported on a quarterly basis to the ESC (which is a delegate board of the Operations Executive). Targets and climate risk considerations are taken to the Executive Committee and UK Board as required throughout the year, in addition to these forums having a formal annual review of performance data.

The Responsible Supply Chain Steering Group (RSCSG) is responsible for ensuring ethical practices across our supply chain, which includes providing oversight to climate-related supplier strategy, targets and engagement programme. In FY24, all RSCSG stakeholders have been working to develop and relaunch the new Responsible Supply Chain Programme and its strategic pillars, which include "Climate and Decarbonisation" and "Nature, Waste and Lifecycle Management". As part of the new programme, we have completed our first set of engagement meetings with strategic supplier managers. The work of the EWG and RSCSG is overseen by the Operations Executive chaired by the UK Chief Operating & Financial Officer.

This year, we have also implemented the Responsible Supply Chain Champions Group, who meet on a monthly basis to collaborate and knowledge share on areas across the Responsible Supply Chain programme, such as Modern Slavery, supplier diversity, sustainability reporting and SBTi.

# Climate-related financial disclosure

Continued

## Building climate into the fabric of our business

Bringing our entire workforce of over 17,000 employees, as well as clients and suppliers, on the journey is crucial to driving the climate agenda forwards and integrating climate considerations into everything that we do.

### Climate and ESG training

KPMG in the UK have worked to create a suite of various learning offerings, from introductions to ESG topics through to deep dives on specific ESG areas (including climate-change) and regulations to provide upskill opportunities for the entirety of our firm.

#### For Employee level

KPMG in the UK collaborated with the Cambridge Judge Business School to produce a bespoke set of learning modules for a comprehensive learning opportunity into ESG essentials. This is alongside in-house learnings on ESG Fundamentals, European Business School (EBS) "Building ESG Expertise" modules and "Our Impact", which provide context into the work KPMG in the UK as a firm are doing to reduce the environmental impact on the planet as well as add value to society. For our Junior colleagues, KPMG in the UK developed a digital game called ESG Immersion that provides an interactive learning approach for the basics of ESG, whilst for an in-depth view of certain topics, the ESG Explained Podcast Series has been produced for a deeper dive into key ESG areas such as TCFD, TNFD and Net Zero Transition Planning.

#### For UK Board and Senior Management

KPMG in the UK have collaborated with the European Business School for a more bespoke set of ESG learning modules, aimed at colleagues with a basis of knowledge in ESG. Senior members also have the opportunity to attend Partner & Director ESG Sales Accelerator Sessions, which enable colleagues to speak to a variety of key ESG topics through the use of client examples.

Through global training initiatives, we have engaged with our UK suppliers and conducted two sessions to upskill them in: the Importance of Reducing Carbon Emissions, and Setting Science-Based Targets. We also have reference guides available to supplier managers on how they can work with their suppliers on Science-Based targets. For any suppliers that have been invited to disclose to CDP, we also evaluate their performance against our 7 ESG KPIs and feedback their score.

# Climate-related financial disclosure

Continued

## Strategy

### Strategy and scenario analysis

KPMG in the UK is committed to taking action on climate change, by driving the transition to a greener and fairer economy.

'Our Impact' strategy sets out our overarching commitments in:

- Becoming a Net Zero business
- Becoming a zero-waste business - eliminating all avoidable waste from our operations by 2030; and
- Globally, KPMG has committed to understanding and improving our impact on nature.

We engage with our internal subject matter experts, operational teams and with our value chain on our sustainability approach, from how we work with our suppliers through to the services we provide to our clients. To deliver on these commitments and protect our own business, it is essential for us to understand the climate-related risks that affect us, whilst also optimising the new business opportunities available.

**KPMG in the UK is committed to taking action on climate change, by driving the transition to a greener and fairer economy.**

## Qualitative Analysis Findings

In FY23, using both a financial and strategic lens, a qualitative analysis was conducted through interviews and workshops bringing together key decision makers across our business. As with the scenario analysis detailed below, we are committed to refreshing our analysis at least every three years to ensure we can appropriately and regularly track the evolution of such risks and their potential impacts. This was 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 covered our people, products and services, as well as wider stakeholders including clients, suppliers, regulators and 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 in the UK 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 are also potential risks to business continuity in areas where we rely on work from our offshore colleagues.

**Our Clients and Audited Entities:** 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.

**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.

## Climate-related financial disclosure

Continued

### Physical Risk Scenario Analysis Findings

In addition to the qualitative analysis we conducted (as described above), in FY22 we also 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)<sup>1</sup> 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 scenario 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 scenarios used for these exercises are underpinned by the Shared Socioeconomic Pathways (SSPs) published by the International Panel on Climate Change (IPCC).

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. In FY24, for the two offices at risk by 2030 we reviewed the findings and discussed them with our local facilities and business continuity teams to assess the adjusted likelihood and potential impacts of such risks materialising in the future. Having reviewed our current business continuity and emergency preparedness plans, our mitigation measures and our ability to relocate, we have identified coastal inundation to be a medium risk for one of the two offices identified, with the other being at low risk. We will continue to monitor the likelihood and impact of such risks, including for the two additional offices that could potentially be affected by year 2100. We would expect that by then we will have had the time to relocate if necessary and/or strengthen our mitigation measures as needed.

We are committed to refreshing our scenario analysis at least every three years to ensure we can appropriately and regularly track the evolution of such risks and their potential impacts.

### Transition Risk Scenario Analysis Findings

Transition risks and opportunities were identified 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. In FY23, we conducted a transition risk scenario analysis using KPMG in the UK's Climate IQ tooling capability to understand how changes in the economy, due to climate change, may affect us both as a firm and as a business in the professional services sector.

Based on the analysis, the greatest risks and opportunities identified relate to the level of resilience of our client sectors and industries to which we provide services, as well as our revenue exposure and dependence to such sectors and industries. Some of them may grow substantially whilst others may contract as a result of a changing economy due to climate change, which can affect the business and operational resilience of KPMG in the UK and its existing exposure to these industries.

<sup>1</sup> RCP= Representative Concentration Pathway, this is related to the volume of gas in the atmosphere by 2100.

# Climate-related financial disclosure

Continued

## Risk management

KPMG in the UK has recognised 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.

In FY24, our internal risk team and ESG teams joined forces to facilitate a deep-dive on ESG risk. Whilst not specific to climate-related risk, this covered:

- KPMG in the UK's journey so far in defining our ESG risk management approach
- The macro factors heightening ESG risk for the firm, and wider businesses
- A reminder of how we define ESG in the context of our business
- High-level assessment of ESG risks facing our business, the mitigations to these and planned future activity

In FY24, ESG Risk, specifically, is reported to the Risk Committee on how KPMG in the UK manages ESG risk both at a firm-wide level (internal ESG) and in the ESG (client-facing) business.

## KPMG in the UK'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, and (iv) Financial.

Within each family exist Level 1, Level 2 and Level 3 risks which are informed by the firm's strategic priorities, an annual UK Board Risk Assessment, regular risk horizon scanning and ongoing consultation with senior leadership.

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.

Environmental risks are also assessed both at a macro level as well as through specific lenses. For example, ERM and Technology produce emerging risk radars which include environmental risks. Additional monthly client and engagement watchlists, as well as capability-level emerging themes, are produced to ensure we operate in line with our sector risk appetites.

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, likelihood and time horizon of each risk.

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; and
- Impact on Strategic and/or Operational progress and/or Priorities.

# Climate-related financial disclosure

Continued

## 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)	Explanation
Short-term	0-3	Takes into consideration the useful life of KPMG in the UK's shorter-term strategy and forecasting
Medium-term	3-10	In alignment with KPMG in the UK's 2030 goals (see Targets section below)
Long-term	10-30	In alignment with UK and worldwide 2050 net zero targets

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

## 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.
- 06** Risks identified will be considered by enterprise risk owners and escalated to the relevant governance committees to ensure adequate oversight and challenge provided on the action plans.

Level 2 risks aggregated across capabilities, service lines and regions are updated, reviewed, and were reported in FY24 on a quarterly basis to the Risk Executive Committee and Risk Committee, and shared with the UK Board.

Risks are monitored and measured across different parts of KPMG UK's business (capabilities and service lines), 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 climate-related scenario analysis at least every three years.

# Climate-related financial disclosure

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## Risks & opportunities identified

We assessed the most substantive climate-related risks and opportunities to our business through internal stakeholder engagement, quantitative and qualitative data analysis and our Enterprise-wide Risk Management (ERM) framework, using both a financial and strategic lens. These shortlisted risks and opportunities were then used to inform scenario analysis which provided deeper insights into how they may materialise. The following section summarises our key climate-related risks and opportunities from the initial shortlisting exercise, which were identified as material based on the firm's risk measurement matrix as described above.

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. Wider sectoral and policy contribution on the transition to a lower carbon economy.
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.

See climate-related metrics section for more detail on the metrics used to measure the risks and opportunities identified for our business.

## Climate-related financial disclosure

Continued

### 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 highly energy consuming processes, 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.

In FY24, we incorporated the outputs and findings of this scenario analysis into our strategy and business planning. Specifically, we engaged extensively with our risk functions to review the FY24 taxonomy in view of including climate considerations across level 1 and level 3 risks (see KPMG in the UK's Enterprise Risk Management framework section below). As a result, we have now reviewed the definitions of our 11 principal risks, as outlined in the Quality Control and Risk Management Section of our Transparency Report. Similarly, we have embedded climate-considerations, including the findings from the physical and transition scenario analysis into the finance MI (management information) packs which are shared with the relevant governance forums.

Whilst we have made significant progress in integrating climate considerations across our business, we will continue to embed these even further and conduct additional training to risk owners, finance functions and governance forums, as risks and opportunities continue to evolve in a rapidly changing climate, and we as a business continue to change and adapt accordingly.

The following processes also ensure climate considerations are embedded across the different facets of our business to inform our decision-making and strategic planning:

### Decarbonising our supply chain and operations

We have had science-based targets validated by the Science-Based Target Initiative (SBTi) since FY20 and are currently undergoing a re-baselining exercise in view of receiving validation for updated targets by early 2025 as per the five-year re-baselining requirement by the SBTi. In our buildings, we purchase renewable electricity and continue to invest in measures to improve efficiency and reduce consumption through the use of our Internal Carbon Price funds. We engage with our landlords where we do not have direct control to ensure that the buildings we occupy are as efficient as possible. We also work closely with our internal teams and experts to look at reducing the carbon footprint of our technology and digital solutions, while engaging with our key suppliers to ensure they do the same.

Since FY12, we have operated a Responsible Supply Chain 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 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 and ISO5001 compliance. We are continuing to work collaboratively with our risk teams to enhance the integration of climate-related risks as our ERM framework evolves and develops. In FY24, we have reviewed our 11 principal risks to ensure these encompass ESG and climate-related considerations.

Our ACCEPT framework, a principle-led decision-making framework was developed in FY22 in collaboration with the Head of ESG, the ESG Next Generation Group, and KPMG in the UK's Employee Business Forum with strong ESG links in the All Stakeholders Matter and Positive Intent framework sections. We also added specific ESG questions in the Client Risk Assessment, including having specific options for adverse media in each area of ESG.

We have also produced risk appetite statements for higher risk sectors, including:

- Oil & gas
- Defence; and
- Gambling

Leads for each sector have incorporated ESG matters into the risk appetite statements, including for example, guidance for teams regarding assessing a client's plans to achieve Net Zero.

## Climate-related financial disclosure

Continued

### Building resilience against physical risks

We have a business continuity management 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. In FY24, we conducted targeted reviews with the local teams at the two offices identified as potentially at risk of coastal inundation through our physical scenario analysis. Having reviewed our current business continuity and emergency preparedness plans, our mitigation measures and our ability to relocate, we have identified coastal inundation to be a medium risk for one of the two offices identified, with the other being at low risk.

As a result, we consider that these risks are less significant due to our mitigation measures.

### Climate change investment

In FY22 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. In FY24 we conducted a review of our ICP terms of reference and investment principles to review the breadth of decarbonisation projects that can be funded via the ICP to ensure it continues to support our commitment to become a net zero business.

### 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, policy-makers 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 Sustainability and Corporate Responsibility team internally maintains our internal standards, engages and aligns with KPMG International guidelines and direction while driving our UK sustainability strategy, and communicates this and our progress to our clients. The Head of ESG responds directly into the Executive Committee who, like the UK Board, regularly assess the ESG landscape and our strategy.

# Climate-related financial disclosure

Continued

## 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, waste management and ongoing supplier engagement. We have committed to the following targets to help us achieve our ambitions:

### Targets

Our current SBTi was approved in FY20. We are currently undergoing a re-baselining exercise in view of receiving validation for updated targets by early 2025 as per the five-year re-baselining requirement by the SBTi:

Absolute targets (2017 baseline)	Actions to achieve targets	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%	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 Working Group (EWG).
	100% electric company cars by end of 2030.	A CO2e cap has been in place for new cars for many years now already. In FY24, we introduced a new interim milestone to phase out all existing and old petrol and diesel cars and replace them with hybrid or electric cars by September 2027.
Near-Term Target towards Net Zero: 1.5°C aligned SBTi-approved target to reduce absolute Scope 3 supply chain emissions by 25% by 2030.	Engaging 100+ suppliers to make significant carbon reductions across our supply chain.	189 suppliers engaged on climate.
Becoming a zero-waste business by 2030.	Eliminating all avoidable waste from our operations.	We have made good progress, reducing total waste by 14% against prior year and by 65% against our 2017 baseline.

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.

**We are committed to becoming a Net Zero business, as well as contributing to a greener economy and society through environmental objectives**

# Climate-related financial disclosure

Continued

## 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')<sup>2</sup>
- Maximum Value at Risk (MVAR)<sup>3</sup>
- Average Annual Failure Probability<sup>4</sup>

### 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

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

# Climate-related financial disclosure

Continued

## Energy and carbon footprint

This report covers the reporting period from the 1 October 2023 to 30 September 2024 and data for the comparative reporting period in previous years has also been included from 2021 and for the baseline year 2017. The scope of the report includes KPMG's entities in the UK where we hold operational control, which includes KPMG Crimsonwing Limited, KPMG Crimsonwing (Malta) Limited and KPMG Gibraltar, and excludes the Channel Islands. 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.

### Streamlined Energy and Carbon Reporting (SECR)

KPMG in the UK are required to report our emissions and energy use under UK regulations, including the Streamlined Energy and Carbon Reporting (SECR) in line with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Please see data table below.

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.

Category	Energy (kWh)	2024	2023	2022
Scope 1	Natural gas <sup>5</sup>	5,465,744	8,123,729	8,669,641
	KPMG owned / leased car travel	436,955	534,491	414,334
	<b>Scope 1 (kWh) total</b>	<b>5,902,699 †</b>	<b>8,658,220</b>	<b>9,083,975</b>
Scope 2	Electricity consumption	19,356,734	20,652,457	19,870,861
	<b>Scope 2 (kWh) total</b>	<b>19,356,734 †</b>	<b>20,652,457</b>	<b>19,870,861</b>
Scope 3	Business-related car travel	3,511,439	3,425,625	2,105,754
	<b>Scope 3 (kWh) total</b>	<b>3,511,439 †</b>	<b>3,425,625</b>	<b>2,105,754</b>
<b>Total</b>	<b>Scope 1, 2 &amp; 3 energy consumption (kWh)</b>	<b>28,770,872</b>	<b>32,736,302</b>	<b>31,060,590</b>

# Climate-related financial disclosure

Continued

## Our carbon emissions data

Emissions	2024	2023	2022	2021	2017
Natural gas (kgCO <sub>2</sub> e) <sup>5</sup>	999,685	1,486,065	1,584,249	1,761,783	2,049,145
Owned and leased vehicles (kgCO <sub>2</sub> e)	106,074	131,583	103,549	38,409	1,325,004
Fugitive emissions (kgCO <sub>2</sub> e) <sup>6</sup>	48,677	102,900	74,994	252,648	- <sup>6</sup>
<b>Scope 1 emissions (kgCO<sub>2</sub>e)</b>	<b>1,154,436 ‡</b>	<b>1,720,548</b>	<b>1,762,792</b>	<b>2,052,840</b>	<b>3,374,149<sup>7</sup></b>
Electricity (location-based) (kgCO <sub>2</sub> e)	4,007,812 ‡	4,276,593	3,933,653	3,562,123	9,285,333
Electricity (market-based) (kgCO <sub>2</sub> e)	0 ‡	0	80,923	957,072	3,247,760
<b>Scope 2 emissions (market-based) (kgCO<sub>2</sub>e)</b>	<b>0 ‡</b>	<b>0</b>	<b>80,923</b>	<b>957,072</b>	<b>3,247,760</b>
<b>Total – Scope 1 &amp; 2 emissions (location-based) (kgCO<sub>2</sub>e)</b>	<b>5,162,248 ‡</b>	<b>5,997,141</b>	<b>5,696,445</b>	<b>5,614,963</b>	<b>12,659,482<sup>7</sup></b>
<b>Total – Scope 1 &amp; 2 emissions (market-based) (kgCO<sub>2</sub>e)</b>	<b>1,154,436 ‡</b>	<b>1,720,548</b>	<b>1,843,715</b>	<b>3,009,912</b>	<b>6,621,909<sup>7</sup></b>
Air travel (kgCO <sub>2</sub> e)	21,792,584	20,838,464	7,224,519	1,032,931	34,361,717
Rail travel (kgCO <sub>2</sub> e)	769,499	697,119	371,539	33,449	1,229,001
Business-related car travel (kgCO <sub>2</sub> e)	842,112	828,674	519,326	104,392	2,476,743
<b>Emissions from air, business-related car and rail travel (kgCO<sub>2</sub>e)</b>	<b>23,404,195 ‡</b>	<b>22,364,257</b>	<b>8,115,384</b>	<b>1,170,772</b>	<b>38,067,461</b>
Transmissions and distribution electricity (kgCO <sub>2</sub> e)	354,228 ‡	369,991	356,799	315,228	868,156
Well to Tank (kgCO <sub>2</sub> e)	4,257,718 ‡	4,260,583	1,325,574	421,790	5,287,214
Waste (kgCO <sub>2</sub> e) <sup>8</sup>	6,619 ‡	24,514	31,877	11,456	-
Employee Commuting (kgCO <sub>2</sub> e)	2,397,338 ‡	1,976,450	^	^	^
<b>Total Scope 3 emissions not including Homeworking, Purchased Goods &amp; Services and Upstream transportation and distribution (kgCO<sub>2</sub>e)</b>	<b>30,420,098 ‡</b>	<b>28,995,795</b>	<b>9,829,634</b>	<b>1,919,246</b>	<b>44,222,831<sup>7</sup></b>
Homeworking (kgCO <sub>2</sub> e)	4,643,893 ‡	4,800,158	^	^	^
Purchased Goods & Services (kgCO <sub>2</sub> e) <sup>9</sup>	-	50,017,693 <sup>10</sup> ‡	41,128,275 <sup>11</sup>	25,143,915 <sup>11</sup>	-
Upstream transportation and distribution <sup>9</sup>	-	1,247,980 ‡	1,323,061	757,369	-
<b>Total – Scopes 1, 2 &amp; 3 location-based (kgCO<sub>2</sub>e)<sup>12</sup></b>	<b>35,582,346 ‡</b>	<b>34,992,936</b>	<b>15,526,079</b>	<b>7,534,209</b>	-
<b>Total – Scopes 1, 2 &amp; 3 market-based (kgCO<sub>2</sub>e)<sup>12</sup></b>	<b>31,574,534 ‡</b>	<b>30,716,343</b>	<b>11,673,349</b>	<b>4,929,158</b>	-
<b>Intensity ratio – Scopes 1 &amp; 2 location-based emissions per FTE (kgCO<sub>2</sub>e/FTE)</b>	<b>300 ‡</b>	<b>328</b>	<b>347</b>	<b>377</b>	-
<b>Intensity ratio – Scopes 1, 2 &amp; 3 location-based emissions per FTE (kgCO<sub>2</sub>e/FTE)<sup>12</sup></b>	<b>2,071 ‡</b>	<b>1,911</b>	<b>945</b>	<b>506</b>	-
<b>Full-time equivalent workers (FTE)<sup>13</sup></b>	<b>17,185</b>	<b>18,308</b>	<b>16,425</b>	<b>14,896</b>	-

<sup>^</sup> 2023 was the first year that we reported our Employee Commuting and Homeworking emissions.

<sup>5</sup> As part of our continued engagement with third party suppliers to improve our reporting, we were informed mid-year from a landlord that there has been a repeated error in the gas meter reading since 2015 at one of our properties, which has caused us to overstate our Scope 1 Natural Gas consumption, and associated emissions in all reporting periods since 2015. As part of the investigation, we received information on our common parts consumption for this period, which we had previously not been provided. We have opted to include this common parts consumption within our restatement, which has led to an overall increase in Scope 1 Natural Gas consumption and associated emissions in 2021. As common parts consumption was already included in 2022, the restatement has led to a decrease in Scope 1 Natural Gas consumption and associated emissions for this period.

<sup>6</sup> 2024 is the first-year reporting Fugitive Emissions (F-gas). For comparison, we have included Fugitive Emissions for all years since 2021 in this report. We do not have the data to report F-gas from our 2017 baseline year.

<sup>7</sup> Baseline figures are as stated in 2017, therefore they do not include the additional metrics of Fugitive Emissions, emissions from the Generation of Waste and Employee Commuting, that have been added since. For comparison, scope 1 totals from 2021 onwards have been recalculated to include Fugitive Emissions and scope 3 totals from 2021 have been recalculated to include emissions from the Generation of Waste. Employee Commute emissions have been reported since 2023.

<sup>8</sup> 2024 is the first year reporting emissions from the Generation of Waste and Upstream transportation and distribution in our CFD report. For comparison, we have included these emissions for all years since 2021 in this report.

<sup>9</sup> Purchased Goods and Services and Upstream transportation and distribution emissions are reported a year in arrears.

<sup>10</sup> Due to CDP timelines this year, supplier-specific data was not available at the time of reporting. As a result, an alternative, purely spend-based methodology has resulted in higher emissions being calculated.

<sup>11</sup> Re-stated as a result of reviewing and refining our methodology for spend-based calculations, using the latest guidance from CDP.

<sup>12</sup> Totals for Scopes 1, 2 & 3 emissions exclude Scope 3 – Extended categories, namely: Purchased Goods and Services and Upstream transportation and distribution, as reported a year in arrears, and Homeworking emissions as an optional disclosure.

<sup>13</sup> This figure includes Partners, staff and contractors.

# Climate-related financial disclosure

Continued

## Energy

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 our energy consumption has nonetheless decreased.

In the reporting period, we have seen our gas consumption decrease by 33% and our electricity consumption decrease by 6.3%. Overall, our office energy consumption has decreased by nearly 14% compared to FY23. This is due to some floorspace reduction and energy saving initiatives. Projects this year have included ongoing finetuning of our boilers and continued LED lighting upgrades across the estate and the replacement of our boiler, water heater and chilled water pump in our Leeds office. Following a trial in FY23, in FY24 we upgraded our air handling unit motors in our Canary Wharf office to improve their efficiency. We have also modified temperature controls in the way we heat and cool buildings, resulting in less energy consumption across the estate.

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.

We continue to look for opportunities to reduce our gas consumption across our estate and have mapped out a gas reduction roadmap to 2030. In parallel, we continue to review and explore opportunities in the market to source green gas in the UK while we revise our current near-term target as part of our re-baselining exercise for the Science-based Target Initiative (SBTi).

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 FY22.

Last year already, we successfully achieved our target of using only renewable electricity by FY24 and we are pleased to report 100% of our electricity is now backed by Renewable Energy Guarantees of origin (REGOs). As in previous years, we continue to purchase renewable energy for our own managed estates.

Our 378 solar panels in our Canary Wharf head office, which we installed last year, continue to generate substantial renewable energy. The average British household generates 2,700 kWh of electricity annually and, as of October 2024, our solar panels have generated over 107,500 kWh of renewable energy.

In FY24, our scope 1 and 2 GHG emissions (market-based) totalled 1,154,436 tCO<sub>2</sub>e. This is an 83% reduction since we originally set our scope 1 and 2 science-based target of 100% reduction by 2030 from a 2017 baseline and it's a 33% reduction in emissions compared to FY23.

We are continuously reviewing our disclosures and striving to improve data quality to be able to include additional categories to our reporting. This year, we included two new metrics to our reporting: fugitive emissions as part of scope 1 and emissions from waste generated in operations as part of scope 3.

## Travel

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 in the UK is supporting industry groups, suppliers and other corporates within the travel industry through round table discussions on decarbonisation initiatives.

Since launching our Office Concierge app in FY22, which requires all colleagues to register daily visits to KPMG in the UK 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 electric vehicle (EV) charging point roll out and cycle facilities.

Overall, business travel emissions in FY24 have increased by 4.7% compared to FY23. Air travel has increased by 4.6% from FY23 due to targeted business needs to travel internationally this year. However, travellers were encouraged to conduct more visits in the same country whilst travelling to utilise less emissions on the long journeys and cover more business needs with one trip. To reduce the impact of increased travel we introduced additional rail-mandated routes and encouraged our people through the Smart Travel Policy to make sustainable travel choices and use rail over more carbon intensive modes of transport, where possible. This is reflected in a higher increase in rail travel emissions (10.4%) than air or car travel. Emissions from personal cars have increased slightly from FY23 as colleagues have adjusted to new working patterns. FY24 emissions however still remain significantly below FY19 as the most recent pre-pandemic year.

In FY24 our business travel emissions totalled 23,404,195 KgCO<sub>2</sub>e and remain 40% lower than FY19 pre-pandemic levels.

# Climate-related financial disclosure

Continued

## Continuing our climate journey

This second climate-related financial disclosure has provided us with the opportunity to reflect on what we have managed to achieve in the past year, and define our next steps as we continue to engage and explore the impact climate will have on our business, including our level of preparedness. Whilst we recognise we have made significant progress in integrating climate considerations across our business, we recognise that there is always more to be done, which is an imperative requirement underpinning the long-term sustainability of KPMG in the UK. We 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.

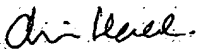
In the section below we provide further detail on the assumptions and limitations of our scenario analysis.

## 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 19 December 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 Heard**  
Designated Member

**[kpmg.com/uk](https://kpmg.com/uk)**

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