Transparency Report 2013

KPMG IRELAND

Contents

Message from our Managing Partner

Welcome to the KPMG Ireland Transparency Report for the year ended 31 December 2013 in which we take the opportunity to share with you the steps we take to uphold our professional obligations and responsibilities, and to explain how we seek to ensure delivery of the highest quality in all our services.

When I took office as Managing Partner in 2013, I set out a vision for our Firm which is one that sees KPMG continue as the benchmark professional services firm in Ireland. Being that benchmark professional services firm requires us to be, amongst other things:

- The Number One Firm by Reputation
- A firm that is Significantly Differentiated by Quality, and
- A firm with the very Best People

At the heart of that vision is quality - quality which maintains and builds further the trust that our stakeholders have in our ability to provide services of the highest quality.

In providing statutory audit services – our partners and our teams are governed by one overarching goal - which is bound up in our public, professional and deep personal interest - that is, to provide audits of the very highest quality. It is the benchmark by which we measure ourselves.

Regulation of the audit profession in Ireland is impacted by domestic and EU regulatory developments and changes over time. In Ireland, the most recently implemented change is the requirement, introduced by the Irish Stock Exchange, for companies traded on the main market, to tender the statutory audit after 10 years or to explain why it has not been tendered. There are EU proposals for significant change that are likely to be implemented in 2016. The EU proposals are complex and include a requirement for mandatory rotation of audits after certain periods (with transitional provisions) and further restrictions on auditors providing certain non audit services to their public interest audit clients. These changes are disruptive and present challenges for the directors of the affected companies and for the audit profession. Our teams will embrace these challenges with enthusiasm and a continuing dedication to quality.

However, while compliance with the increasing level of regulation around audit is necessary, the audit profession must act to ensure that the value of audit, which has been called into question in the last number of years, is re-established. Audit has proven its worth in the past to investors and companies alike but it's time for change – for a revolution in audit thinking and execution.

Historically, the audit profession's conservatism has been a strength. Auditing company accounts has required a cautious approach. Yet now the rapid change in the nature of how companies create value and how investors judge them demands change and innovation from auditors. In many cases, financial statements no longer give sufficient insight into companies' changing fortunes. So audit must evolve to remain relevant as a profession. At a time when investor conference calls may shed more light on the way companies are growing than the financial statements, the audit profession must consider widening the scope of information that it offers assurance over in order to give the investor community – and other stakeholders – what they need. There is already precedent for this in certain capital market transactions – it now needs to be extended further. KPMG Ireland will be at the forefront of innovation in the profession.

It is only right that we continue to be subject to robust audit regulation and strong external challenge from our external audit regulators and we support the legislation passed in 2013 that empowers the government appointed Irish Auditing and Accountancy Supervisory Authority (IAASA) to levy Public Interest Entity auditors to fund IAASA's new oversight responsibilities.

In the last year we have put in place our Public Interest Committee comprised of a majority of external non executive members. This committee will play an important role in overseeing the public interest aspects of all our activities. We greatly appreciate the external challenge and perspective that this additional oversight provides.

We continue to engage with Chartered Accountants Regulatory Board ("CARB") in their review of the 2008 audits of certain Irish banks. We will welcome the completion of this process and the eventual publication of their final report.

This Transparency Report focuses significantly on our audit practice and plays a very important role in helping us to communicate to all of our stakeholders the measures that we take to help to ensure that we deliver high quality audits. But a written report can never replace the additional insight that comes with discussion. So, I would encourage any of our clients, potential clients, audit committee chairs, investors or indeed any other stakeholder group who wishes to discuss any matter set out in this report to contact us. We would be very happy to discuss our approach and views with you.

Shaun Murphy
Managing Partner, KPMG Ireland
31 March 2014

1. Who we are

1.1 Our business

KPMG Ireland is a provider of professional services, offering a range of audit, tax and advisory services to a broad range of domestic and international clients across all sectors of business and the economy. We operate on an all Ireland basis and have 80 partners and 1,900 people in five offices in Dublin, Belfast, Cork and Galway. Full details of all the services we offer can be found on our website www.kpmg.ie.

This is our fourth Transparency Report, published in accordance with the requirements of Statutory Instrument 220 of 2010 and is in respect of our financial year ended 31 December 2013.

1.2 Our strategy

Our strategy is determined by the partners; we have set out our ambition to be the benchmark professional services firm in Ireland. We recognise in doing this that our commitment to quality in everything we do is the most important element of our strategy: our reputation depends on it, as does our ability to achieve all other elements of our strategy. The ability to articulate clearly and consistently what quality means to us, as well as being able to demonstrate how we safeguard the quality of the service we provide, underpins all elements of our strategy.

2. Our structure and governance

2.1 Legal structure

KPMG Ireland operates through a number of partnerships, formed under the Partnership Act 1890 and governed by a formal Partnership Deed, where each partner has one vote. During the year to 31 December 2013 there was an average of 80 partners in KPMG Ireland.

KPMG Ireland is affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law. Further details about KPMG International, including our relationships with it, are available in the 2013 KPMG International Transparency Report.

2.2 Name and ownership

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

Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm's obligations or liabilities.

The current transparency report for KPMG International is available at the following link: www.kpmg.com.

2.3 Governance structure

KPMG Ireland applies high standards of corporate governance and we are totally committed to ensuring that we stay at the forefront of good governance.

Managing Partner

The Managing Partner acts as the chief executive of the firm and manages the firm in accordance with its policies. Executive authority over all partners is vested in the Managing Partner and extends to all areas of the firm, in accordance with the terms of the Partnership Deed. The Managing Partner may consult other partners and in particular, the Policy Committee, the Executive Team and the Executive Council, as considered advisable in relation to matters which are within the power of the Managing Partner but he is not obliged to do so.

The Managing Partner is elected by the partnership and serves a three-year term. A Managing Partner can stand for election for a second three-year term. Any further term requires special approval by the partners. Any partner can put him/herself forward for Managing Partner at each three year interval as long as he/she is nominated by at least eight other partners.

Along with the Managing Partner there are a number of other principal bodies that deal with key aspects of governance within the firm. These are:

- The Policy Committee
- The Executive Team
- The Executive Council
- The Public Interest Committee
- The Remuneration Committee
- The Risk Panel

Details about the roles and responsibilities and composition of each of these key bodies are set out below.

The Policy Committee

The KPMG Ireland Policy Committee is responsible for ensuring that the firm is run in the interests of its partners and employees as a whole and in a manner which is in keeping with the standing and reputation of the firm. It is responsible for all policy decision making with the exception of certain matters which are reserved to the partners as a whole. The Committee's policy decisions are binding on the partnership. In addition, the Policy Committee is responsible for approving the strategy of the firm, overseeing its implementation by the Executive Team, recommending partner candidates to the partnership and considering the firm's overall financial performance.

The Policy Committee is composed of seven people. The Managing Partner is ex-officio Chair of the Policy Committee. Other members are elected by the partnership at an annual election. Members who are elected serve a two-year term and can be then re-appointed for a further two years. Members having served four years are not eligible for election again for two years.

The Committee meets regularly throughout the year. In the year to 31 December 2013 it met 18 times.

The Committee reports to partners at least twice yearly updating them on its activities and the issues it is addressing. Minutes from each meeting are circulated to all partners.

The Executive Team

The KPMG Ireland Executive Team acts as the key management decision making group of the firm in consultation with the firm's Executive Council. The composition of the Executive Team is determined by the Managing Partner for a period that is normally concurrent with, and may not exceed the period of appointment of the Managing Partner. With effect from 1 May, 2013, the Executive Team comprised the Managing Partner, the Head of Audit, the Head of Tax and Legal Services, the Head of Advisory, the three Heads of Markets (Financial Services, Other Sectors and Strategic Pursuits), the Head of Innovation and Knowledge, the Risk Management Partner, the Head of People and Operations, the Head of Finance and Administration and the Secretary to the Executive Team.

The Executive Team is responsible for developing the business plan within the overall strategy set by the Policy Committee, together with its subsequent implementation. It deals with operational matters affecting the firm including operating and financial performance, budgets, new business proposals, marketing, technology development, recruitment, retention and general remuneration.

The Executive Team generally meets fortnightly. It met 19 times during the year to 31 December 2013.

The Executive Council

The KPMG Ireland Executive Council acts as the senior management team of the firm. The Managing Partner appoints the Executive Council for a period that is normally concurrent with, and may not exceed the period of appointment of the Managing Partner. The composition of the Executive Council is such as to ensure appropriate representation from across the business. With effect from 1 May 2013 the Executive Council comprised the Managing Partner, the Head of Audit, the Head of Tax and Legal Services, the Head of Advisory, the three Heads of Markets (Financial Services, Other Sectors and Strategic Pursuits), the Head of Innovation and Knowledge, the fourteen leaders of our main client facing business units in Audit, Tax and Advisory, the Risk Management Partner, the Partner in Charge of our Department of Professional Practice, the Head of People and Operations, the Head of Finance and Administration and the Secretary to the Executive Council.

The Executive Council is responsible for implementation of the firm's business plan and for ensuring that the views of the firm's main business units and the needs of all our people are appropriately reflected in the key management decisions of the firm proposed by the Executive Team.

The Executive Council generally meets quarterly. It met 3 times during the year to 31 December 2013.

The Public Interest Committee

The Public Interest Committee ("PIC") was established in Autumn 2013 to respond to the Audit Firm Governance Code promoted by our regulator CARB.

The PIC comprises three externally appointed members along with the Managing Partner and the Risk Management Partner. It is supported by a partner who acts as Secretary to the committee.

The PIC is responsible for overseeing the public interest aspects of decision making of KPMG Ireland including the management of reputational risks. The Committee's focus is primarily on the firm's governance, risk, quality and oversight structures. Through its work the Committee will assist in building public confidence in the quality control structures that the firm has in place to ensure we properly consider our broader public accountability in delivering our services.

Acting in the public interest involves having regard to the legitimate interests of clients, government, financial institutions, employers, employees, investors, regulators, the business and financial community and others who rely upon the objectivity and integrity of the auditing profession. The PIC may also participate, together with Audit Leadership, in dialogue with external stakeholders, in particular representatives of shareholders in public interest entities audited by KPMG Ireland.

Three independent Non-Executives ("INEs") were appointed to the PIC during 2013. The profiles of the INEs, Pat Cox (Chairman), Frances Ruane and Timothy O'Connor, are included in Appendix 3 of this report. In February 2014 Timothy O'Connor resigned from the PIC and will be replaced in the coming months. The Public Interest Committee will generally meet quarterly. It met once during the year to 31 December 2013.

The Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration of each partner on an annual basis following a detailed review of each partner's contribution over the year. Each partner submits a written appraisal to the Remuneration Committee detailing his/her own view of performance against objectives over the previous year. The Committee hears a report from each partner's Counselling Partner on his/her individual performance for the year. Finally, as part of its deliberations the Remuneration Committee also receives and considers presentations from the Heads of Audit, Tax and Legal Services, Advisory and Markets and the Risk Management and People and Operations Partners setting out an assessment of the quality of work performed by partners during the year under review. The Remuneration Committee details its findings and its recommendation in relation to profit allocations in a report at the end of the review process which is then circulated to all partners for their approval before the profit allocations of the previous year are finalised.

The Remuneration Committee is chaired by the Managing Partner. Other members of the Committee are elected by the partner group annually. The Committee met 20 times in the year ended 31 December 2013.

Further information regarding partner remuneration is set out in Section 5 and 9.

The Risk Panel

The role of the Risk Panel is to consider specific professional risk management issues on a case by case basis as matters arise. The Risk Panel is comprised of the Managing Partner, the Risk Management Partner, the Tax Risk Management Partner, the Heads of Audit, Tax and Legal Services and Advisory and three other Partners selected from across the partnership.

3. System of audit quality control

KPMG International has policies of quality control that apply to all member firms. These policies are based on the International Standard on Quality Control (ISQC) issued by the International Auditing and Assurance Standards Board (IAASB), and the code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), relevant to firms that perform statutory audits and other assurance and related services engagements. These policies and associated procedures are designed to guide member firms in complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances.

Our firm implements KPMG International policies and procedures and adopts additional systems of quality control that are designed to meet the rules and standards issued by CARB and other relevant regulators as well as local legal and other requirements.

KPMG International's policies reflect individual quality control elements to help our people act with integrity and objectivity, perform their work with diligence, and comply with applicable laws, regulations, and professional standards.

Quality control and risk management are the responsibility of all KPMG personnel. This responsibility includes the need to understand and adhere to member firm policies and associated procedures in carrying out their day-to-day activities.

While many KPMG quality control processes are cross-functional, the primary focus of the Transparency Report requirements relate to audit. This section focuses on what we do to ensure the delivery of quality audits.

At KPMG audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought and integrity behind the audit report. We view the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. This means, above all, being independent and compliant with relevant legal and professional requirements.

To help all audit professionals concentrate on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our Global Audit Quality Framework. Our Framework introduces a common language that is used by all KPMG member firms to describe what we believe drives audit quality, and to highlight how every audit professional at KPMG contributes to the delivery of audit quality.

The Audit Quality Framework identifies seven drivers of audit quality:

- Tone at the top
- Association with the right clients
- Clear standards and robust audit tools
- Recruitment, development and assignment of appropriately qualified professionals
- Commitment to technical excellence and quality service delivery
- Performance of effective and efficient audits
- Commitment to continuous improvement

Tone at the top sits at the core of the Audit Quality Framework's seven drivers of audit quality and helps ensure that the right behaviours permeate across our entire network. All of the other key aspects of our system of quality control then operate within a virtuous circle, with each driver of the model reinforcing the others. Each of these key drivers of our quality control system is described in more detail in the following sections of this report.

3.1 Tone at the Top

Our leadership clearly demonstrates and communicates their commitment to quality, ethics and integrity.

KPMG's tone at the top provides a clear focus on quality through:

- Culture, values, and our code of conduct – clearly stated and demonstrated in the way we work
- Focused and well-articulated strategy – incorporating quality at all levels
- Standards set by leadership
- Governance structure and clear lines of responsibility for quality, with skilled and experienced people in the right positions to influence the quality agenda

Integrity is a critical characteristic that our stakeholders expect and rely on. It is also the key KPMG Core Value – Above all, we act with Integrity.

For us, integrity means constantly striving to uphold the highest professional standards in our work, providing sound good quality advice to our clients and rigorously monitoring our independence. Our values, which have been explicitly codified now for a number of years, are embedded in our working practices in KPMG. For example, they are considered in the performance appraisal process that our people follow and adherence to these values is also reviewed when our people are considered for more senior promotions, including to partner. Our core values are set out in Appendix 4.

This commitment underlies our values-based compliance culture where individuals are encouraged to raise their concerns when they see behaviours or actions that are inconsistent with our values or professional responsibilities.

Our Code of Conduct incorporates our core values and addresses the commitments that we make as well as the responsibilities of our people at all levels across our firm. Our Code of Conduct was updated in 2013 to reflect changes in law, regulations and professional ethics.

A KPMG International Hotline is available for KPMG personnel, clients, and other parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, those who work for KPMG International, or the senior leadership of a KPMG member firm.

Tone at the top sits at the core of the Audit Quality Framework and ensures the right behaviours permeate our entire network.

3.1.1 Leadership responsibilities for quality and risk management

While we stress that all professionals are responsible for quality and risk management, the following individuals have leadership responsibilities.

Managing Partner

In accordance with the principles in ISQC1, our Managing Partner, Shaun Murphy, has assumed ultimate responsibility for KPMG Ireland's system of quality control.

The three heads of function – Audit, Tax and Legal Services and Advisory – are primarily accountable for the quality of service delivered in their respective functions. Each is supported by an executive team of partners who, together with the head of function, are responsible for the operation of the risk management, quality assurance and monitoring procedures for their specific functions set by the firm's policies and the Risk Management Partner. These procedures reinforce the fundamental principle that, on each individual engagement, quality is ultimately the responsibility of each and every professional.

Risk Management Partner

Operational responsibility for the system of quality control, risk management and compliance has been delegated to the Risk Management Partner who reports directly to the Managing Partner and is a member of the Executive Team which underlines the importance that our firm places on risk and quality. He is responsible for setting overall professional risk management and quality control policies and monitoring compliance.

The Risk Management function is responsible for establishing policies and procedures in relation to ethics, compliance and independence, and is also responsible for monitoring compliance with these policies and procedures.

Department of Professional Practice (DPP)

The DPP function is responsible for providing support to the firm's professionals in meeting their professional responsibilities in the areas of accounting, reporting, auditing and attestations standards, and advisory services. It is led by the DPP Partner and is comprised of a team of senior and experienced professionals with the technical expertise necessary to support client teams on the interpretation and application of auditing, accounting and regulatory requirements.

The DPP and Risk Management functions are involved in the internal monitoring procedures described in Section 7.

3.2 Association with the right clients

3.2.1 Acceptance and continuance of clients and engagements

Rigorous client and engagement acceptance and continuance policies and processes are vitally important to our ability to provide quality professional services and to protect KPMG's reputation and support its brand.

Accordingly, KPMG International has established policies and procedures which all member firms have implemented in order to decide whether to accept or continue a client relationship, and whether to perform a specific engagement for that client.

3.2.2 Prospective client and engagement evaluation process

Before accepting a client, we undertake an evaluation of the prospective client. This involves an assessment of its principals, its business, and other service-related matters. This also involves background checks on the prospective client, its key management and beneficial owners. A key focus is on the integrity of management at a prospective client. A second partner, as well as the evaluating partner, approves the prospective client evaluation. Where the client is considered to be 'high risk' the Risk Management Partner is involved in approving the evaluation.

Each prospective engagement is also evaluated. The prospective engagement partner evaluates a prospective engagement in consultation with other senior personnel and involves a review by quality and risk management leadership as required. A range of factors is considered as part of this evaluation including potential independence and conflict of interest issues (using Sentinel™, KPMG International's propriatory global conflicts and independence checking system) as well as a range of factors specific to the type of engagement, including for audit services, the competence of the client's financial management team.

Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional procedures including a review of any non-audit services provided to the client and of other relevant relationships.

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are documented and resolved prior to acceptance.

Our firm will decline a prospective client or engagement if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional and firm standards, or there are other quality and risk issues that cannot be appropriately mitigated.

Section 4 provides more information on our independence and conflict checking policies.

3.2.3 Continuance process

An annual re-evaluation of all audit clients is undertaken. In addition, clients are re-evaluated earlier if there is an indication that there may be a change in their risk profile. Recurring or long running engagements are also subject to re-evaluation.

This re-evaluation serves two purposes. Firstly our firm will decline to act for any client where we are unable to deliver to our expected level of quality or if we consider that it would not be appropriate to continue to be associated with the client. More commonly we use the re-evaluation process to consider whether or not any additional risk management or quality control procedures need to be put in place for the next engagement (this would include the assignment of professionals or the need to involve additional specialists on the audit).

3.2.4 Client portfolio management

Our leadership allocates engagement partners that have the appropriate competence, capabilities, time and authority to perform the role.

Each audit partner's client portfolio is regularly reviewed to ensure that they have sufficient time to manage the portfolio and to ensure that the risks are being appropriately managed.

3.3 Clear standards and robust audit tools

Professional practice, risk management and quality control are the responsibilities of every KPMG professional. We expect our professionals to adhere to the clear policies and procedures (including independence policies) we set and we provide a range of tools to support them in meeting these expectations. The policies and procedures we set for audit incorporate the relevant requirements of accounting, auditing, ethics, and quality control standards, and other relevant laws and regulations.

3.3.1 Audit methodology and tools

We dedicate significant resources to keeping our standards and tools complete and up to date. Our global audit methodology, developed by the Global Service Centre (GSC), is based on the requirements of International Standards on Auditing (ISAs). The methodology is set out in the KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs where KPMG believes these enhance the quality of our audits. KPMG member firms may also add local requirements and/or guidance in KAM to comply with additional professional, legal or regulatory requirements.

Our audit methodology is supported by eAudIT, KPMG's electronic audit tool, which provides auditors worldwide with the methodology, guidance, and industry knowledge needed to perform efficient, high-quality audits. eAudIT has been deployed to all audit professionals in our firm.

eAudIT's activity-based workflow provides engagement teams with ready access to relevant information at the right time throughout the audit, thereby enhancing effectiveness and efficiency and delivering value to our stakeholders. The key activities within the eAudIT workflow are:

1. Engagement setup

- Engagement acceptance and scoping
- Team selection and timetable

2. Risk assessment

- Understand the entity
- Identify and assess risks
- Plan for involvement of specialists and external experts, internal audit, service organisations and other auditors as required
- Evaluate design and implementation of relevant controls
- Risk assessment and planning discussion
- Determine audit strategy and planned audit approach

3. Testing

- Test operating effectiveness of selected controls
- Plan and perform substantive procedures

4. Completion

- Update risk assessment
- Perform completion procedures, including overall review of financial statements
- Perform overall evaluation, including evaluation of significant findings and issues
- Communicate with those charged with governance (e.g. the audit committee)
- Form the audit opinion

KAM contains, among other things, procedures intended to identify and assess the risk of material misstatement and procedures to respond to those assessed risks. Our methodology encourages engagement teams to exercise professional skepticism in all aspects of planning and performing an audit. The methodology encourages use of specialists when appropriate and also requires use of relevant specialists in the core audit engagement team when certain criteria are met.

KAM includes the implementation of quality control procedures at the engagement level that provide us with reasonable assurance that our engagements comply with the relevant professional, legal, regulatory and KPMG requirements.

The policies and procedures set out in KAM are specific to audits and supplement the policies and procedures set out in the Global Quality and Risk Management manual that is applicable to all KPMG member firms, functions and personnel. The provisions of International Standard of Quality Control 1 (ISQC-1) are addressed through KAM and through our implementation of the Global Quality and Risk Management manual.

4. Independence, integrity, ethics and objectivity

4.1 Overview

We have adopted the KPMG Global Independence Policies which are derived from the IESBA Code of Ethics and incorporate, as appropriate, U.S Securities and Exchange Commission ("SEC"), US Public Company Accounting Oversight Board ("PCACB") and other applicable regulatory standards. These policies are supplemented by other processes to ensure compliance with the standards issued by Chartered Accountants Ireland. These policies and processes cover areas such as firm independence (covering for example treasury and procurement functions), personal independence, post-employment relationships, partner rotation, and approval of audit and non-audit services.

The designated Ethics and Independence Partner (EIP) is also the Risk Management Partner and is supported by a core team of specialists to help ensure that we apply robust and consistent independence Policies, processes and tools. Ethics and Independence Policies are set out in our intranet hosted Quality and Risk Management Manual which contains all our independence policies, and is reinforced through the issue of Alerts and an annual training program. Amendments to the ethics and independence policies in the course of the year are communicated through the use of e-mail practice alerts and incorporated in regular risk and quality communications.

To help ensure ethical conduct, including integrity and independence, our firm, and its personnel must be free from prohibited financial interests in, and prohibited relationships with, the network's audit clients, their management, directors, and significant owners.

In the event of failure to comply with relevant independence policies, whether identified in our rolling compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. Matters arising are factored into promotion and compensation decisions and, in the case of partners, are also reflected in their individual quality and risk metrics.

4.2 Personal independence

KPMG International policy extends the IESBA Code of Ethics restrictions on ownership of audit client securities to every member firm partner in respect of any audit client of any member firm.

Our professionals are responsible for making appropriate inquiries to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes. In common with other member firms of KPMG International, we use a web-based independence tracking system to assist our professionals in their compliance with personal independence investment policies. This system contains an inventory of publicly available investment products. Partners and managers are required to use this system prior to entering into an investment to identify whether they are able to do so. They are also required to maintain a record of all of their investments in the system, which automatically notifies them if their investments subsequently become restricted. Our firm monitors compliance with this requirement through performing regular audits of a sample of partners and managers.

Any professional providing services to an audit client is also required to notify the Ethics and Independence Partner if they intend to enter into employment negotiations with an audit client.

4.3 Independence training and confirmations

Our firm provides all relevant personnel (including all partners and client service professionals) with annual independence training appropriate to their grade and function and to provide all new personnel with relevant training when they join.

All personnel are required to sign an independence confirmation upon commencement of employment. Thereafter, professionals are required to provide an annual confirmation that they have remained in compliance with applicable ethics and independence policies throughout the period. This confirmation is used to evidence the individual's compliance with and understanding of our firm's independence policies.

4.4 Firm financial independence

Our firm monitors a record of its investments (made for example through pension plans and treasury activities) in the web based independence tracking system. This record is monitored through our compliance process.

4.5 Audit engagement leader rotation

Audit engagement leaders are subject to periodic rotation of their responsibilities for audit clients under applicable laws and regulations and independence rules. These limit the number of years that engagement leaders in certain roles may provide audit services to an audit client. KPMG rotation policies are consistent with the IESBA Code of Ethics and require our firm to comply with any stricter applicable rotation requirements. Our firm monitors the rotation of audit engagement leaders, which also assists them to develop transition plans that help them to deliver a consistent quality of service to clients. The rotation monitoring is subject to compliance testing.

4.6 Non-audit services

Our firm has policies as to the scope of services that can be provided to audit clients which are consistent with both IESBA principles and Chartered Accountants Ireland regulations. Our policies require the consideration by the lead audit engagement partner of the threats arising from the provision of non-audit services and the safeguards available to address those threats.

KPMG International's proprietary system, Sentinel™, facilitates compliance with these policies. Lead audit engagement partners are required to maintain group structures for our publicly traded and certain other audit clients and their affiliates in the system. Every engagement intended to be entered into by any KPMG member firm in our network is required to be included in the system prior to starting work. The system then enables lead audit engagement partners for restricted entities to review and approve, or deny, any proposed service wherever in the world the service is proposed to be provided and wherever the member firm is based.

In accordance with applicable auditor independence rules, none of our audit partners or members of the audit team are compensated for their success in selling non-audit services to their audit clients.

4.7 Fee dependency

KPMG International's policies recognise that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the operating firm expressing the audit opinion.

In particular, these policies require that in the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10% of the total fees received by a particular member firm for two consecutive years, a senior partner from another operating firm would be appointed as the engagement quality control reviewer. Also, this would be disclosed to those charged with governance at the audit client.

No audit client accounted for more than 10% of the total fees received by our firm over the last two years.

4.8 Business relationships/suppliers

Our firm has policies and procedures in place that are designed to ensure that business relationships are maintained in accordance with the IESBA Code of Ethics and Chartered Accountants Ireland requirements. Compliance with these policies and procedures is reviewed periodically.

4.9 Conflicts of interest

Conflicts of interest may prevent our firm from accepting or continuing an engagement. Sentinel™ is also used to identify and manage potential conflicts of interest within and across member firms. Any potential conflict issues identified are resolved in consultation with other parties as applicable, and the resolution of all matters is documented. If a potential conflict issue cannot be resolved, the engagement is declined or terminated.

It may be necessary to apply specific procedures to manage the potential for a conflict of interest to arise or be perceived to arise so that the confidentiality of all clients' affairs is maintained. Such procedures may, for example, include establishing formal dividers between engagement teams serving different clients and making arrangements to monitor the operation of such dividers.

4.10 Compliance with laws, regulations and anti-bribery and anti-corruption

Our firm provides anti-bribery and anti-corruption training to all client facing partners and employees as well as certain other member firm personnel. Training covering compliance with laws, regulations and professional standards is required to be completed by client facing professionals at a minimum of once every two years, with new hires completing such training within three months of joining our firm. In addition, certain non-client-facing personnel who work in finance, procurement or sales and marketing departments, and who are at manager level and above, are also required to participate in anti-bribery training.

5. Quality audit teams

One of the key drivers of quality is ensuring the assignment of professionals with the skills and experience appropriate to the client. This requires recruitment, development, promotion and retention of our professionals and robust capacity and resource management processes.

We monitor quality incidents for the purposes of partner assignments and also for the purposes of partner evaluation, promotion and remuneration.

5.1 Recruitment

All candidates applying for professional positions are required to submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews, psychometric and ability testing, and qualification/reference checks.

Upon joining our firm, new personnel are required to participate in a comprehensive on-boarding program, which includes training in areas such as ethics and independence and quality and risk management principles. This also includes ensuring that any issues of independence or conflicts of interest are addressed before the individual can commence as a partner or employee with the firm.

5.2 Personal development

It is important that all professionals have the necessary business and leadership skills to be able to perform quality work in addition to technical skills (see section 5.7).

In relation to audit we provide opportunities for professionals to develop and maintain the skills, behaviours and personal qualities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership and business skills. We further develop our people for high performance through coaching and mentoring on the job, country rotational, global mobility opportunities and client secondments.

5.3 Performance evaluation and compensation

All professionals, including partners, undergo annual goal-setting and performance evaluations. Each professional is evaluated on his or her attainment of agreed-upon goals, demonstration of the KPMG behaviours for his or her level, and adherence to the KPMG values. These evaluations are conducted by performance managers and partners who are in a position to assess their performance and award a performance rating. This is achieved through our global performance management process, which is supported by a web-based application.

KPMG is committed to the career development of its people. To support this, the Global Performance, People and Culture group has designed a behavioural capability framework which is being adopted in member firms around the world. This framework, combined with development initiatives in areas such as coaching and mentoring, will support our people in enhancing their skills, maximising their performance, and reaching their full potential.

Compensation and promotion

Our firm has compensation and promotion policies that are linked to the performance evaluation process so that our people know what is expected of them. Our compensation policies do not permit audit partners or members of the audit team to be compensated for the sale of non-audit services to their audit clients.

5.4 Partner admissions

Our process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. The procedure includes a business case and a personal case for the individual candidate. We use criteria for admission to the partnership that are consistent with a commitment to professionalism and integrity, quality, and being an employer of choice. The criteria are strongly aligned to KPMG's behavioural capabilities and are based on consistent principles to help achieve quality in our partner admissions. All recommendations for admission to partnership of KPMG Ireland need to be approved by the partners.

5.5 Assignment

Our firm has procedures in place to assign both the engagement leaders and other professionals to a specific engagement by evaluating his or her skills, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the process for allocating particular engagement leaders to clients.

Audit engagement leaders are required to be satisfied that their engagement teams have appropriate competencies and capabilities to perform audit engagements in accordance with KAM, professional standards and applicable legal and regulatory requirements. This may include involving KPMG's local and global specialists.

When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner's considerations may include the following:

- an understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
- an understanding of professional standards and legal and regulatory requirements
- appropriate technical skills, including those related to relevant information technology and specialised areas of accounting or auditing
- knowledge of relevant industries in which the client operates
- ability to apply professional judgment, and
- an understanding of quality control policies and procedures

5.6 Commitment to technical excellence and quality service delivery

We provide all professionals with the technical training and support they need, including access to networks of specialists and professional practice departments ("DPP"), or equivalent which are made up of senior professionals with extensive experience in audit, reporting and risk management, either to provide resources to the engagement team or for consultation.

At the same time we use our audit accreditation and licensing policies to require professionals to have the appropriate knowledge and experience for their assigned engagements. Our structure enables our engagement teams to apply their business understanding and industry knowledge to deliver valued insights and to maintain audit quality.

5.7 Technical training

In addition to personal development discussed at 5.2 our policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

Audit Learning and Development steering groups at the global, regional and local levels identify annual technical training priorities for development and delivery using a blend of classroom, e-learning and virtual classroom. Audit Learning and Development teams' work with subject experts and leaders from GSC, the International Standards Group (ISG) and Department of Professional Practice (DPP) to ensure the training is of the highest quality, relevant to performance on the job and is delivered on a timely basis.

5.8 Accreditation and licensing

All KPMG professionals are required to comply with applicable professional license rules in the jurisdiction where they practice.

Our firm is responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge and experience in the local predominant financial reporting framework.

In addition, we have specific accreditation requirements for partners and managers working on IFRS engagements, US Generally Accepted Accounting Practice engagements, US Generally Accepted Auditing Standards engagements, and SEC engagements performed outside of the US. These require that the partner, manager, and engagement quality control reviewer have sufficient training and experience in the relevant reporting framework.

Our firm requires that all Audit professionals are also required to maintain accreditation with their professional bodies and satisfy the Continuing Professional Development requirements of such bodies (at a minimum, professionals comply with IESBA requirements and Chartered Accountants Ireland requirements). Our policies and procedures are designed to ensure that those individuals that require a license to undertake their work are appropriately licensed.

5.9 Access to specialist networks

Our engagement teams have access to a network of local and global specialists in KPMG member firms. Engagement partners are responsible for ensuring that their engagement teams have the appropriate resources and skills.

The need for specialists (e.g. Information Technology, Tax, Treasury, Pensions, Forensic, Valuation) to be assigned to a specific audit engagement is considered as part of the audit engagement acceptance and continuance process as well as during the risk assessment and planning stage of each audit.

5.10 Consultation

Internal consultation is a fundamental contributor to quality and is mandated in certain circumstances and always encouraged.

Our firm provides appropriate consultation support to audit engagement professionals through professional practice resources that includes DPP.

Across our firm, the Role of DPP is crucial in terms of the support that it provides to the Audit Function. It provides technical guidance to client service professionals on specific engagement related matters, develops and disseminates specific topic related guidance on emerging local technical and professional issues and disseminates international guidance on IFRS and ISAs.

Specific guidance is issued to assist teams in areas of significant judgement including topics such as use of fair values, impairment testing, pension assumptions and the appropriateness of going concern disclosures where significant uncertainties exist. To assist audit engagement professionals in addressing difficult or contentious matters, we have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues.

Consultation with a team member at a higher level of responsibility than either of the differing parties usually resolves such differences. In other circumstances, the matter may be elevated through the chain of responsibility for resolution by technical specialists. In exceptional circumstances, a matter may be referred to the Head of Audit, the DPP Partner, the Risk Management Partner, or ultimately the Managing Partner.

Technical support available to our firm also includes the International Standards Group (ISG) as well as (for work on SEC foreign registrants) the U.S. Capital Markets Group based in London and New York.

The ISG works with Global IFRS and ISA topic teams with geographic representation from around the world to promote consistency of interpretation of IFRS between member firms, identify emerging issues and develop global guidance on a timely basis.

5.11 Developing business understanding and industry knowledge

A key part of engagement quality is having a detailed understanding of the client's business and industry.

For significant industries global audit sector leads are appointed to support the provision of relevant industry information to audit professionals. A key element of this industry information is the provision of industry knowledge within eAudIT. This knowledge comprises examples of industry audit procedures and other information (such as typical risks and accounting processes). In addition industry overviews are available which provide general and business information in respect of particular industries as well as a summary of the industry knowledge provided in eAudIT.

6. Performance of effective and efficient audits

We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality enhance the quality of the engagement team's performance during the conduct of every audit.

We expect our people to demonstrate certain key behaviours in the performance of effective and efficient audits. These behaviours are discussed below.

6.1 KPMG audit process

As set out in section 3.3, our audit workflow is enabled in eAudIT. The key behaviours that our auditors apply throughout the audit process to deliver effective and efficient audits are:

- timely partner and manager involvement
- critical assessment of audit evidence
- exercise of professional judgment and professional skepticism
- ongoing mentoring and on-the-job coaching, supervision and review
- appropriately supported and documented conclusions
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review)
- clear reporting of significant findings
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy

6.2 Timely partner and manager involvement

To help identify and respond to the significant audit risks applicable to each audit, the engagement team requires an understanding of the client's business, its financial position and the environment in which it operates.

The engagement leader is responsible for the overall quality of the audit engagement and therefore for the direction, supervision and performance of the engagement.

The engagement leader is a key participant in the planning meetings, reviews key audit documentation – especially documentation relating to significant risks and key audit judgments – and is responsible for the final audit opinion. The engagement manager assists the partner in these responsibilities and in the day to day liaison with the client and team.

Involvement and leadership from the engagement leader early in the audit process helps set the appropriate scope and tone for the audit and helps the engagement team obtain maximum benefit from the partner's experience and skill. Timely involvement of the engagement leader at other stages of the engagement allows the engagement leader to identify and appropriately address matters important to the engagement, including critical areas of judgement, significant risks and other areas the engagement partner considers important.

6.3 Critical assessment of audit evidence with emphasis on professional skepticism

We consider all audit evidence obtained during the course of the audit, including consideration of contradictory or inconsistent audit evidence. The nature and extent of the audit evidence we gather is responsive to the assessed risks. We recognise that audit evidence obtained from external sources tends to be more persuasive. The analysis of the audit evidence requires each of our team members to exercise professional judgment and maintain professional skepticism to obtain sufficient appropriate audit evidence.

Professional skepticism involves a questioning mind and alertness to contradictions or inconsistencies in audit evidence. Professional skepticism features prominently throughout auditing standards and receives significant focus from regulators. Our Audit Quality Framework emphasises the importance of maintaining an attitude of professional skepticism throughout the audit.

We have developed a professional judgment process that provides audit professionals with a structured approach to making judgments.

Our professional judgement process has professional scepticism at its heart. It recognises the need to be alert to biases which may pose threats to good judgement, to consider alternatives, to critically assess audit evidence by challenging management's assumptions and following up contradictory or inconsistent information and to document rationale for conclusions reached on a timely basis as a means of testing their completeness and appropriateness.

6.4 Ongoing mentoring and on the job coaching, supervision and review

We understand that skills build over time and through exposure to different experiences. To invest in the building of the skills and capabilities of our professionals, without compromising on quality, we use a continuous learning environment. We support a coaching culture throughout KPMG as part of enabling personnel to achieve their full potential.

Ongoing mentoring and on-the-job coaching and supervision during an audit includes:

- engagement partner participation in planning discussions
- tracking the progress of the audit engagement
- considering the competence and capabilities of the individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the engagement
- helping engagement team members address any significant matters that arise during the audit, and modifying the planned approach appropriately
- identifying matters for consultation with more experienced team members during the engagement

A key part of effective supervision is timely review of the work performed so that significant matters are promptly identified and addressed.

6.5 Appropriately supported and documented conclusions

Audit documentation records the audit procedures performed, evidence obtained and conclusions reached on significant matters on each audit engagement. Our policies require review of documentation by more experienced engagement team members.

Our methodology recognises that documentation prepared on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before our report is finalised. Teams are required to assemble a complete and final set of audit documentation for retention within an appropriate time period, which is ordinarily not longer than 60 days from the date of the audit report.

A key principle that engagement team members are required to consider is whether an experienced auditor, having no previous connection with the engagement, reviewing the audit documentation sometime in the future will understand the nature, timing, and extent of audit procedures performed to comply with ISAs; applicable legal and regulatory requirements, the results of the procedures performed and the audit evidence obtained; significant findings and issues arising during the audit, and actions taken to address them (including additional audit evidence obtained); the basis for the conclusions reached, and significant professional judgements made in reaching these conclusions.

6.6 Appropriate involvement of the Engagement Quality Control reviewer (EQC review)

EQC reviewers have appropriate experience and knowledge to perform an objective review of the decisions and judgments made by the audit team. They are experienced audit professionals who are independent of the engagement team and are required to be involved at several stages throughout the audit. They offer an objective review of the more critical and judgmental elements of the audit.

An EQC reviewer is required to be appointed for the audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements as designated by the Risk Management Partner, the DPP Partner or country head of audit. Before the member firm issues its audit report, these individuals review:

- selected audit documentation and client communications
- the appropriateness of the financial statements and related disclosures
- the significant judgments the engagement team made and the conclusions it reached with respect to the audit

The audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved.

We are continually seeking to strengthen and improve the role that the EQC review plays in audits, as this is a fundamental part of the system of audit quality control. We have taken a number of actions over the last year to reinforce this, including:

- issuing guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQC reviewers
- incorporating specific procedures in eAudIT to facilitate effective reviews

6.7 Clear Reporting of significant findings

Auditing standards and Company Law largely dictate the format and content of the audit report that includes an opinion on the fair presentation in all material respects of the client's financial statements. Experienced auditors arrive at all audit opinions, after involvement in and review of the work performed by the audit team.

We provide extensive reporting guidance and technical support to audit partners in preparing audit reports, where there are significant matters to be reported to users of the audit report, either as a qualification to the audit report or through the inclusion of an emphasis of matter paragraph.

We have also continued to engage directly with the Central Bank in relation to meetings that are governed by the Auditor Protocol which has been widened now to other entities. We continue to work with the Central Bank in relation to the provision of Auditor Assurance on systems of Internal Governance with high impact credit institutions and insurance undertakings. It is hoped that these arrangements will be in place to enable us to provide this level of Assurance in respect of 31 December 2014 year-ends.

6.8 Insightful, open and honest two-way communication with those charged with governance

Two-way communications with those charged with governance at our clients are key to audit quality. Often the audit committee will be the body identified as those charged with governance. We stress the importance of keeping those charged with governance informed of issues arising throughout the audit and of understanding their views. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and ongoing discussions with members of the audit committee.

We deliver insights such as our assessment of the appropriateness of significant accounting practices including accounting policies, accounting estimates judgements and financial statement disclosures, significant deficiencies in the design and operation of financial reporting systems and controls when such deficiencies come to our attention during the course of the audit, and any uncorrected misstatements. We share our industry experience to encourage discussion and debate with those charged with governance.

6.9 Focus on effectiveness of group audits

Our audit methodology covers the conduct of group audits in detail. We stress the importance of effective two-way communication between the group engagement team and the component auditors, which is a key to audit quality.

We work effectively with component auditors. The group audit engagement partner is required to evaluate the competence of component auditors, whether they are KPMG member firms or not, as part of the engagement acceptance process.

Our audit methodology incorporates the heightened attention currently being given to key risk areas for group audits, for example, emerging markets and business environments that may be subject to heightened fraud risks.

6.10 Client confidentiality, information security and data privacy

We are committed to providing a secure and safe environment for the personal data and confidential information we hold, as well as protecting the privacy of our clients, service providers and other third parties.

The importance of maintaining client confidentiality is emphasised through a variety of mechanisms including the Code of Conduct, training, and the annual confirmation process, that all of our professionals are required to complete.

Our security requirements are set out in the Global Information Security Policies and Standards published by KPMG International. Compliance monitoring against these standards and policies is carried out through our internal information security audit programme and is supplemented by annual checks by the Global Information Risk and Security Office.

As part of these Global requirements, the Firm has a National IT Security Officer (NITSO), with the necessary authority, skills and experience to lead the information security function. Our NITSO is in charge of our information security programme and works closely with Quality and Risk Management. The NITSO also reports to IT Senior Management and also to the Global IT Security Officer and Global Head of Information Protection.

We have a formal document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with the relevant IESBA rules as well as other applicable regulatory bodies' standards and regulations.

Our firm has clear policies on information security that cover a wide range of areas. Data Privacy policies are in place governing the handling of personal information, and associated training is required for all KPMG personnel.

7. Commitment to continuous improvement

We focus on ensuring our work continues to meet the needs of participants in the capital markets. To achieve this goal, we employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Additionally, we have processes in place to proactively identify emerging risks and to identify opportunities to improve quality and provide insights.

7.1 Internal monitoring

KPMG International has an integrated monitoring program that covers all member firms to assess the relevance, adequacy, and effective operation of key quality control policies and procedures. This monitoring addresses both engagement delivery and important KPMG International policies and procedures. The results and lessons from the programs are communicated within each member firm, and the overall results and lessons from the programs are considered at regional and global levels.

Our monitoring procedures involve ongoing consideration of:

- compliance with KPMG International policies and procedures
- the effectiveness of training and other professional development activities
- compliance with applicable laws and regulations as well as our standards, policies, and procedures

We use two formal internal inspection programs conducted annually across the Audit, Tax and Legal Services, and Advisory functions, the Quality Performance Review Program (QPR) and the Risk Compliance Program (RCP). Both programs are developed and administered by KPMG International.

Additionally all member firms are covered once in a three-year cycle by cross-functional Global Compliance Reviews (GCRs) performed by reviewers in the Global Compliance Group who are independent of the member firm and report to Global Quality & Risk Management. These programs are designed by KPMG International and participation in them is a condition of ongoing membership of the KPMG network.

Quality Performance Reviews (QPRs)

The QPR Program is the cornerstone of our efforts to monitor engagement quality and one of our primary means of ensuring that member firms are collectively and consistently meeting both KPMG International's requirements and applicable professional standards. The QPR Program assesses engagement level performance in the Audit, Tax and Legal Services, and Advisory functions and identifies opportunities to improve engagement quality. All engagement leaders are generally subject to selection for review at least once in a three year cycle. The reviews are tailored to the relevant function, performed at a member firm level, generally overseen by a Lead Reviewer from outside the member firm, and are monitored regionally and globally. We perform a root cause analysis for pervasive issues. Remedial action plans for all significant deficiencies noted are required at an engagement and operating firm level. We disseminate our findings from the QPR program to our professionals through written communications, internal training tools, and periodic partner, manager and staff meetings. These areas are also emphasised in subsequent inspection programs to gauge the extent of continuous improvement.

Audit Engagement Partners are notified of less than satisfactory engagement ratings on their respective cross-border engagements. Additionally, engagement partners of global audit accounts are notified where a subsidiary of their global account is audited by a member firm where quality issues have been identified during the Audit QPR.

Risk Compliance Program (RCP)

The RCP is a member firm's annual self-assessment program. The objectives of the RCP are to monitor, assess, and document firm-wide compliance with the system of quality control established through KPMG International's quality and risk management policies and applicable legal and regulatory requirements as they relate to the delivery of professional services. The program is overseen and monitored regionally as well as globally.

Global Compliance Review Programs (GCRs)

GCRs are performed by reviewers external to the member firm led by the Global Compliance Group and are carried out over a three-year cycle. These reviews focus on significant governance, risk management and independence and finance processes (including an assessment of the robustness of the firm's RCP Program). In the event that a GCR identifies significant issues that require immediate or near-term attention, a follow-up review will be performed as appropriate.

All three programs require action plans to address identified issues, with timelines, to be developed by the member firm, and these actions to improve performance are followed up at the regional and global level to ensure that the actions are addressing deficiencies with the objective of continuous improvement

7.2 External monitoring

Our firm is subject to review by the Quality Review Section (QRS) of the Chartered Accountants Regulatory Board (CARB). CARB is an independent body established by Chartered Accountants Ireland and is responsible for developing standards of professional conduct and supervising the compliance of member firms in their execution of statutory audit.

The most recently completed inspection by QRS took place in July 2013. An action plan has been developed to respond to matters arising from the inspection. The report of the inspection and the action plan arising have been agreed with CARB and there are no open matters from the visit.

In 2010, CARB commenced a review of bank audits for the year ended 31 December 2008 with a particular focus on the area of loan loss provisioning.

This review is continuing at 31 March 2014.

As the firm is registered with the Public Company Audit Oversight Board (PCAOB) in the US, we are also subject to inspections by the PCAOB. The most recent inspection took place in November 2008 and encompassed detailed file reviews of two of our SEC listed audit clients, together with a review of many of our firm wide governance and risk management practices. A clean report was issued by PCAOB in April 2011. The public report on the inspection was released on 29 April 2011 and both it and our response are available on www.pcaobus.org.

Our firm is also registered with the Japanese Financial Services Agency, the Johannesburg Stock Exchange, the Isle of Man Financial Supervision Commission, the Jersey Financial Services Commission and the Guernsey Registry.

7.3 Client feedback

In addition to internal and external monitoring of quality, we operate a formal program where we actively solicit feedback from those charged with governance on the quality of specific services that we have provided to them. The feedback we receive from this program is formally considered by our Executive Team and individual client service teams to ensure that we continually learn and improve the levels of client service that we deliver. Any urgent actions arising from client feedback are followed up by the engagement partner to ensure that concerns on quality are dealt with on a timely basis.

7.4 Monitoring of complaints

We have procedures in place for monitoring and addressing complaints received from clients relating to the quality of our work. These procedures are detailed in our general terms of business.

7.5 Interaction with regulators

At a global level, KPMG International has regular two way communication with the International Federation of Independent Audit Regulators (IFIAR) to discuss issues identified and actions taken to address such issues at a network level.

7.6 Audit quality committee

KPMG Ireland has established an Audit Quality Committee which is chaired by the Head of Audit. Its terms of reference includes establishing a heightened focus on audit quality across the audit function and exercising oversight of sufficiency of QPR and regulatory inspection responses.

8. Financial information

The EU 8th Directive (locally S.I. No. 220 of 2010) requires disclosure of financial information that shows the importance of statutory audit work to the overall firm's results. The results set out below for the year to 31 December 2013 have been extracted from the draft partnership accounts which have not as of yet been finalised and approved by the partners. The amounts in respect of 2012 and 2011 have been extracted from the partnership accounts for those years.

Total fee income for the year to 31 December 2013 was €270m (2012: €239m, 2011: €246m) analysed as follows:

	2013	2012	2011
	€m	€m	€m
Audit	96	100	98
Tax	83	83	85
Advisory	91	56	63
Total	270	239	246

The classification above for audit work includes a small proportion of revenues derived from other assurance services which are directly related to audit.

9. Partner remuneration

Partners are remunerated out of the distributable profits of the firm as set out in the partnership accounts and as approved by the partnership. The determination of the profits available for distribution is based on the results of the firm as a whole and is not dependent directly on the performance of any particular line of business or function. The final allocation of profits to partners is made after assessing each partner's contribution for the year. This assessment is considered on an individual basis by the Remuneration Committee.

Each partner submits a written appraisal to the Remuneration Committee detailing his/her own view of performance against objectives over the previous year. The Committee hears a report from each partner's Counselling Partner on his/her individual performance for the year. Finally, as part of its deliberations the Remuneration Committee also receives and considers presentations from the Heads of Audit, Tax and Legal Services, Advisory and Markets and the Risk Management and People and Operations Partners setting out an assessment of the quality of work performed by partners during the year under review.

The Remuneration Committee details its findings and its recommendations in relation to profit allocations in a report at the end of the review process which is then circulated to all partners for their approval before the profit allocations of the year are finalised.

Partner remuneration comprises primarily a pre-determined proportion of the profits arising which reflects the seniority and experience of each partner.

In addition to the profit share as described above, certain partners also receive a bonus payment, or special award, based on superior performance across a number of criteria.

Our policies for all elements of partner remuneration take into account a number of factors including quality of work, excellence in client service, growth in revenue and profitability, leadership and supporting the firm's values.

Audit partners are not permitted to have any objectives related to, or receive any remuneration based on, selling non-audit services to their audit clients.

10. Network arrangements

10.1 Legal structure

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law. The KPMG network consists of approximately 155,000 personnel working in 155 countries. For the year ended 30 September 2013 the member firms comprising the network generated aggregate revenues of US$23.42billion.

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 its member firms.

The structure is designed to support consistency of service quality and adherence to agreed values wherever in the world the member firms operate. One of the main purposes of KPMG International is to facilitate the provision by member firms of high quality Audit, Tax and Legal Services and Advisory services to their clients. 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 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 oblige or bind any member firm.

Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities.

10.2 Responsibilities and obligations of member firms

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

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. This includes having a firm structure that ensures continuity and stability and being able to adopt global and regional strategies, share resources (incoming and outgoing), service multinational 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. Compliance with key quality standards (including key aspects of methodologies, tools and management of risk) are specifically assessed as part of the International Review Programmes described in Section 7.1.

The results of these programmes are reported to various governance and management bodies within KPMG International which can, at its discretion, take a number of actions against the member firm concerned – including ultimately removal from the KPMG International network for any member firm which fails to meet the required quality standards.

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.

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the Global Board.

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.

10.3 Professional indemnity insurance

Insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis and is principally written through a captive insurer that is available to all KPMG member firms.

10.4 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 Global Board members. It includes representation from 54 member firms that are "members" of KPMG International.

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 the Deputy Chairman and members of the Global Executive Team.

The Global Board includes the Chairman, the Deputy Chairman, the Chairman of each of the three regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA) and a number of senior partners of member firms. One of the Board members is elected as the "lead director" by those Board members who are not also members of the Global Executive Team ("non-executive" members). A key role of the lead director is to act as liaison between the Chairman and the "non-executive" Board members.

The Global 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 Nominations Committee; a Quality and Risk Management Committee; a Professional Indemnity Insurance Committee; and a Board Process and Evaluation Committee. The lead director nominates the chairs and members of Board committees for approval by the Board.

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, the Chief Operating Officer, Global Function Heads, Regional Leaders, and a number of senior partners of member firms.

The Global Executive Team is supported by Global Steering Groups responsible for executing the approved strategy and business plan in their respective areas. In particular, in relation to quality, the Global Quality & Risk Management Steering Group operates under delegated authority from the Global Executive Team.

Each member firm is part of one of three regions (the Americas, ASPAC, and EMA). Each region has a Regional Board comprising a Regional Chairman, Regional Chief Operating or Executive Officer, representation from any sub-regions, and other members as appropriate. Each Regional Board focuses specifically on the needs of member firms within their region and assists in implementation of KPMG International's policies and processes within the region.

Further details about KPMG International including the governance arrangements, can be found in its Transparency Report, which is available at www.kpmg.com.

10.5 Area Quality & Risk Management Leaders

KPMG International has a network of Area Quality & Risk Management Leaders (AQRMLs), reporting to the Global Vice Chair–Quality and Risk Management. The AQRMLs are members of the Global Quality & Risk Management Steering Group and each AQRML is allocated an area which covers one or more member firms. Their role is to enhance the KPMG network's ability to proactively monitor quality and risk management across member firms.

11. Statement on the effectiveness of quality controls and independence

The measures and procedures that serve as the basis for the system of quality control for KPMG Ireland outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by our firm complies with the applicable laws and regulations. Because of its inherent limitations, the system of quality controls is not intended to provide absolute assurance that non-compliance with relevant laws and regulations would be prevented or detected.

Our Policy Committee has considered:

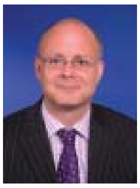
- the design and operation of the quality control systems as described in this report
- the findings from the various compliance programs operated by our firm (including the KPMG International Review Programs as described in section 7 and our local compliance monitoring programs)
- findings from regulatory inspections and subsequent follow up and/or remedial actions

Taking all of this evidence together, the Policy Committee confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to 31 December 2013.

Further, the Policy Committee confirms that an internal review of independence compliance within our firm has been conducted in the year to 31 December 2013.

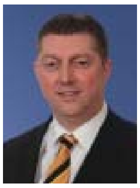
Appendices

Appendix 1
Leadership roles



Shaun Murphy
Managing Partner
Member of Global Board, Global Council, and EMA Board

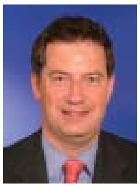
Conall O'Halloran
Head of Audit
Member of EMA Audit Board



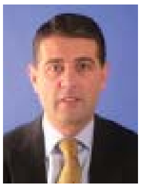
Conor O'Brien
Head of Tax & Legal Services
Member of EMA Tax Board

David Wilkinson
Head of Advisory
Member of EMA Advisory Board

Darina Barrett
Head of Markets: Financial Services

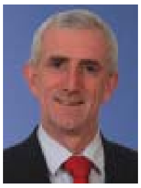


Michael Gaffney
Head of Markets: Other Sectors
Member of Global Markets Steering Group



Paul Toner
Head of Markets: Strategic Pursuits

Niall Campbell
Head of Innovation & Knowledge



Paul Dobey
Head of Risk Management
Member of Global Quality & Risk Management Steering Group

Colm Gorman
Head of People & Operations
Member of Global HR Steering Group

Martin Dobey
Head of Finance & Administration

Appendix 2
Public Interest Entities

AAM Portfolio Fund plc
Absalon Credit Funding Limited
Absolute Insights Fund PLC
ACC Bank plc
ACL Fund Sicav PLC
Acorn Life Limited
Adidas International Re Limited
Advance Umbrella Fund plc
Aetna Health Insurance Company of Europe Limited
Alexandria Capital Plc
Allianz plc
Allianz Global Life Ltd
Allianz Re Dublin Ltd
Allianz Worldwide Care Ltd
Allied Irish Banks plc
Alterra Europe plc
Altus Alpha PLC
Amalie I Limited
Aminex plc
Anthracite Investments Ireland plc
Aphex Capital plc
Aphex Europe CPP Plc
Aquilae CLO I PLC
Aria CDO II (Ireland) Plc
ARP Halkin Mortgage Funds Plc
Atlantes Mortgage No 1 plc
Atlas II CDO PLC
Aurora Credit Funding plc
Avoca Capital Investment Funds plc
Avoca CLO III plc
Avoca CLO IX Limited
Avoca CLO VI plc
Avoca CLO VII plc
Avoca CLO VIII Limited
Avoca Credit Opportunities plc
Azor Mortgages Plc
Babson Capital Global Investment Funds Plc
Babson Capital Global Umbrella Fund Plc
Bank of Montreal Ireland plc
Bavaria Insurance Company Limited
Beazley Re Limited
Bluebonnet Finance plc
BMORE Finance No 4 plc
C&C Group plc
CABEI Central American Fund plc
Camber 3 Plc
Carador Income Fund plc
Carrefour Insurance Limited
Catalina Insurance Ireland Limited
Catalina Reinsurance Ireland Limited
CBOM Finance Plc
Citibank Europe plc
Concept Fund Solutions plc
Coriolanus Limited
Corsair Finance (Ireland) Limited
Corsair Finance (Ireland) No.2 Ltd.
Corsair Finance (Ireland) No.6 Limited
Corsair Finance (Ireland) No.8 Limited
Corsair Finance International (Ireland) Plc
Cramer Rosenthal McGlynn UCITS plc

Credit Suisse European Mortgage Capital Limited
CSETF (IE) plc
Da Vinci Synthetic Plc
Danica Life Limited
Darta Saving Life Assurance Limited
dbInvestor Solutions plc
De Lage Landen Re Limited
Deco 10 - Pan Europe 4 plc
Deco 17 - Pan Europe 7 Limited
Deco 7 - Pan Europe 2 plc
Deco 9 - Pan Europe 3 plc
Deco 2012 M-Hill Limited
Deco Series 2005 - Pan Europe 1 PLC
Delta CDO Plc
Delta Spark Limited
DePfa Bank plc
Devonshire Assets Managed Funds plc
Diversifed Macro Solutions plc
Diversification Strategy Fund plc
E.I. Sturdza Funds plc
EBS Limited
EDM Investment Funds plc
Eirles Four Limited
Eirles One Limited
Eirles Three Limited
Eirles Two Limited
Elan Corporation PLC
Elan Finance plc
Electric Insurance Ireland Limited
Ennismore Smaller Companies plc
Equinox CA Europe Limited
Equinox Credit Funding PLC
Eurocredit CDO V Plc
Eurocredit CDO VII Plc
Eurocredit Opportunities I Plc
Euromax V ABS PLC
Euromax VI ABS Limited
Finaltis Alpha plc
First Quadrant Funds plc
Forest Finance Plc
Freshwater Finance plc
Fugu Credit plc
Galena CDO II (Ireland) Plc
GE Capital European Funding
GE Capital UK Funding
German Postal Pensions Securitisation 2 Plc
German Postal Pensions Securitisation Plc
Global Insurance Settlements Funds plc
Global Treasury Funds plc
Grafton Group plc
Green Effects Investments plc
Green Fields Capital Limited
Greencore Group plc
GS Secured Funding Public Limited Company
GTF Managed Funds plc
Guggenheim Global Investments Plc
Guggenheim Qualifying Investor Fund plc
Hannover Re (Ireland) Limited
Housing Finance Agency PLC
HSBC Global Liquidity Funds plc
HSBC Life (Europe) Ltd
Hume Investment Fund plc
Hypo Public Finance Bank
Imagine International Reinsurance Limited
Ingenious Funds plc
Insight Global Funds II Plc
Insight Global Funds III Plc
Insight LDI Solutions Plus plc

Insight Liquidity Funds plc

Intesa Sanpaolo Bank Ireland plc

Ionia Capital plc

Irish Dairy Board Insurance Ltd

Irish Life Assurance plc

Irish Permanent Property Company Limited

Iron Hill CLO Limited

IVI Umbrella Fund plc

Ixion Public limited company

Kalvebod plc

Kingspan Group plc

Kion CLO Finance No 1 plc

Kion Mortgage Finance No 3 plc

Kion Mortgage Finance plc

Lagoon Finance Limited

Laguna Life Limited

Leo Invest plc

Leo Capital Growth SPC Plc

Liberty Insurance Limited

LightPoint Pan-European CLO 2007-1 plc

Linker Finance plc

LSAM SF 4 Plc

Lusitano Mortgages No. 1 plc

Lusitano Mortgages No. 2 plc

Lusitano Mortgages No. 3 Plc

Lusitano Mortgages No. 4 Plc

Lusitano Mortgages No. 5 Plc

Lusitano Mortgages No. 6 Limited

Lusitano Mortgages No. 7 Limited

Lusitano SME No. 1 Plc

Magellan Mortgages No. 2 plc

Magellan Mortgages No. 3 plc

Magellan Mortgages No.1 plc

Magellan Mortgages No.4 plc

Magi Funding I plc

Magna Umbrella Fund PLC

Magnolia Finance I plc

Magnolia Finance II Plc

Magnolia Finance III Limited

Magnolia Finance IV Plc

Magnolia Finance IX Limited

Magnolia Finance V Plc

Magnolia Finance VI Plc

Magnolia Finance VII Plc

Majedie Asset Management (International) Investment Fund Company plc

Maple-Brown Abbott Funds plc

Marriott International Funds Plc

MBA Community Loans Plc

MBDA Insurance Limited

Mercator CLO I Plc

Mercator CLO II Plc

Mercator CLO III Limited

Mercer PIF Fund plc

MGI Funds plc

Mitsui Sumitomo Reinsurance Limited

Montag and Caldwell Funds Plc

NAC Euroloan Advantage 1 Limited

Napier Park Qualified Investor Portfolios

Natinium Financial Products Plc

Navigator Credit Funding plc

Nemus Funding No 1 Plc

Northern Bank Limited

Northern Trust Global Funds plc

Northern Trust Investment Funds plc

Nova Finance No. 4 Limited

Oak Hill European Credit Partners I PLC

Oak Hill European Credit Partners II PLC

Old Mutual International (Ireland) Ltd

Old Mutual Reassurance (Ireland) Ltd

OMIGSA Alternative Assets plc

OMIGSA Alternative Strategies plc

OneShare PLc

Ottam Mexican Capital Trust Limited

Paddy Power plc

Pan Insurance Limited

Paris Bertrand Sturdza Investments plc

Pelican Mortgages No. 1 plc

Pelican Mortgages No. 2 plc

Perennial Investment Partners Investment Funds Plc

Permanent tsb plc

Petroswede Insurance Company Ltd

Poalim Global Multi-Manager 20 plc

Poalim Global Multi-Manager 50 plc

Poalim Global Multi-Manager 70 plc

Polar Capital Funds plc

Preem Insurance Company Limited

Preps 2005-2 plc

Preps 2006-1 Plc

Preps 2007-1 Plc

Prescient Global Funds plc

Prescient Global Qualified Investor Fund plc

Priestley Dublin Reinsurance Company Limited

Prime edge Capital Plc

Prudential International Assurance plc

PSAE Re Limited

PVE UCITS Fund plc

Quartz CDO Ireland PLC

R2 Alpha Strategies plc

Rabobank Ireland plc

Rayo Finance (Ireland) No 1 Limited

Reinsurance Business Solutions Limited

RMB Financial Services Ltd

Ryanair Holdings plc

Saphir CDO Ireland Plc

SASOL International Insurance Limited

Saturns Investments Europe plc

ScandiNotes Five Plc

Scotiabank (Ireland) Limited

Seamair Insurance Limited

Segais Finance Limited

SHD Umbrella Fund plc

Short Term Investments Company (Global Series) plc

Signet UCITS Funds plc

Skandia Life Ireland Limited

Slandia Finance (Ireland) Limited

Societe D'Assurance Generales Appliquees (SAGA) Limited

Squadron Reinsurance Limited

Starts Ireland Plc

Strategic Active Trading Funds Plc

SVG Diamond Private Equity III plc

Tagus Leasing No 1 Limited

Talanx Reinsurance (Ireland) Limited

Talisman-5 Finance plc

Talisman-6 Finance plc

Talisman-7 Finance Limited

Talisman-4 Finance Plc

TCS Insurance Company of Ireland Ltd

TCS Reinsurance Company of Ireland Ltd

Tenax Credit Opportunities Fund Plc

Tenax Financials Fund plc

The Piccadilly QIF plc

The Strategic Life Settlements Fund plc

The World Markets Umbrella Fund PLC

Titian CDO Plc

Tokio Marine Global Re Limited

Trans-Europe Assurance Ltd

Triple Enhanced Rated Notes (TERN) Limited

Tyre Reinsurance (Ireland) Limited

UBS (Irl) Professional Investor Funds 1 plc

UniCredit Bank Ireland plc

UDG Healthcare plc

UT2 Funding plc

Vallauris II CLO plc

Victoria Funding EMC III plc

W&W Europe Life Limited

Wagram Insurance Company Limited

Wells Fargo Bank International

Westwood Investment Funds plc

Williams de broe Assetmaster Fund plc

Windermere XIV CMBS Limited

Xeron Insurance Limited

Appendix 3

Profiles of Independent Non-Executives of the Public Interest Committee

Pat Cox (Chairman)

Pat Cox is currently the President of the European Parliament Former Members' Association in Brussels and the Président Alliance Française de Dublin in Ireland. He has served as the President of the European Parliament and the President of the European Movement International. He is currently a member of numerous boards throughout Europe, namely the Yalta European Strategy in Ukraine, the Edmond Rice Schools Trust and Third Age Foundation in Ireland, the Supervisory Board of Michelin in France, the European Advisory Council for Liberty Global in Netherlands and the UK Advisory Board for Mainstream in United Kingdom. He is the Chairman of Limerick National City of Culture in Ireland. He is the EU Project Coordinator for the Scandinavian-Mediterranean TEN-T Core Network Corridor in Brussels.

Frances Ruane

Professor Frances Ruane is Director of the Economic and Social Research Institute ("ESRI"). She is currently a member of the Commission of the National Pensions Reserve Fund, the Economic Advisory Group in Northern Ireland and the Council of Economic Advisors in Scotland. She is an Honorary Professor at the Department of Economics at Trinity College, where she worked prior to joining the ESRI.

Frances has served on various national boards including the Abbey Theatre, IDA, Forfás, Bord Gais, the Higher Education Authority and the Health Research Board. Her research interests are in international trade, innovation and industrial policy.

Timothy O'Connor

Tim O'Connor worked in the Irish Public Service from 1972 to 2010. He entered the diplomatic service in 1979 when he joined the Department of Foreign Affairs. A large part of his career has been spent working on the Northern Ireland Peace Process. He was part of the Irish Government Negotiating Team for the Good Friday Agreement, was involved in the negotiations leading to the establishment of the new North/South structures arising from the Agreement and spent almost six years in Armagh (from 1999 to 2005) as the inaugural Joint Secretary of the North/South Ministerial Council. He has also served terms as Director of the Africa Unit and of the Human Rights Unit in the Department of Foreign Affairs.

His foreign postings included the Embassies of Ireland in Bonn and Washington DC and most recently, from 2005-2007, he served as the Consul General of Ireland in New York, USA. He became Secretary General to the President in March 2007, retiring in 2010. He now holds a number of Board directorships in the commercial and voluntary sectors.

Appendix 4
KPMG's values

We lead by example	At all levels we act in a way that exemplifies what we expect of each other and our clients.
We work together	We bring out the best in each other and create strong and successful working relationships.
We respect the individual	We respect people for who they are and for their knowledge, skills and experience as individuals and team members.
We seek the facts and provide insight	By challenging assumptions and pursuing facts, we strengthen our reputation to provide insight as trusted and objective business advisers.
We are open and honest in our communication	We share information, insight and advice frequently and constructively and manage tough situations with courage and candor.
We are committed to our communities	We act as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities.
Above all, we act with integrity	We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

KPMG's core values are at the heart of the global Code of Conduct which defines the standards of ethical conduct that are required of people in KPMG member firms worldwide.

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Produced by: KPMG's Creative Services. Publication Date: March 2014. (101927)