

The KPMG Foundation

Report of the Trustees and financial statements

Registered charity number 1086518

30 September 2018

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Report of the Trustees

Introduction

The trustees present their report and the financial statements of The KPMG Foundation for the year ended 30 September 2018. The financial statements have been prepared in accordance with the Charities Act 2011, Accounting and Reporting by Charities and in accordance with the Statement of Recommended Practice applicable to Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015), together with Update Bulletin 1 (effective 1 January 2016). The financial statements comply with the Trust Deed.

Reference and administration information

The KPMG Foundation, also referred to in this document as 'the Foundation', is registered with the Charity Commission under charity number 1086518. The Foundation bears KPMG's name but acts independently of KPMG LLP.

Trustees

Melanie Richards – Chairman	- appointed 23 November 2017, current member of KPMG LLP
Sir Gerald Acher, CBE, LVO	- resigned 19 November 2017, retired member of KPMG LLP
Robin Cartwright	- retired member of KPMG LLP
Peter Sherratt	
David Woodward	- current member of KPMG LLP
Christine Gilbert, CBE	
Fahad Raja	- resigned 13 August 2018
Rachel Hopcroft	- with effect from 1 October 2018 appointed as a member of KPMG LLP

Subsequent to the year-end on the 16th May 2019 David Bartram and Corrine Harms (current employee of KPMG UK Limited) were appointed as trustees.

Officers

Treasurer	- Joanne Dean	- current employee of KPMG UK Limited
Advisor	- Jo Clunie	- external consultant
Advisor	- Lucy Ball	- external consultant
Finance Manager	- Gemma Hackett	- current employee of KPMG UK Limited

Subsequent to the year-end, on the 28 February 2019, Jo Clunie ceased her consultancy arrangement. On 3 June 2019, Judith McNeill was appointed as CEO of the Foundation and employed by KPMG UK Limited.

Principal office

The KPMG Foundation, 15 Canada Square, Canary Wharf, London, E14 5GL

Auditor

Grant Thornton UK LLP, 30 Finsbury Square, London, EC2A 1AG

Report of the Trustees *(continued)*

Bankers

HSBC Bank PLC, 62-76 Park Street, London, SE1 9DZ

Solicitors

Bates Wells Braithwaite, 10 Queen Street Place, London, EC4R 1BE

Investment advisors

UBS AG Wealth Management, 5 Broadgate, London, EC2M 2QS

Structure, governance and management

Organisation structure

The Foundation is constituted by a Trust Deed dated 25 October 2000, as amended by a Supplementary Deed dated 26 March 2001, and was registered with the Charity Commission on 10 May 2001.

At 30 September 2018, the Foundation consisted of a board of six trustees, a treasurer, a financial team and two advisors (details on page 1). Of the six trustees, four are members, retired members or employees of KPMG LLP or other KPMG entities.

Governance

Trustees collectively agree on the appointment of trustees. KPMG LLP recommends KPMG representatives to the Trustee Board for approval; independent trustees are appointed by the Foundation's Board. The trustees as at the date of signing this report, and in office during the year are listed on page 1 together with details of the Foundation's principal officers and other relevant organisations.

Newly appointed trustees are given an informal induction that includes guidance on their responsibilities as a trustee, the objectives of the Foundation and the issues facing those within the Foundation's targeted groups. The Foundation tailors the training of a new trustee to the needs of the individual trustee.

The trustees are provided with six monthly progress reports on all projects funded and formal presentations are made to the trustees on significant projects.

Management

Applications for funding are reviewed initially by an advisor of the Foundation and are then presented to the trustees for further consideration. The trustees make all investment and grant-making decisions collectively, usually after visits to potential recipient charities by either a trustee or an officer of the Foundation. Once the decision has been taken to fund a project, an advisor, a trustee or another officer will make periodic visits to the recipient charity.

Risk management statement

The trustees have reviewed the major risks to which the Foundation is exposed and have established systems to mitigate those risks. A risk register is maintained by the Foundation and is updated throughout the year and formally reviewed by trustees at one of the quarterly board meetings each year. The trustees of the Foundation have access to the register and any matters of concern are raised at trustee meetings.

Report of the Trustees *(continued)*

Objectives and activities

Objectives and aims

The focus of the Foundation is on improving educational and social outcomes for children and young people from disadvantaged backgrounds and communities, who have unfulfilled potential.

The charity delivers its charitable objects through grant making.

Strategy

The Trustees refreshed the strategy in July 2018 that will support projects that unlock the potential and enhance the social mobility of the most deprived and vulnerable children and young people in the UK.

The Foundation will build on its expertise in the following areas:

Care of the most disadvantaged children and young people, in particular those:

- on the edge of care;
- in care; and
- leaving care.

Unlocking the potential of the most disadvantaged children and young people, in particular to improve:

- literacy & numeracy;
- life skills; and
- life chances.

Grant-making policy

The KPMG Foundation will source projects in two ways:

- proactively seeking projects; and
- an open invitation to charities for proposals to support a specific issue as defined by trustees.

Grants programme criteria

The trustees have expressed a preference to fund fewer larger projects that have the depth to potentially achieve real change.

Projects will be sought that:

- demonstrate that early intervention can prevent problems further downstream;
- build on a thorough understanding of the core issues facing the most disadvantaged children and how their lives could be transformed;
- utilise the Foundation's convening and collaboration power by bringing others together around an issue (funders, policy makers, academics, etc);
- demonstrate potential to evidence success over the long term through rigorous evaluation and quantitative metrics;
- enhance the work of the Foundation through leveraging the power of KPMG and the skills of its employees;
- focus on outcomes as opposed to focusing on what is being done;
- have the potential to be scalable; and
- will lever other funds and be sustainable.

Report of the Trustees (continued)

Age of the beneficiaries

The Foundation will consider projects that support young people up to the age of 30, but believe that the earlier the intervention the higher the potential impact of the intervention.

Geographical focus

The Foundation will maintain its focus on England, Scotland and Wales. The key driver will be the quality of projects rather than where a project is geographically.

Annual spend

Grants are made utilising a mixture of net investment return and accumulated or new donations received.

During the year, the Foundation funded grants of £692,230 (2017:£1,227,478). The Foundation received a donation from KPMG LLP of £525,000 (2017:£446,500), support costs borne by KPMG LLP of £108,666 (2017:£79,963), gift aid of £131,250 (2017:£108,875) has been reclaimed, and net investment return was a gain of £343,031 (2017:£404,951).

Activities during the year

The activities undertaken by the charity during the year were in keeping with the Foundation's strategy.

Public benefit assessment

The trustees confirm that they have complied with their duty in section 17 of the Charities Act 2011 to have due regard to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning future activities.

With respect to public benefit reporting, the main aims of the Foundation fall into the category of 'the advancement of education' and in particular identifiable benefit(s) and benefit to the public, or a section of the public.

All the projects currently funded by the Foundation target a specific benefit, for an identified section of the community.

Achievements and performance

External factors affecting achievement

The continued reduction of statutory funding to local authorities, charities and schools continues to impact on the services that can be delivered. The Department for Education Innovation Fund supports innovation within the charity sector and the Family Rights Group, financially supported by the KPMG Foundation, have secured Innovation Funding

Children from disadvantaged backgrounds and in care

The number of children looked after by local authorities in England increased by 4% to 75,420 from 72,590 in 2017, continuing the increases seen in recent years. This is equivalent to a rate of 64 per 10,000 children in 2018 which is up from 62 per 10,000 in 2017 and 60 per 10,000 in 2016.

The number of children starting to be looked after fell slightly in the last year, by 3%, after a period of gradual increases. 32,050 children started to be looked after in the year ending 31 March 2018, down from 32,940 in 2017.

The number ceasing to be looked after has fallen in recent years by 6% to 29,860, from a high of 31,850 in 2016. After the falls of the last three years, the average duration of the longest period of care rose slightly from 758 days in 2017 to 772 days in 2018.

The broad characteristics of looked after children have remained similar to previous years; 56% are male, 44% are female.

The largest age group (39%) of looked after children are aged 10-15 years; 23% are aged 16 years and over, 19% are aged 5-9 years, 13% are aged 1-4 years and 6% are aged under 1 year.

55,200 children are accommodated in foster placements. When a child is assessed by children's services, their primary need is recorded. 47,530 children were identified as having a primary need of abuse or neglect, the most common need identified.

Report of the Trustees *(continued)*

Achievements and performance *(continued)*

Children from disadvantaged backgrounds and in care *(continued)*

The care system is there to protect children from abuse and neglect, as this is the reason the vast majority come into care, but it is not equipping them to flourish and their outcomes are significantly worse than for young people as a whole.

Those who have been in care between the ages of 10 and 17 are five times more likely to be convicted of a criminal offence or subject to a final warning or reprimand. Children in care are also five times more likely to have been excluded from school. Overall, they face a higher risk of homelessness, teenage pregnancy and unemployment.

The KPMG Foundation is committed to trying to improve the system and outcomes for looked after children. The Family Rights Group programme, Lifelong Links, aims to find 6 to 8 adults who will commit to a lifelong relationship with a child in care. The programme aims to evidence whether this improves placement stability, well-being and educational engagement. In addition, the programme can provide much needed support and advocacy at the time of leaving care.

Children from disadvantaged backgrounds lag behind at all stages of education. The most fundamental life skill for children is the ability to communicate. It directly affects their ability to learn, to develop friendships and their life chances. However, a quarter of a million children and young people in the UK have speech, language and communication needs. Delayed language affects nearly 10% of children nationally, rising to more than 50% in areas of disadvantage. Children from the poorest homes are nearly a year behind in language skills by the time they reach school age. This gap increases as they progress through school.

Two thirds of pupils at risk of exclusion from school have speech, language and communication needs. Two thirds of young offenders have very significant speech, language and communication difficulties, but in only 5 percent of cases were they identified before the offending began.

On 31 July 2018, Damian Hinds, Secretary of State for Education, set out his ambition to half the proportion of children who leave reception (aged 5) without the expected level of communication and literacy skills from 28% to 14% by 2028.

During the next three years, the KPMG Foundation trustees will be exploring the environment of early language and school exclusions to determine if the KPMG Foundation can usefully contribute to improve early language skills and reduce school exclusions.

Below provides an outline of 6 of the 16 of the projects the Foundation supported during the year ended 2018.

In support of programmes that aim to unlock the potential of children and young people in deprived families

Family Rights Group – Lifelong Links - £100,000 in 2018 (2017:£50,000)

Lifelong Links is being developed in nine local authorities across England and Scotland; it identifies and engages relatives and other supportive adults who are willing to make a lifelong commitment to a child in care. The model is testing whether the presence of an adult support network can improve the experience of care and reduce the challenges experienced by children when they leave care.

In 2016, the Foundation funded a one-year development programme to explore and establish whether Lifelong Links was a viable model in the UK context (the programme originated in the US). At the end of the development programme, the department for education innovation fund agreed to fund a three-year pilot in England and the Foundation agreed to contribute funding to the three year pilot in Scotland.

Lifelong Links involves professionals using search techniques to identify at least 40 relatives and other adults who care about the child. It is envisaged that between 6 to 8 will then commit to a lifelong relationship with the child. They will agree to engage through a family group conference and contribute to a lasting support plan that becomes a core part of the child's pathway plan. Participating authorities are Edinburgh City Council, Glasgow City Council, Devon County Council, Hertfordshire County Council, London Borough of Southwark, Coventry City Council, Kent County Council, North Yorkshire County Council and London Borough of Camden.

More than 920 looked after children who are unable to live with their family or be adopted will benefit from having a lifelong informal support network of adults. The programme evaluation is being led by the Rees Centre University of Oxford. They will be evaluating the efficiency of the programme and the potential costs avoided for local authorities.

Report of the Trustees *(continued)*

Achievements and performance *(continued)*

In support of programmes that aim to unlock the potential of children and young people in deprived families *(continued)*

Family Rights Group – Lifelong Links - £100,000 in 2018 (2017:£50,000) (continued)

Case Study

Fiona's life was unsettled; she had a difficult early life but is now in a very settled foster placement with long-term foster care. Fiona wanted to understand more about her family and asked her social worker to find out more for her. The Lifelong Links team undertook a search and uncovered her family tree. This showed that Fiona had two older siblings who were adopted before she was born. Lifelong Links contacted Scottish Adoption and contact was made with the adoptive family. The siblings are now in their 20's and the adoption parents were very supportive of the Lifelong Links process and commented that they had always wanted a detailed family tree for their adopted children so they could help them understand their own birth background. The adopted sisters very much wanted to meet Fiona, who they did not know about previously. They commented, "We need to meet her, she needs to know she is loved".

Just for Kids Law - Supporting Young Parents Project - £21,000 in 2018 (2017:£32,000)

The Young Parents Project delivers one-to-one advocacy to young parents who are at risk of having a child removed into care. Support is provided to young parents in care proceedings and also reduces the number of young parents who are inappropriately subjected to care proceedings.

Advocacy is offered in the areas of child protection, care and adoption proceedings, housing and homelessness and various other issues young parents may be facing. The programme has developed an animation 'If I could talk to me' which considers the frustrations and fears of legal proceedings from the young person's perspective, it shows a woman trying to advise her younger self what to expect when social workers express concerns that her baby is at risk. Sir James Mumby, president of the family court division, launched the animation at KPMG in December 2017 and it has now been shared with 120 local authority children in care councils in the UK.

The animation can be found at www.justforkidslaw.org/news/animated-film-if-i-could-talk-to-me/

Frontline – Developing a sustainable coaching model - £100,000 in 2018 (2017:£nil)

Frontline aims to transform the lives of vulnerable children by recruiting and developing outstanding individuals to be leaders in social work. The KPMG Foundation is supporting Frontline to develop a sustainable one-year coaching model for newly qualified social workers, in year two of the Frontline training programme. Historically, the second year of qualifying is a challenging time as the social workers break out from the training unit and take on their own caseloads within the wider children's services system.

Coaching can help in developing leadership behaviours and support people in taking acts of leadership. Participants are supported in the second year with a qualified and experienced coach to:

- become excellent social workers with the confidence and acumen to provide the best solutions for children and their families;
- understand how they can directly influence and improve the immediate system within which they work and feel empowered to do so; and
- understand the wider context of child protection and its complexities, and effectively operate within it.

The Frontline coaching model aims to have supported 450 social workers by 2019/2020.

Report of the Trustees *(continued)*

Achievements and performance *(continued)*

In support of programmes that aim to unlock the potential of children and young people in deprived families *(continued)*

Enabling Enterprise – Skills Builder – £56,500 in 2018 (2017:£40,000)

Enabling Enterprise are building on the development of their enterprise skills programme by developing a common language and shared outcomes for essential skills that will be shared amongst at least 20 organisations.

The enterprise skills programme delivers a curriculum that is designed to ensure everyone builds the essential skills, experiences and aspirations to succeed. The enterprise skills are defined as listening, presenting, problem solving, creativity, staying positive, aiming high, leadership and teamwork. These skills underpin success at many levels from learning in the classroom and self-study at university, to innovating as an entrepreneur and excelling as an employee.

Enabling Enterprise are building a coalition of skills-building organisations, all using the shared skills builder framework, to benefit all children and young people, teaching professions and employers.

Future First – Building sustainable alumni communities within schools - £50,000 in 2018 (2017:£150,000)

Future First aim to support every state secondary school and college to build a thriving and engaged alumni community that improves students' motivation, confidence and life chances. The Foundation is supporting this innovative programme to transition to a self-financing model. The programme has now reached over 440 schools and 80,000 young people through 857 alumni workshops and 364 employer workshops. Over 31,000 alumni volunteers have signed up to provide support to students in their alumni schools. The programme is supporting children and young people to understand the link between their schooling and future employment and learn more about employment opportunities available to them; 70% of participants report feeling more confident about their future.

Financial review

Review of the year

Voluntary income for the year includes £108,666 (2017:£79,963) received from KPMG LLP as a 50% contribution to the running and support costs of the KPMG Foundation. There was also a donation received from KPMG LLP of £525,000 (2017:£446,500) and £131,250 (2017:£108,875) gift aid was reclaimed. In addition, within the year other donations of £1,507 (2017:£102,377) were received.

A total of £692,230 (2017:£1,227,478) has been accounted for in grants made during the year.

Investment policy and performance

The performance of investments held in the year can be seen in note 8 to the financial statements and on page 8. The KPMG Foundation's investment policy seeks to strike a balance between the availability of funds and generation of a strong return, whilst minimising exposure to risk.

The Foundation now holds all its investments in the UBS Global Growth Fund. The trustees regularly review investment performance and monitor the current portfolio of investments held, in respect of cash flow and risk.

Report of the Trustees *(continued)*

Financial review *(continued)*

Investment policy and performance *(continued)*

Post year-end the trustees have reviewed the current investment portfolio and have decided to transfer funds to another investment manager, whilst still maintaining a balanced and flexible portfolio to meet the cash flow and risk requirements as set out in the investment policy.

The Global Growth Fund

The UBS Global Growth Fund provides capital growth through the active management of a globally diversified portfolio. The fund provides an actively managed diversified portfolio with performance measured against UBS's proprietary 'Global Growth' benchmark. The fund invests in UK and global equities with a smaller allocation to UK and global bonds, primarily using collective investment vehicles.

Analysis of investments held with UBS AG wealth management as at 30 September 2018:

Asset Class*	Value at 30 Sept 2018 £'000	Weight at 30 Sept 2018 %	Value at 30 Sept 2017 £'000	Weight at 30 Sept 2017 %
Fixed Income	1,545	26	1,528	25
Equity	4,100	69	4,278	70
Cash	297	5	305	5
	<hr/>	<hr/>	<hr/>	<hr/>
Total	5,942	100	6,111	100
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Cash**	41		50	
	<hr/>		<hr/>	
Total	5,983		6,161	
	<hr/> <hr/>		<hr/> <hr/>	

*Asset allocations include the underlying assets held within the Global Growth Fund.

**£41,430 cash (2017:£50,323) held separately for cash flow and portfolio monitoring and performance purposes.

The trustees have a policy to maintain a cash reserve including investments readily convertible into cash in order to meet two years' committed grant payments and running costs. £41,430 is held in cash in a separate portfolio at UBS for cash flow purposes.

The annual return on UBS investments (not including cash held separately for cash flow purposes), calculated as a percentage return, including gains/losses, investment income and management charges, against the average of opening and closing values, was 5.6% in 2018 (2017:6.7%).

At 30 September 2018 £399,866 (2017: £338,057) was held in the current account with HSBC. £96,928 (2017:£166,376) of this is held as restricted funds. This arises from the transfer of funds from Every Child a Chance Trust (£60,987) and Head Heart Hands (£35,941) (see note 10).

Report of the Trustees *(continued)*

Financial review *(continued)*

Reserves policy

The Foundation was established with the intention of using its initial £10 million funding from KPMG LLP to make a real difference in the areas covered by its objectives. The trustees reserve the right to utilise accumulated reserves to meet shortfalls in annual income and also to fund any big impact projects that are identified. The trustees ensure that the Foundation retains sufficient reserves to cover all anticipated future financial commitments.

Grants not yet provided in the accounts but expected to be payable over the next six years total £742,700 (2017:£1,325,650). Running costs per year are expected to be in the region of £100,000 to £150,000. The target reserves therefore required to cover the grants payable and running costs over those 6 years are estimated to be in the region of £1,342,700 to £1,642,700. At the end of September 2018 the Foundation had unrestricted reserves of £6,445,900 (2017:£6,163,954) and restricted reserves of £54,765 (2017:£166,376). The unrestricted reserves level as at end of September 2018 therefore currently exceeds the level of target reserves. The trustees are actively seeking and looking for new opportunities to fund another big impact project that will utilise the unrestricted reserves effectively.

Plans for future periods

The Foundation continues to be focused on its target groups and strives to support programmes that can demonstrate a systemic shift in outcomes for the most disadvantaged children. The Foundation will retain its focus on children in care, on the edge of care or leaving care and in addition will look to support programmes that develop literacy, numeracy and life skills. Our commitment remains to improve lifelong outcomes for children in care, to reduce the number of children vulnerable to child sexual exploitation and to support improvements to careers and employability learning for the most disadvantaged. With the number of children entering the care system at an all-time high we will be exploring how we can contribute to reducing the number of children taken into the care system through demonstrating early intervention and family strengthening.

Going concern

After reviewing the charity's forecasts and projections, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

Report of the Trustees *(continued)*

Trustees' Responsibilities Statement

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

The Charities Act 2011 requires the trustees to prepare financial statements for each financial year. The trustees have to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The trustees 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 charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the trustees and signed on their behalf by:

Melanie Richards
Chairman
20 June 2019

Independent auditor's report to the trustees of The KPMG Foundation

Opinion

We have audited the financial statements of The KPMG Foundation (the 'charity') for the year ended 30 September 2018, which comprise of the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 30 September 2018 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. 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 charity 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charities ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report, set out on pages 1 to 10 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the trustees of The KPMG Foundation (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Report to the Trustees is inconsistent in any material respect with the financial statements; or
- the charity has not kept adequate sufficient accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees for the financial statements

As explained more fully in the Trustees' Responsibilities Statement set out on page 10, the trustees are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the trustees 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 trustees are responsible for assessing the charity'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 trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
30 Finsbury Square, London, EC2A 1AG
Date:

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Charities Act 2011

Statement of Financial Activities
for the year ended 30 September 2018

	<i>Notes</i>	Unrestricted funds £	Restricted funds £	2018 Total funds £	Unrestricted funds £	Restricted funds £	2017 Total funds £
Income from							
Donations	2	682,745	1,507	684,252	544,452	102,377	646,829
Gift aid reclaim	2	131,250	-	131,250	108,875	-	108,875
Investments	4	2,318	-	2,318	95,851	-	95,851
Total income		816,313	1,507	817,820	749,178	102,377	851,555
Expenditure on							
Raising funds	5	(17,915)	-	(17,915)	(8,459)	-	(8,459)
Charitable activities	5	(857,165)	(113,118)	(970,283)	(1,390,411)	-	(1,390,411)
Total expenditure		(875,080)	(113,118)	(988,198)	(1,398,870)	-	(1,398,870)
Net gains on investments	8	340,713	-	340,713	309,100	-	309,100
Net income/(expenditure) being net movement of funds		281,946	(111,611)	170,335	(340,592)	102,377	(238,215)
Total funds brought forward		6,163,954	166,376	6,330,330	6,504,546	63,999	6,568,545
Total funds carried forward	12	6,445,900	54,765	6,500,665	6,163,954	166,376	6,330,330

All amounts relate to continuing activities.

The notes on pages 16 to 29 form part of these financial statements.

Balance Sheet
at 30 September 2018

	<i>Note</i>	2018 £	2017 £
Fixed assets			
Investments	8	5,942,480	6,110,685
Current assets			
Debtors	9	187,737	135,291
Short-term deposits	10	41,430	50,323
Cash at bank and in hand	10	399,866	338,057
Total current assets		629,033	523,671
Current liabilities			
Creditors: amounts falling due within one year	11	(70,848)	(304,026)
Net current assets		558,185	219,645
Net assets		6,500,665	6,330,330
Funds			
Unrestricted	12	6,445,900	6,163,954
Restricted	12	54,765	166,376
Total funds		6,500,665	6,330,330

These financial statements were approved by the trustees on 20 June 2019 and were signed on their behalf by:

Melanie Richards
Chairman

The notes on pages 16 to 29 form part of these financial statements.

Statement of Cash Flows
for the year ended 30 September 2018

	<i>Note</i>	2018 £	2017 £
Cash flows from operating activities			
Net cash used in operating activities	<i>14</i>	(440,400)	(456,559)
Cash flows from investing activities			
Interest from investments		2,315	560
Movement on accounts held with fund managers	<i>8</i>	(13,953)	94,509
Purchase of investments	<i>8</i>	-	(5,871,124)
Receipts from disposals of investments	<i>8</i>	504,954	5,876,615
Total cash flows from investing activities		493,316	100,560
Change in cash and cash equivalents in the reporting period	<i>15</i>	52,916	(355,999)
Cash and cash equivalents at the beginning of the reporting period		388,380	744,379
Cash and cash equivalents at the end of the reporting period		441,296	388,380

The notes on pages 16 to 29 form part of these financial statements.

Notes

forming part of the financial statements

1 Accounting policies

Basis of preparation

The trustees present their report and the financial statements of The KPMG Foundation for the year ended 30 September 2018. The financial statements have been prepared in accordance with the Charities Act 2011, Accounting and Reporting by Charities and in accordance with the Statement of Recommended Practice applicable to Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015), together with Update Bulletin 1 (effective 1 January 2016). The financial statements comply with the Trust Deed.

The Foundation meets the definition of a public benefit entity under FRS 102.

The financial statements are prepared under the historical cost convention as modified by the inclusion of investments at market value. The financial statements are prepared in pound sterling.

Income

Income is recognised on a receivable basis and is reported gross of related expenditure, where the receipt is probable, and the amount can be measured reliably. Income has been classified under headings in the Statement of Financial Activities which aggregate all income related to a given category, on the bases set out below:

- donations comprise donations from KPMG LLP, from other charities, donated services and the portion of the Foundation's running costs which are borne by KPMG LLP. Donated services have been included at the value to the Foundation;
- gift aid reclaim; and
- income from investments.

Income is recognised as soon as the entitlement to the income is confirmed.

Expenditure

Operating Expenditure is included on an accruals basis and has been classified under headings in the Statement of Financial Activities which aggregate all costs related to a given category, on the bases set out below:

- expenditure on raising funds comprises any investment management costs;
- expenditure on charitable activities comprises direct expenditure in respect of programme management costs, grant-funding costs and support costs. Support costs are overheads that have been allocated to activity cost categories based on the number of grants payable by activity. It also comprises governance costs associated with the governance arrangements of the charity, and which relate to the general running of the charity as opposed to those costs associated with fundraising or charitable activity. The costs include external audit and costs associated with constitutional and statutory requirements such as the cost of trustee meetings and preparing statutory accounts. Included within this category are any costs associated with the strategy as opposed to day-to-day management of the charity's activities.

Liabilities are recognised as soon as there is a legal or constructive obligation committing the charity to the expenditure.

Notes (continued)

1 Accounting policies (continued)

Grants

Grants are made to third parties in the furtherance of the objectives of the charity. All grants have a requirement for regular progress reporting and the trustees reserve the right to withdraw funding at any time. In addition, multi-year grants are committed on an annual basis only, are conditional and subject to receiving satisfactory progress reports.

Fixed asset investments

Fixed asset investments are included at market value at the balance sheet date.

Realised gains and losses on investments, calculated as the difference between sales proceeds and their market value at the start of the year, or subsequent cost, are credited or charged to the Statement of Financial Activities in the year of gain or loss.

Unrealised gains or losses representing the movement in market values during the year are credited or charged to the Statement of Financial Activities in the year of gain or loss.

Cash

Cash, for the purpose of the Statement of Cash Flows, comprises cash in hand and at bank and short-term deposits.

Funds

Restricted funds

There is a balance of £54,765 of restricted funds (2017:£166,376) held by the Foundation. £54,765 (2017:£63,999) is to be utilised in support of the aims of Every Child a Chance Trust, in accordance with the donors' wishes and £nil (2017:£102,377) arises from an underspend on Head Heart Hands and is to be utilised to support programmes that contribute to the development of social pedagogy in the UK, in accordance with the donors' wishes.

Unrestricted Funds

All other funds are unrestricted and are available to the Foundation to carry out any of its charitable objectives.

Judgments in applying accounting policies and key sources of estimation uncertainty

There are no material judgments or estimates made in the preparation of these financial statements.

2 Donations

	Unrestricted funds £	Restricted funds £	2018 Total funds £	2017 Total funds £
Donation from KPMG LLP	525,000	-	525,000	446,500
Support costs borne by KPMG LLP	108,666	-	108,666	79,963
Donated services (note 3)	49,079	-	49,079	17,989
Total donations	682,745	-	682,745	544,452
Other donations	-	1,507	1,507	102,377
Gift aid reclaim	131,250	-	131,250	108,875
Total	813,995	1,507	815,502	755,704

Gift aid reclaim was in relation to the donation received from KPMG LLP. KPMG LLP bears 50% of all administrative costs incurred by the Foundation. Included within support costs borne by KPMG LLP is an accrual for the Foundation's 2018 auditor's fees of £15,000 (2017:£15,000).

Notes *(continued)*

3 Donated services

	2018	2017
	£	£
Treasurer	822	556
Financial support	26,354	17,433
Other internal support	21,903	-
	<hr/> 49,079 <hr/>	<hr/> 17,989 <hr/>

Donated services are those provided to the Foundation on a pro-bono basis. All donated services are recognised at their value to the Foundation.

KPMG LLP donates the services of staff for the financial support of the Foundation. £10,595 (2017:£9,534) of this relates to governance costs, including the costs of producing the statutory financial statements and £38,484 (2017:£8,455) relates to the cost of day-to-day financial management and other services provided by KPMG for the Foundation throughout the year.

4 Income from investments

	2018	2017
	£	£
Interest bearing deposits	2,318	1,237
Dividends received on investments held	-	94,614
	<hr/> 2,318 <hr/>	<hr/> 95,851 <hr/>

Notes *(continued)*

5 Expenditure

	Unrestricted funds		Restricted funds		2018
	Grant Funding £	Support Costs £	Grant Funding £	Support Costs £	Total funds £
Raising funds					
Investment management costs	-	17,915	-	-	17,915
	-	17,915	-	-	17,915
Charitable activities					
In support of children and young people in deprived families	589,853	241,717	102,377	10,741	944,688
Governance costs	-	25,595	-	-	25,595
Total charitable activities	589,853	267,312	102,377	10,741	970,283
Total expenditure	589,853	285,227	102,377	10,741	988,198

Notes (*continued*)

5 Expenditure (*continued*)

	Unrestricted funds		
	Grant Funding £	Support Costs £	2017 Total funds £
Raising funds			
Investment management costs	-	8,459	8,459
	<hr/>	<hr/>	<hr/>
	-	8,459	8,459
Charitable activities			
In support of young offenders/ those at risk of offending	37,000	10,646	47,646
In support of children and young people on edge of care, in care or leaving care	89,000	31,938	120,938
In support of children and young people in deprived families	1,101,478	95,815	1,197,293
Governance costs	-	24,534	24,534
	<hr/>	<hr/>	<hr/>
Total charitable activities	1,227,478	162,933	1,390,411
	<hr/>	<hr/>	<hr/>
Total expenditure	1,227,478	171,392	1,398,870
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Grant funding resources expended are analysed in note 6.

Support costs included within 'Charitable activities' include bank charges, professional and legal costs, donated services and other administrative costs; see note 7 for further analysis.

KPMG LLP bears 50% of the majority of the running costs incurred by the Foundation. In the current year, running costs of £93,666 (2017:£64,945) were borne by KPMG LLP.

Support costs include £49,079 (2017:£17,989) of donated services; see note 3.

In the current year, the Foundation's auditor has charged fees of £15,000, including expenses (2017:£15,000). KPMG LLP has borne the full cost of the audit fee in the current and prior year.

Notes (continued)

6 Grant funding

	2018 £	2017 £
In support of young offenders/those at risk of offending		
Working Chance	-	37,000
	-	37,000
In support of children and young people on edge of care, in care or leaving care		
Buttle	-	15,000
Working Chance	-	54,000
Shaftesbury Young People – Siblings United	-	20,000
	-	89,000
In support of children and young people in deprived families		
Barnardo's	-	568,798
Barnardo's evaluation	75,440	75,440
Enabling Enterprise	56,500	40,000
Family Rights Group	100,000	50,000
Frontline	100,000	-
Future First	50,000	150,000
Into University	-	25,000
Institute of Fiscal Studies	8,666	-
St Michaels Fellowship	12,500	-
Jacaranda * restricted funds	102,377	-
Begbrook Primary	10,000	-
St Bonaventures Primary	13,000	-
Avonmouth Primary	12,000	-
Bannerman Road	10,000	-
Reach Foundation	60,000	-
Family Action	26,000	-
Just for Kids Law	21,000	32,000
Education Endowment Foundation	-	21,250
UCL	34,747	138,990
	692,230	1,101,478
	692,230	1,227,478

Notes (continued)

6 Grant funding (continued)

	2018	2017
	£	£
Grants not provided in the accounts		
Total intended grants payable at the beginning of the period	1,325,650	1,419,851
New grants awarded in the period	109,280	1,133,277
Charged in the accounts in the period	(692,230)	(1,227,478)
	<hr/>	<hr/>
	742,700	1,325,650
	<hr/> <hr/>	<hr/> <hr/>
	2018	2017
	£	£
Items not yet provided in the accounts that are expected to be payable		
Within one year*	486,565	835,210
Within two to four years**	256,135	471,440
More than four years***	-	19,000
	<hr/>	<hr/>
	742,700	1,325,650
	<hr/> <hr/>	<hr/> <hr/>
	2018	2017
	£	£
Grants provided in the accounts		
Grants payable provided in the accounts at the start of the period	284,399	-
Charged in the accounts in the period	692,230	1,227,478
Paid in the period	(940,688)	(943,079)
	<hr/>	<hr/>
	35,941	284,399
	<hr/> <hr/>	<hr/> <hr/>

* This includes £20,000 (2017:£122,377) payable from the restricted fund.

** This includes £19,000 (2017:£nil) payable from the restricted fund.

*** This includes £nil (2017:£19,000) payable from the restricted fund.

All grants are paid to charitable organisations.

Grants not provided relate to multi-year grants, which are committed on an annual basis, only, are conditional and subject to an annual performance review.

Grants provided for in the accounts are payable within one year.

Notes (continued)

7 Analysis of support costs

	Management	Unrestricted Finance	Other	Restricted Management	2018 Total
	£	£	£	£	£
Cost of raising funds					
Investment management costs	-	17,915	-	-	17,915
	-	17,915	-	-	17,915
Expenditure on charitable activities					
In support of children and young people in deprived families	178,261	16,840	46,616	10,741	252,458
Governance costs	10,595	15,000	-	-	25,595
Total charitable activities	188,856	31,840	46,616	10,741	278,053
Total support costs	188,856	49,755	46,616	10,741	295,968

Notes (continued)

7 Analysis of support costs (continued)

	Unrestricted			2017
	Management	Finance	Other	Total
	£	£	£	£
Cost of raising funds				
Investment management costs	-	8,459	-	8,459
	<hr/>	<hr/>	<hr/>	<hr/>
	-	8,459	-	8,459
Expenditure on charitable activities				
In support of young offenders/those at risk of offending	9,973	654	19	10,646
In support of children and young people on edge of care, in care or leaving care	29,917	1,964	57	31,938
In support of children and young people in deprived families	89,753	5,891	171	95,815
Governance costs	9,534	15,000	-	24,534
	<hr/>	<hr/>	<hr/>	<hr/>
Total charitable activities	139,177	23,509	247	162,933
	<hr/>	<hr/>	<hr/>	<hr/>
Total support costs	139,177	31,968	247	171,392
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Management costs include the cost of two of the Foundation's officers who assist with generating funds, service delivery and programme or project related work. In addition, management costs include the value to the Foundation of donated services for the treasurer and preparation of the financial statements. The value to the Foundation of donated services in respect of the financial statements is included within governance costs.

Governance costs arising from unrestricted fund activity include the donated services of the treasurer £822 (2017:£556) and the finance team, for the preparation of the financial statements £9,773 (2017:£8,978) as well as audit fees of £15,000 (2017:£15,000).

Finance costs include the donated services for financial administration as well as bank charges.

All costs have been apportioned to charitable activities based on the number of grants or time spent by activity

Notes (continued)

8 Investments

	2018 £	2017 £
Opening balance	6,110,685	5,810,126
Acquisitions at cost	-	5,871,124
Interest retained	3	677
Dividends received	-	94,614
Charges incurred	(17,920)	(3,832)
Disposal of investments	(504,954)	(5,876,615)
Transfer of funds to cash account	13,953	(94,509)
	<u>5,601,767</u>	<u>5,801,585</u>
Unrealised gain on revaluation of investments	327,340	235,596
Realised gain on investments	13,373	73,504
	<u>340,713</u>	<u>309,100</u>
Market value at period end	5,942,480	6,110,685
Investments comprise:		
UBS deposit accounts	-	3,964
UBS Asset Allocation Fund	5,942,480	6,106,721
At market value	<u>5,942,480</u>	<u>6,110,685</u>
At original cost	<u>5,470,179</u>	<u>5,875,090</u>

9 Debtors

	2018 £	2017 £
Tax receivable from HMRC	131,327	108,875
Amounts recoverable from KPMG LLP	39,318	26,363
Interest receivable from HSBC	258	53
Other debtors and prepayments	16,834	-
	<u>187,737</u>	<u>135,291</u>

Notes *(continued)*

10 Cash at bank and in hand and short-term deposits

	2018	2017
	£	£
Cash at bank and in hand – restricted	96,928	166,376
Cash at bank and in hand – unrestricted	302,938	171,681
	<hr/>	<hr/>
Total cash at bank and in hand	399,866	338,057
	<hr/>	<hr/>
Short-term deposits – unrestricted	41,430	50,323
	<hr/>	<hr/>
	441,296	388,380
	<hr/> <hr/>	<hr/> <hr/>

11 Creditors

	2018	2017
	£	£
Grants payable*	35,941	284,399
Other creditors**	34,907	19,627
	<hr/>	<hr/>
	70,848	304,026
	<hr/> <hr/>	<hr/> <hr/>

* This includes £35,941 (2017: £nil) payable from the restricted fund.

** This includes £6,222 (2017: £nil) payable from the restricted fund.

Notes (*continued*)

12 Movement in funds

	At 1 October 2017	Income	Income on investments	Expenditure	At 30 September 2018
	£	£	£	£	£
Unrestricted funds	6,163,954	813,995	343,031	(875,080)	6,445,900
Restricted funds	166,376	1,507	-	(113,118)	54,765
Total Funds	6,330,330	815,502	343,031	(988,198)	6,500,665

	At 1 October 2016	Income	Income on investments	Expenditure	At 30 September 2017
	£	£	£	£	£
Unrestricted funds	6,504,546	653,327	404,951	(1,398,870)	6,163,954
Restricted funds	63,999	102,377	-	-	166,376
Total Funds	6,568,545	755,704	404,951	(1,398,870)	6,330,330

Of the balance of £54,765 (2017:£166,376) of restricted funds held by the Foundation, £54,765 (2017:£63,999) is to be utilised in support of the aims of Every Child a Chance Trust and £nil (2017:£102,377) is to be utilised in support of programmes that contribute to the development of social pedagogy in the UK.

Notes (continued)

13 Analysis of net assets between funds

	Unrestricted funds	Restricted funds	2018 Total	Unrestricted funds	Restricted funds	2017 Total
	£	£	£	£	£	£
Fixed asset investments	5,942,480	-	5,942,480	6,110,685	-	6,110,685
Current assets	532,105	96,928	629,033	357,295	166,376	523,671
Current liabilities	(28,685)	(42,163)	(70,848)	(304,026)	-	(304,026)
Total net assets	6,445,900	54,765	6,500,665	6,163,954	166,376	6,330,330

14 Reconciliation of net outgoing resources to net cash flow from operating activities

	2018 £	2017 £
Net outgoing resources before gains on investments	(170,378)	(547,315)
Less:		
Income from investments	(2,318)	(95,851)
Investment management costs	17,920	8,459
Increase in debtors	(52,446)	(106,221)
(Decrease)/increase in creditors	(233,178)	284,369
Net cash flow from operating activities	(440,400)	(456,559)

15 Cash and cash equivalents

	At beginning of year £	Cash flow £	At end of year £
Cash at bank and in hand – unrestricted	171,681	131,257	302,938
Cash at bank and in hand – restricted	166,376	(69,448)	96,928
Short-term deposits – unrestricted	50,323	(8,893)	41,430
Total cash and cash equivalents	388,380	52,916	441,296

Notes *(continued)*

16 Employee costs, trustee remuneration and related party transactions

The charity does not have any employees. The charity does however receive the services of individuals who work on its behalf; these services are either donated by KPMG LLP in full or invoiced by the individual (KPMG LLP also makes a 50% contribution towards these costs).

The trustees received no remuneration or reimbursements of expenses during the current or prior year, with the exception of £175 paid in the prior year for travel expenses on behalf of two trustees for a site visit to the Barnardo's programme in Rotherham.

Related party transactions with KPMG LLP are set out in notes 2, 3, 5 and 7 of the financial statements.

The outstanding balances between the Foundation and KPMG LLP as at 30 September 2018 are shown in note 9.

Christine Gilbert is a Trustee of the KPMG Foundation and Executive Chair of Future First. Christine Gilbert was not involved in the Foundation's decision to provide grant funding of £50,000 during 2018 (*2017: £150,000*) to Future First.