

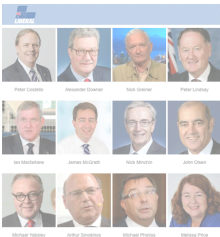
KPMG: “do as I say, not as I do” just check out Aldi

Apr 18, 2019 | Featured, Finance



Aldi: not much in store on disclosure. Photo: Aldi

Revolving Doors



Australian politicians and bureaucrats with links to fossil fuel & resource extraction industries.



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Quod ego dico, non quod ego faciam. That should be KPMG’s motto. Do what I say, not what I do. It has a ring to it, but more importantly, it goes to the heart of the firm’s business model: *quae abscondam* – hide stuff.

Check out this little beauty from the KPMG Twitter feed this week:



Gender diversity is one theme here. It is good to see a robust and balanced representation of women in the foreground of the photo ... looking up at the five old blokes on the stage, but the thing which is perhaps surprising is that KPMG would have the gall to proselytise about transparency, let alone “Robust and balanced external reporting”.

The same might be said of all the Big Four accounting firms but as KPMG has kindly offered itself as an exemplar ... well, what have we here, fresh from the world’s most expensive source of public information, the Australian Securities & Investments Commission? It is Aldi’s 2018 financial statements.

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These accounts are the apogee of transparency, the very zenith of robustness. Look no further than the Profit & Loss Statement for this large entity, Aldi Pty Ltd.

ALDI Pty Ltd
Statement of comprehensive income
For the year ended 31 December 2018

	2018 \$	2017 \$
Sales revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Other revenues from continuing operations	-	-
Expenses from continuing operations	-	-
Profit from continuing operations before income tax	-	-
Income tax expense	-	-
Profit/(loss) for the year	-	-
Change in financial assets revaluation reserve, net of tax	74,900,000	67,900,000
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	74,900,000	67,900,000
Total comprehensive income/(loss) for year is attributable to: Equity holder of ALDI Pty Ltd	74,900,000	67,900,000

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

It has surely not been sullied by a profusion of numbers. Perhaps Aldi and its auditors from KPMG have mistaken themselves for artists and gone for an avant-garde, minimalist look. No revenue, no cost of sales, no nasty tax disclosures here. It is robust in its blank spaces.

And just in case the reader were lulled into thinking this must be a printing mistake, we offer for the pleasure of readers the Aldi Cash Flow Statement 2018:

ALDI Pty Ltd
Statement of cash flows
For the year ended 31 December 2018

	2018 \$	2017 \$
Net cash (outflow)/inflow from operating activities	-	-
Net cash (outflow)/inflow from investing activities	-	-
Net cash (outflow)/inflow from financing activities	-	-
Net increase/(decrease) in cash held	-	-
Cash and cash equivalents held at the beginning of the financial year	-	-
Cash and cash equivalents at the end of the year	-	-

The above statement of cash flows should be read in conjunction with the accompanying notes.

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Key progress #Watergate: Joyce was involved in sale Lied to @PatsKarvelas Angus Taylor associate To Reid involved Valuer Colliers worked bot sides of deal; EAA then Go Future Fund a stretch; vicarious connection via P Taylor's Lib donations old news

Even more splendid in its simplicity; elegant, completely pure, entirely uncontaminated by the presence of numbers.

How could such trusty transparency and robust external reporting possibly come about? One would have thought that Australia's third largest supermarket chain, a juggernaut with more than \$7 billion in annual grocery sales, might properly account for its activities in this country.

Actually, no.

The way it is set up, Aldi Stores – a limited partnership – is the trading entity that holds the business assets of Aldi in Australia. The partners of the partnership are two registered companies, Aldi Pty Ltd (above) and Aldi Foods Pty Ltd; the former has an 80 per cent interest in the partnership income and the latter has 20 per cent.

Aldi and its transparency loving auditors argue that Aldi Pty Ltd does not have control of the partnership and so it doesn't need to bother with producing consolidated accounts.

It is an artificial, legal arrangement to avoid transparency in the external reports of Aldi in Australia. *Fumus et specula* – smoke and mirrors.

What we can glean from this, is that when KPMG makes breezy exhortations about transparency and robust external reporting they are referring to what other people ought to be doing, certainly not themselves and their multinational clients.

Let's look at a smattering of the firm's multinational clients just to make sure that we are not being too mean and snide. Bear in mind that General Purpose (full financial statements) are far more meaningful than Special Purpose financial statements and that is why the laws changed a couple of years ago to require "significant global entities" to produce General Purpose.

(The laws had to be changed because the Big Four were gaming them, encouraging their big multinational clients to switch from General Purpose to Special Purpose.)

Moreover, Special Purpose reporting entails a judgement of directors and their auditors that nobody apart from the company's shareholders – in this case the Germans – have

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Hamish Macdonald
@hamishNews

So tonight @Barnaby_Joy on @RNDrive with @PatsKarvelas claimed the \$80million water buyback happened "at arms length"

Senior sources tell @theprojecttv that sale was "most certainly NOT arms length" #watergate #auspc

Checked and evidence from documents (Order to Produce Documents 579) produced in October 2018 on request of Senator Patrick clearly show DAWR negotiated the sale with EAA and paid a price Per ML that EAA had asked for (\$2745 ML) for overland licences and this was approved by Minister. Thus sale was most certainly NOT arms length from the Minister's Department as claimed.



 **Michael West**
@MichaelWestBiz

Extraordinary interview by @PatsKarvelas. Half an hour and Barnaby still managed to dodge the question: who got the profits in the Cayman Islands from your record \$80m water buy-back #Watergate

 Michael West
Retweeted



Patricia Karvelas
@PatsKarvelas

We have a radio interview with @Barnaby_Joyce at 6:05pm live tonight on @RadioNational on this water buybacks story. Thank you to my producer @Tim_Skelton who is a great producer #AUSVote2019 @barriecassidy



 **Michael West**

any interest or entitlement in reading them. Not Aldi's thousands of suppliers and creditors, not its millions of customers.

Here is a list of accounts audited by KPMG:

KMPG Audit Client	Year	Basis of Preparation for External Report
Adidas Australia Pty Limited	FY2015	Special Purpose (minimum disclosures)
Ansett Australia Limited	FY2000	Special Purpose (switch from general purpose)
Astra Zeneca	FY2016	Special Purpose (minimum disclosures)
BMW Australia Ltd	FY2014	Special Purpose (minimum disclosures)
BUPA ANZ Healthcare Holdings Pty Ltd	FY2016	Special Purpose (no group accounts, investment in subsidiaries \$1.8 bn)
Halliburton Consolidated Pty Ltd	FY2014	Special Purpose (minimum disclosures)
JBS Australia Pty Limited	FY2013	Special Purpose (minimum disclosures)
Paddy Power Australia Pty Ltd (Sportsbet)	FY2014	Special Purpose (minimum disclosures)
Pfizer Australia Holdings Pty Limited	FY2016	Special Purpose (minimum disclosures)
Roche Products Pty Ltd	FY2016	Special Purpose (minimum disclosures)
Sumitomo Australia Pty Ltd	FY2018	Special Purpose (minimum disclosures)
Tokyo Gas Australia Pty Ltd	FY2015	Special Purpose (minimum disclosures)
Unilever Australia (Holdings) Proprietary Limited	FY2014	Special Purpose (minimum disclosures)

This has all come about because the Big Four are out of control and do what they like; gouge billions in consulting fees from governments state and federal, let themselves be totally conflicted by providing tax dodging advice to the same companies they audit, and then tell the government how it should be conducting its tax policy.

They are aided and abetted by feeble regulators such as the Financial Reporting Council which also sallies forth and asserts how well financial reporting is going. They would say that.

The grand irony however is that KPMG, like its Big Four peers, is a partnership itself, an arcane 19th century structure whose *raison d'être* is to hide stuff. The financial disclosures they make are puny, just one number once a year – revenue. And that revenue has been soaring about ten per cent a year for each firm in a two per cent inflation environment.

There are few institutions more opaque, less transparent than the Big Four. The Russian Mafia perhaps. Though certainly none of any such influence and size. Not even the Vatican. The notorious Vatican Bank is far more transparent than its auditor PwC.

George Pell silences PwC, EY, KPMG & Deloitte



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PricewaterhouseCoopers (PwC)
had won its most illustrious
mandate yet, the first ever
external audit of the finances

of the Vatican, until its work was suddenly put on ice four months ago. It was a "blow for financial transparency" cried the International Catholic News Weekly: "The work of PwC ...

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Of course transparency, disclosure, robust external reporting – these are all the enemies of multinational tax avoidance structures. Why else, but to hide things, would Aldi possibly create a structure designed so there is a partnership which owns all the Aldi stores in Australia, all the business assets that is, with two Australian companies as the partners in the partnership.

Why? The idea is that the partnership is not subject to external reporting requirements – like KPMG. It is a structure concocted to be opaque, to remove any requirement for robust reporting.

KPMG, no sign of EY. Pfizer, pay it back



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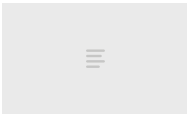
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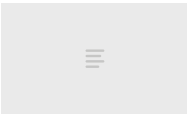
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 mac — It's dodgy alright!But thankfully Australia is a currency issuing nation. We

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