



Quality and Integrity
Transparency Report 2009
KPMG in Greece

AUDIT • TAX • ADVISORY

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1 Introduction



KPMG is one of the largest global networks of professional service firms which provide audit, tax and advisory services, with an industry focus.

Our aim is to turn knowledge into value for the benefit of our clients, our people and the capital markets. All member firms follow the same values and philosophy that secure high quality services while adding value to the clients.

Operating in Greece for the last 40 years, we provide, through three legal entities, audit, tax, business advisory, financial advisory and bookkeeping services to domestic and international businesses in Greece and abroad. Operating in Athens and Thessaloniki, we employ approximately 400 professional staff, most of who hold post-graduate degrees and have significant and specialized expertise.

With sustained growth and ambitious expansion plans for the coming years, we hope to maintain our leading position in the Greek market.

When we look back on 2009, many of us will remember a year of unprecedented turbulence in global markets. Capital markets require reliable financial information which is its driving force and the role of the auditor is important in ensuring that such information is properly examined – these two elements have always been important, but never more so than in times of economic turbulence and uncertainty. As noted in our report last year, KPMG in Greece believes that quality and integrity are important values for all our activities, but absolutely vital when we are carrying out a statutory audit. We remain committed to this belief and as such, quality remains at the heart of our business.

We continue to build our audit services upon our reputation and our ability to deliver high quality services to our clients and the wider capital markets.

We are therefore particularly pleased to present our second transparency report which relates to the calendar year ended 31 December 2009. This report sets out the structure and corporate governance of our firm, as well as the quality control procedures and standards of integrity that we adopt not only on statutory audits but in all aspects of our business.

We hope that this transparency report will provide useful information about our firm's activities in this very important area.

Marios T. Kyriacou
Senior Partner



KPMG's core values

“The KPMG Way” is our definition of who we are, what we do and how we do it. Our core values lie at the heart of The KPMG Way. They define our culture and our commitment to the highest principles of personal and professional conduct.

We lead by example – at all levels acting in a way that exemplifies what we expect of each other and our member firms’ clients.

We work together – bringing out the best in each other and creating strong and successful working relationships.

We respect the individual – respecting people for who they are and for their knowledge, skills and experience as individuals and as team members.

We seek the facts and provide insight – challenging assumptions, pursuing facts and strengthening our reputation as trusted and objective business advisers.

We are open and honest in our communications – sharing information, insight and advice frequently and constructively and managing tough situations with courage and candor.

We are committed to our communities – acting as responsible corporate citizens and broadening our skills, experience and perspectives through our work in our communities.

Above all, we act with integrity – constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

2 Legal structure, ownership and network arrangements

Legal structure and ownership

KPMG Certified Auditors A.E. is an anonymous eteria incorporated under the Laws of Greece and is governed by Greek Law.

KPMG in Greece delivers three core services, namely, audit, tax and advisory to a large range of organizations from the private and public sectors. Our audit services are delivered through KPMG Certified Auditors A.E.

We provide independent audit services designed to help enhance the reliability and credibility of the financial reporting undertaken by clients. Rigorous financial reporting is of vital importance to suit an increasingly demanding market, in which transparency is more important than ever. Our attestation services include:

- Financial statement audits (statutory and reporting packages)
- Regulatory audits
- Audit related services (such as report on internal controls, review reports and agreed upon procedures)

The shareholders as at 31 December 2009 are as follows:

- Marios T. Kyriacou, Senior partner
- Aspasia-Hermioni Kyriacou, partner
- Michael A. Kokkinos, partner

The following certified auditors are signing partners/directors but not shareholders of the audit firm:

- Nick Vouniseas (Partner)
- Anastasios E. Panayides (Partner)
- Harry Sirounis (Partner)
- Nick Tsiboukas (Partner)
- Chrissoula Douka (Partner)
- Apostolos Th. Spoutis (Director)
- Ioannis Achilas (Partner)

In addition to the audit firm, which is a member of KPMG International Cooperative (“KPMG International”), there are two sub-license anonymous eteries, KPMG Accountants A.E. and KPMG Advisors A.E., incorporated under the Laws of Greece. These entities are also governed by Greek law. Furthermore, there is a small legal firm which is also a sub-licensee of KPMG International, incorporated as a Greek partnership.

It should be noted that the audit firm has only one branch in Thessaloniki, Greece.



Network arrangements

Legal structure

KPMG Certified Auditors A.E. is an independent member firm of KPMG International Cooperative (“KPMG International”) which is a Swiss entity. It is the entity with which all the member firms of the KPMG network are affiliated. KPMG International carries on business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

KPMG International’s structure is designed to support consistency of service, quality and adherence to agreed values wherever in the world member firms operate. One of the main purposes of KPMG International is to facilitate the provision of high quality Audit, Tax and Advisory services by each member firm. For example, KPMG International establishes and facilitates the implementation and maintenance of, uniform policies and standards of work and conduct by member firms and protects and enhances the use of the KPMG name and brand.

KPMG International is an entity which is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International or any other member firm vis- à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All member firms, currently employing about 140 000 people and operating in 144 countries, are committed to following common standards in the provision of services for clients and to maintaining the highest levels of independence and integrity.

There is an obligation for all member firms, and consequently the audit firm, to fully comply, without exception, with all common policies and methodologies established by the KPMG network. Such policies and procedures relate to customer service, quality related matters, employment, independence, transparency, integrity, personnel management etc. However, there is complete autonomy at an administrative and financial level of the audit firm from the KPMG network.

Responsibilities and obligations of member firms

KPMG is the registered trademark of KPMG International and is the name by which member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International.

In these agreements, member firms commit themselves to a common set of KPMG values. Under agreements with KPMG International, member firms are required to comply with KPMG International’s policies and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a structure that ensures continuity and stability and being able to adopt global and regional strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools. Each member firm takes responsibility for its management and the quality of its work. In accordance with the global code of conduct, partners and professionals working within member firms are required to act with integrity at all times.

Member firms are also required to have the capability to provide certain types of core services and to refer work to other member firms where appropriate (for example, if the engagement concerns work in that other member firm's country and that other member firm has the required capacity and expertise to perform the work). KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts (which is currently based on revenue) is approved by the Global Board and consistently applied to the member firms.

A firm's status as a KPMG member firm and its participation in the KPMG network may be terminated if, among other things, it has not complied with the policies and regulations set by KPMG International or any of its other obligations owed to KPMG International.

Governance Structure

The key governance and management bodies of KPMG International are the Global Council, the Global Board and the Global Executive Team.

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders' meeting (albeit that KPMG International has no share capital and therefore, only has members, not shareholders). Among other things, the Global Council elects the Chairman for a term of up to four years (renewable once) and also approves the appointment of the Global Board members. It includes representation from 54 member firms (including certain KPMG Europe operating firms) which are 'members' of KPMG International as a matter of Swiss law.

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Board include approving strategy, protecting and enhancing the KPMG brand, overseeing management of KPMG International and approving policies and regulations. It also admits member firms and ratifies the Chairman's appointment of members of the Global Executive Team. The Board is supported in its oversight and governance responsibilities by several committees, including a Governance Committee; an Audit, Finance and Investments Committee; a Compensation and Nomination Committee; a Risk and Compliance Committee; a Professional Indemnity Insurance Committee; and a Board Process and Evaluation Committee.

The Global Executive Team is the principal management body of KPMG International. The Global Executive Team drives the execution of the strategy approved by the Global Board and establishes processes to monitor and enforce policy compliance. It is led by the Chairman and includes the Deputy Chairman, global practice heads, regional leaders and a number of senior partners of member firms.

Members of the Global Board and Global Executive Team are members of the various network firms. Such members perform these roles on behalf of KPMG International and in that capacity do not act for the audit firm.

Further details about KPMG International, including the governance arrangements, can be found in its 2009 Transparency Report, which is available at the following link:
<http://kpmg.com/Global/en/WhoWeAre/Documents/Transparency-Report>.

Partner

KPMG International as well as the accounting profession use the term "Partner" to apply to the people in the accounting firms that have the authority to undertake responsibility for the execution and completion of an audit. This arises from the past when all such firms operated as partnerships. Today such "Partners" can be employees, shareholders or members of the board.

3 Governance structure

The governance structure comprises two governing bodies, the Board of Directors and the Operations Committee for which the Chairman is Mr. Marios T. Kyriacou. Mr. Marios T. Kyriacou is also the Managing Director (commonly referred to as the Senior Partner).

The Chairman of the Operations Committee appoints the other members of the Operations Committee, all of whom are partners of the firm in charge of various functions such as:

- Ethics, Independence and Risk Management – Marios T. Kyriacou and Dimitra Caravelis
- International Financial Reporting Standards – Nick Vouniseas
- Audit Methodology and Training – Harry Sirounis
- Quality Reviews – Dimitra Caravelis and Anastasios E. Panayides
- Professional Practice, Regulatory matters and compliance – Michael A. Kokkinos

In addition, another partner acts as the Secretary of the Operations Committee. The Operations Committee meets every two weeks. A schedule of matters to be monitored regularly by the Operations Committee includes matters of fundamental importance to the group such as operating and financial performance, annual business plans and budgets, new business proposals (considered individually), marketing, technology development, recruitment and retention, remuneration and risk management policies.

The composition of the Board of Directors as at 31 December 2009 is as follows:

- Marios T. Kyriacou, Chairman and Managing Director
- Aspasia-Hermioni Kyriacou, Member
- Michael Kokkinos, Member
- Nick Vouniseas, Member
- Ioannis Achilas, Member

4 Quality Control

The firm maintains a system of quality control for its audit practice that is designed to meet or exceed the expectations of audit committees (our clients) as well as the rules and standards issued by a variety of local and international professional and/or regulatory bodies such as the Institute of Certified Auditors and Accountants of Greece (SOEL), the Accounting and Auditing Standards Oversight Board (ELTE), the Council of Accounting Standardization (SLOT), the International Federation of Accountants (IFAC), as well as the Public Company Accounting Oversight Board (PCAOB). Integrating key policies and procedures, this system also facilitates compliance with relevant rules and regulations of the Accounting and Auditing Standards Oversight Board (ELTE), the Sarbanes-Oxley Act of 2002, the SEC, International Standard of Quality Control (ISQC) 1, professional standards and the firm's standards of quality.

Risk management and quality control are the responsibilities of every partner and employee of the firm. This responsibility includes the need to understand and adhere to the firm's policies and associated procedures in carrying out their day-to-day activities.

Our policies reflect individual quality control elements to help the firm's partners and employees act with integrity and objectivity, perform their work with diligence, and comply with applicable laws, regulations, and professional standards.

The firm's system of quality controls applicable to its audit practice encompasses the following:

- Leadership responsibility for quality.
- High ethical standards.
- Strong personnel management, including training and professional development.
- Rigorous procedures for acceptance and continuance of clients and engagements.
- Processes which deliver effective engagement performance.
- Monitoring activities

Leadership responsibility for quality

Senior Partner

In accordance with the principles in ISQC 1, the Board of Directors under the chairmanship of the Senior Partner, Mr. Marios T. Kyriacou has assumed ultimate responsibility for the firm's system of quality control. A key aspect of the firm's culture is a commitment to quality. The Board and our Senior Partner help create a culture of quality within the firm through a number of mechanisms. We communicate our strategy widely and it is available to all of our people on our intranet. The quality message is also reinforced in communications from leadership including the Senior Partner and by explicitly rewarding high-quality work.

National Risk Management Partner

Operational responsibility for the system of quality control and risk management of the firm has been delegated to the National Risk Management Partner, Dimitra Caravelis. She is responsible for setting overall professional risk management and quality control policies and monitoring compliance for the firm. She is a member of the Operations Committee and has a direct reporting line to the Senior Partner. She is supported in her role by a team of risk professionals.

The Audit, Advisory and Tax Functions

The heads of the three client service functions (Audit, Advisory and Tax) and the functional risk management partners work with the National Risk Management Partner to optimize the quality assurance and monitoring procedures within their respective function.

High ethical standards

We are committed to achieving a high standard of ethical behaviour in everything we do. Our overarching value is that ‘Above all we act with Integrity’. Our values are communicated to all of our people and also embedded into our performance appraisal process.

We maintain compliance with legal, ethical and professional requirements through a number of mechanisms, including adopting clear policies and procedures and promulgating a Code of Conduct.

The firm’s Code of Conduct defines the standards of ethical conduct that we expect from the firm and its personnel. It sets out KPMG’s ethical principles and helps partners and employees to understand and uphold those principles. The Code emphasizes that each partner and employee is personally responsible for following the legal, professional and ethical standards that apply to his or her job function and level of responsibility.

The Code of Conduct comprises all of KPMG’s global values (refer to the forefront of this report for KPMG’s global values). It emphasizes in particular that objectivity and independence are the cornerstones of our activities. The Code of Conduct requires that all of our people have to:

- Comply with all applicable laws, regulations and KPMG policies;
- Report any illegal acts whether committed by KPMG personnel, clients or other third parties;
- Report breaches of risk management policies by KPMG firms or people; and
- Not offer, promise, make, solicit or accept bribes (whether directly or through an intermediary).

Further details of our independence processes are set out in section 6.

Strong personnel management

Our personnel management policies, processes and programs focus on attracting, recruiting, developing and managing our people to ensure they have the appropriate knowledge, skills and behaviours for the engagement they are assigned to.

The firm’s personnel management system encompasses the areas of:

- Recruiting and hiring.
- Development and training.
- Engagement assignment.
- Supervision.
- Performance evaluation and compensation.

- Accreditations and licensing.
- Partner admissions and promotions.

Recruiting and hiring

All candidates for professional positions submit résumés, are interviewed and are subject to background checks. Information provided is verified through independent sources. Prior to hiring, candidates are provided access to the firm's resources to ascertain and confirm their independence. Any situations involving independence or conflicts of interest must be resolved before the individual can begin employment with the firm. Upon joining the firm, personnel are also required to complete online training programs on independence, ethics, respect, dignity and security, in addition to any job-related modules.

Development and training

KPMG policies require the professionals to maintain their technical competence and to comply with applicable regulatory and professional requirements. In regard to continuous learning, the Firm provides opportunities to help the professionals meet their continuing professional education (CPE) requirements as well as their own professional development goals.

The firm's training and development programs include course prerequisites and proficiency tests, varied delivery methods and interactive, web-based, sessions that enable the professionals to take self-study courses, attend classroom courses at the national, regional and local levels and participate in web-based seminars in real time. The firm also requires professionals to monitor compliance with their CPE requirements.

In addition, the firm requires its professionals to complete annual training on independence standards and the ethical standards embedded in the firm's Code of Conduct. KPMG also encourage its professionals to stay abreast of technical updates by attending internal and external industry-specific training programs and conferences as well as reviewing pertinent bulletins and periodicals. Audit quality is continually emphasized to the client service professionals through timely training and communication of accounting, auditing and reporting matters.

Engagement assignment

The firm assigns an individual to specific engagements by evaluating his or her skill sets, relevant professional and industry experience and the nature of the assignment or engagement. The Risk Management Partner approves engagement partner and engagement quality control reviewer assignments to public interest entity audit clients and certain higher risk non public interest audit clients. For all other audit clients, engagement partner and engagement quality control reviewer assignments require approval from the Partner in Charge of Audit.

Supervision

Supervision entails directing the efforts of professionals who are involved in accomplishing the objectives of the audit and determining whether those objectives are accomplished. Elements of supervision include instructing and guiding professionals, keeping them informed of significant issues, reviewing the work performed, reconciling issues and agreeing on appropriate conclusions. Each audit professional is evaluated for adequate performance and documentation of work, as well as for results that are consistent with the conclusions presented in the auditor's report.

Performance evaluation and compensation

All professionals, including partners, undergo annual goal setting and performance evaluations conducted by performance managers who are familiar with the professionals' performance. Each professional is evaluated on his or her attainment of agreed-upon goals, demonstration of skills/behaviors and adherence to the firm's values. Skills/behaviors evaluated, include quality focus and professionalism, technical knowledge, accountability, business and strategic focus, leading and developing people, continuous learning and relationship building. The results of the annual performance evaluation directly affect the compensation of personnel, including partners and in some cases, their continued association with the firm.

Remuneration of partners is determined by the Senior Partner in consultation with appropriate committee members, based on the objectives set for each partner on a number of matters relevant to their role in the group. These include quality of work, excellence in client service, growth in revenue and profitability, leadership and living the values of the firm. Audit partner remuneration setting takes no account of the level of non-audit services provided to the partner's audit clients.

Specifically, there are three elements to partner remuneration:

- Base component – fixed amount as a base component.
- Performance related bonus – rewards performance in the year by each partner against individual objectives.
- Profit share – a share of residual profits not retained for future investment in the business.

Partner admissions and promotions

Admission to partnership is through an Assessment Center process. Such process for admission to the partnership is rigorous and thorough, involving the appropriate members of the firm's leadership. Each candidate for the partnership, whether via potential direct-entry hire or internal nomination, is nominated by an existing partner, approved by the Function Head and then undergoes a series of tests and interviews by an appropriate committee. Furthermore, the Person in Charge of the Ethics and Compliance Group coordinates a comprehensive compliance review for each partner candidate. Once accepted the Senior Partner proposes the individuals for admission to partnership to the meeting of all existing partners and if the partners approve, the individuals are admitted to partnership.

Accreditations and licensing

Our policies require our professionals to achieve and maintain technical competence and to comply with applicable regulatory and professional accreditation and development requirements, including those of the Institute of Certified Auditors and Accountants of Greece. The firm requires that audit client service professionals are registered with the Institute of Certified Auditors and Accountants of Greece. The firm provides opportunities to help our professionals meet their continuing professional development requirements (at a minimum professionals must comply with IFAC and the Institute of Certified Auditors and Accountants in Greece as well as their own personal development goals. Our people are encouraged to study for a relevant professional qualification.

KPMG Certified Auditors A.E. is authorized by the Institute of Certified Auditors and Accountants in Greece as Registered Auditors and is licensed to carry out audit work. The firm requires that client service professionals maintain accreditation with their professional bodies and satisfy the Continuing Professional Education requirements of such bodies. Those individuals responsible for signing audit reports are required to meet the requirements of the Institute of Certified Auditors and Accountants in Greece.

The firm is registered with the Public Company Accounting Oversight Board (PCAOB) and as such it is accredited to carry out audits for companies listed on the US stock exchange.

Rigorous procedures for acceptance and continuance of clients and engagements

The firm recognizes that rigorous client acceptance and continuance policies are vitally important to the firm's ability to provide high-quality professional services. The firm has established policies and procedures for deciding whether to accept or continue a client relationship and whether to perform specific services for a particular client.

Prospective client evaluation process

Prior to the firm accepting or declining appointment as a service provider an evaluation is conducted and documented on each prospective client using a process which evaluates the risk of KPMG being associated with the prospective client. The client evaluation is reviewed and approved by appropriate independent senior personnel. The client evaluation determines whether KPMG will accept the client and identifies what steps need to be taken to mitigate risks identified by the evaluation.

Client continuance process

Existing clients are re-evaluated, at a minimum, every 12 months if the relationship with the client is intended to be continued. Earlier re-evaluation is required when a significant change relating to the risk profile of the client becomes known to the firm. The client re-evaluation determines how altered risks associated with that client can be managed and ultimately whether the client relationship should be maintained or discontinued.

Engagement evaluation process

Prior to accepting an engagement an engagement evaluation is conducted and documented by the prospective engagement partner, in consultation with other senior personnel as required. The engagement evaluation determines whether the engagement is one that the firm is willing and able to undertake and identifies what steps need to be taken to mitigate the risks identified by the evaluation.

Engagement continuance process

An engagement re-evaluation is conducted and documented by the engagement partner when certain criteria are met (e.g. recurring or annual engagements) The engagement re-evaluation determines whether the engagement is one that the firm is willing and able to continue and identifies what steps need to be taken to mitigate the risks identified by the re-evaluation.

Processes which deliver effective engagement performance

Fundamental to our professional services are the quality controls which are embedded throughout the firm's audit engagement process. These quality controls include policies and guidance to help ensure that the work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality. The following sections provide more detail specifically as regards statutory audit services.

Audit methodology

KPMG's international Global Services Centre develops and maintains KPMG International's Audit Methodology (KAM) which includes all the requirements of the International Standards on Auditing (ISAs). It is also responsible for developing and maintaining the supporting KPMG International Audit Manual and electronic tools. The KPMG International Audit Manual is adapted by the firm to take account of local legislation and standards and is made available to all Audit professionals. Such methodology serves as the foundation of the financial statement audit. In addition to engagement and risk management matters, the KPMG International Audit Manual also deals with the activities involved in, and the standard documentation for, all aspects of audit work.

KPMG International's Audit Methodology uses the following workflow:

Planning

- Perform risk assessment procedures and identify risks
- Determine audit strategy
- Determine planned audit approach

Control Evaluation

- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Assess control risk and risks of material misstatement at the assertion level

Substantive Testing

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate

Completion

- Perform completion procedures, including overall review of financial statements
- Perform overall evaluation
- Form an audit opinion
- Communicate to those charged with governance (e.g. the audit committee) our responsibilities under applicable auditing standards, an overview of the planned scope and timing of the audit, and significant findings from the audit.

The KPMG International Audit Methodology addresses both manual and automated controls and requires use of information technology professionals and other specialists in the core audit engagement team when appropriate. The methodology also includes procedures aimed at detecting and responding to the risk of material misstatement resulting from fraud; communications relating to the engagement team's exercise of professional skepticism with respect to potential fraud risk factors have been recently reinforced and enhanced.

There is a suite of technology tools to support the KPMG International Audit Methodology. These tools promote consistent implementation of the audit process globally, and drive audit quality. Leveraging technology to further improve the audit experience for clients and audit professionals is a key component of KPMG International's Audit IT strategy. KPMG International's next generation audit tool, eAudit, is scheduled for full global deployment in 2010.

Supervision, review and support for the Engagement Team

The firm's supervision, review and consultation guidelines for audit work include:

- Review and approval of engagement planning and analysis prior to the start of significant fieldwork.
- Review of work papers by another professional, including review by the engagement partner of key work papers in high-risk audit areas.
- Assignment of an engagement quality control reviewer to all public interest entity and high-risk financial statement audit engagements.
- Approval of a completion document that summarizes findings and conclusions in relation to significant issues as identified by various parties, including the engagement partner.
- In-depth technical reviews by the engagement quality control reviewer in certain situations as required by professional standards.

Internal consultation with others is encouraged and in certain circumstances required. Technical support for each engagement team comes from a network that includes the Department of Professional Practice (DPP), KPMG's International Financial Reporting Group and International Standards on Auditing Group, as well as the professional practice partners.

The firm has established protocols for consultation regarding (and documentation of) significant accounting and auditing matters, including procedures to resolve differences of opinion on engagement issues. Consultation with a team member at a higher level of responsibility than either of the parties with differing opinions usually resolves such differences. In other circumstances, the matter may be elevated through the chain of responsibility for resolution by the Senior Partner.

Document retention

The firm's formal document retention policy governs matters such as the retention period for audit work papers and other records relevant to an engagement in accordance with the risk management policies of KPMG International and the laws relevant to the auditing/accounting profession, the relevant IFAC, SEC and PCAOB rules as well as other applicable regulatory bodies' standards and regulations.

Monitoring activities

Internal monitoring activities

The firm meets the ISQC 1's monitoring requirement through the implementation of its globally designed internal inspection program, the Quality Performance and Compliance Program (QPCP). The QPCP is designed to help the firm assess compliance with the firm's risk management policies and procedures and provide reasonable assurance that its system of quality control is relevant, adequate, operating effectively and complied with in practice.

The QPCP comprises a number of elements that support the quality control and risk management structure of the firm. The major components of the firm's QPCP are functional engagement reviews performed as part of a Quality Performance Review Program (QPRP) and risk management reviews conducted as part of the Risk Compliance Program (RCP). These reviews are conducted annually. Other reviews may also be conducted as part of KPMG International's Quality and Compliance Review Program.

The components of the QPCP include:

- Regular reviews of individual partners based on a three-year rotating schedule.
- Reviews of general and functional controls, including independence, client acceptance and continuance, personnel evaluations, CPE compliance, licensing and document retention.
- Provision of results of the review to management, including action plans to be implemented to address issues identified.
- Training for professionals to communicate the results, implement the action plans and emphasize corresponding changes to firm policies and guidance.

For the year ended 30 June 2009 the QPCP review, which was carried out during the period 1 June 2009 to 12 June 2009 did not identify any issues considered to have a material effect on the conduct of the firm's accounting and auditing practice. Like most companies with quality review programs, areas are identified for continuous improvement and findings are disseminated to the professionals through written communications, internal training tools and periodic partner, manager and staff meetings. These areas are also emphasized in subsequent years of the QPCP to gauge the extent of continuous improvement.

External monitoring activities

In Greece the Accounting and Auditing Standards Oversight Board carried out an ISQC 1 compliance review during the period 13 October 2009 to 20 October 2009. This external inspection has not identified any issues that have a material impact on the conduct of our statutory audit business.

5 Public Interest Entity Listing

Below is a listing of the firm's public interest entity audit clients for which KPMG Certified Auditors A.E. has signed an audit/review opinion in the year ended 31 December 2009. Public interest entities are defined as entities whose transferrable securities are admitted to trading on a regulated market in the European Union, as well as banks and insurance companies whose transferrable securities are not admitted to trading on a regulated market in the European Union.

ENTITY NAME
AGRICULTURAL BANK OF GREECE A.E. (1)
ALPHA BANK A.E. (1)
ALPHA ASTIKA AKINITA A.E. (1)
ASPIS BANK A.E. (1)
FOURLIS HOLDING A.E. (1)
HALCOR A.E. (1)
IONIKI HOTEL ENTERPRISES A.E. (1)
KARELIA TOBACCO COMPANY INC. A.E. (1)
KLEEMAN HELLAS A.B.E.E. (1)
LAVIPHARM A.E. (1)
MINOAN LINES A.N.E. (1)
RILKEN A.E. (1)
SHELMAN HELLENIC SWISS WOOD PROCESSING INDUSTRY A.E. (1)
VIOHALCOR A.E. (1)
ANTENNA TV A.E. (1)
WIND HELLAS TELECOMMUNICATIONS A.E. (1)
HELLENIC CABLES S.A. (3)
ATTICA BANK A.T.E. (3)
ATE INSURANCE S.A. (3)
ELVAL HELLENIC ALUMINIUM INDUSTRY A.E. (3)
FIRST BUSINESS BANK (2)
MILLENIUM BANK (2)
BAYERISCHE HYPO UND VEREINSBANK (2)
CITIBANK INTERNATIONAL (GREEK BRANCHES) (2)

HSBC BANK PLC (2)

FORTIS BANK (2)

ASPIS INSURANCE BROKERAGE S.A. (2)

ALLIANZ HELLAS INSURANCE COMPANY S.A. (2)

EULER HERMES EMPORIKI CREDIT INSURANCE S.A. (2)

IMPERIO GREEK LIFE INSURANCE COMPANY S.A. (2)

INTERAMERICAN GREEK LOSS INSURANCE COMPANY A.E. (2)

INTERAMERICAN HEALTH A.E.G.A. (2)

INTERAMERICAN ROAD SAFETY GENERAL INSURANCE COMPANY (2)

INTERAMERICAN GREEK LIFE INSURANCE COMPANY A.E. (2)

INTERASCO A.E.G.A. (2)

MUENCHENER HELLAS REINSURANCE SERVICES A.E. (2)

POLY ASSISTANCE & SERVICES A.E. (2)

S.B.A.I. MONDIAL ASSISTANCE (2)

VICTORIA GENERAL INSURANCE A.E. (2)

VICTORIA LIFE INSURANCE COMPANY A.E. (2)

(1) LISTED ENTITY - STATUTORY SEMI-ANNUAL AND ANNUAL AUDIT

(2) NON-LISTED ENTITY - STATUTORY ANNUAL AUDIT

(3) LISTED ENTITY – STATUTORY SEMI - ANNUAL AUDIT

6 Independence practices

To help ensure the firm's independence, the firm, its partners and management group and the personnel assigned to each engagement must be free from financial interests in and prohibited relationships with the client, its management, its directors and its significant owners. The firm monitors compliance with its independence policies through its global integrated, web-based, automated independence compliance system as well as through a compliance audit process.

This system contains an inventory of publicly listed entities and their subsidiaries and the securities they have issued. The firm's audit clients and subsidiaries are marked "restricted" in the system. Before purchasing a security or securing a loan or other financial relationship, professionals must use the independence search engine to determine if the entity is restricted. Partners and managers providing professional services are required to report all of their investments in the global tracking system, which automatically notifies professionals if their investments become restricted.

The firm also requires all professionals to take annual independence training and affirm their independence using an electronic confirmation system. This confirmation is signed upon commencement of employment at the firm, every year thereafter and at key promotions. In addition, the confirmation is used to evidence the individual's compliance with and understanding of the firm's independence policies. Each year, the firm conducts tests, on a sample basis, to confirm compliance by the partners and professionals with personal independence regulations.

The firm has established processes that communicate independence policies and procedures to its personnel. The firm requires adherence to applicable independence requirements and ethical standards, which meet the standards promulgated by the Institute of Certified Auditors and Accountants of Greece, the Accounting and Auditing Standards Oversight Board (ELTE) and the Council of Accounting Standardization (SLOT) and Presidential Decree 226/1992, IFAC, the PCAOB, SEC, AICPA and all other applicable regulatory bodies. These policies and procedures, which cover areas such as personal independence, post employment relationships, partner rotation and approval of audit and non-audit services, are monitored continuously to keep abreast of current developments.

Audit partner rotation

The firm's audit partners are subject to rotation requirements that limit the number of years that audit partners may provide services to a listed entity and its affiliates. The firm's policies are written to comply with specific regulatory requirements, such as the Institute of Certified Auditors and Accountants of Greece, the Accounting and Auditing Standards Oversight Board (ELTE) the IFAC Code of Ethics for Professional Accountants, the U.S. Sarbanes Oxley Act of 2002 and Law 3693/2008 regarding statutory audits. The firm monitors the rotation of partners who provide services to audit clients. This monitoring system also aids in the development of timely transition plans that help the firm deliver consistent quality service to its clients. The process of monitoring and tracking service time and partner rotation is subject to compliance testing as part of national quality performance review processes.

Approval of audit and non-audit services

The lead audit engagement partner approves all audit and non-audit services provided to locally listed audit clients and their affiliates and also obtains pre-approval from the audit committee. The firm's global proprietary system, Sentinel, facilitates compliance with these policies and, at the same time, is used to identify and manage potential conflicts of interest within and across member firms in the KPMG International network. Together with the firm's policies, Sentinel helps the firm resolve any potential conflicts of interest, prevent the provision of prohibited services to audit clients under the local laws relevant to the auditing/accounting profession and the SEC rules and ensure that permitted services are properly pre-approved where required.

7 Financial information

The gross revenues of the firm for the financial year ended 30 June 2009, as shown in the published financial statements, are Euro 14 803 thousand (30 June 2008: Euro 18 684 thousand) analysed as follows:

Segment Reporting for 30 June 2009 and 30 June 2008 (The amounts are in thousands of Euro)

SERVICES	REVENUES 30 JUNE 2009	REVENUES 30 JUNE 2008
STATUTORY AUDIT SERVICES	13 638	17 370
TAX SERVICES	1 088	1 278
OTHER CONSULTING SERVICES	<u>77</u>	<u>36</u>
TOTAL	<u>14 803</u>	<u>18 684</u>

8 Statements

Statement regarding the Internal Quality Control System

During the course of the year ended 30 June 2009 the firm adequately monitored the review of the proper application of an effective internal quality control system through the relevant policies and procedures.

Marios T. Kyriacou
Senior Partner



Statement regarding the Safeguarding of Independence

During the year ended 30 June 2009 the firm adequately monitored the matters relating to the safeguarding of independence during the performance of the statutory audits, adequately applied the relevant procedures and the relevant review was carried out for all the engagements attained during this year.

Marios T. Kyriacou
Senior Partner