

# Transparency Report

**As at 31 December 2011**

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PKF Audit is a member firm of the PKF International Limited network of legally independent firms. Neither the other member firms nor PKF International Limited are responsible or accept liability for the work or advice which PKF Audit provides to its clients and in signing and returning to us the enclosed copy of this [Engagement Letter] you acknowledge and accept that such other member firms and PKF International Limited do not owe you any duty in relation to the work or advice which we will from time to time provide to you or are required to provide to you.

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## 1. Description of the Firm

PKF Audit, founded in the early 2007, is part of the PKF Consultor Group and member firm of top ten networks PKF International, a network of legally independent member firms. There are around 300 member firms and correspondents in 440 locations in around 125 countries providing accounting and business advisory services.

PKF International member firms have \$2.6 billion aggregate fee income (year end June 2011) and the network is a member of the Forum of Firms - an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.

PKF Consultor Corporation is a group of Romanian companies that provides accounting services, fiscal consultancy, financial audit services, payroll and HR services, activities of reorganization and liquidation for companies, commercial legal assistance.

PKF AUDIT is a registered member of the Romanian Chamber of Financial Auditors.

We want to be recognized as a standard for excellence in the fields we operate, a standard of quality and promptness. Our keen desire is to becoming a trustworthy partner, upright and highly qualified in our areas of expertise.

Top quality services provided by **Consultor Group**, internal processes always held under control, employees' professionalism and performant management add value for the client and together with information network and technical-material base sustain efficiently the activity of our team at all levels.

### Credentials

**PKF Audit** has been awarded the ISO 9001:2008 Certification in view of performing services in the next fields: accounting, auditing and tax advisory.

### The structure of the shareholders of PKF AUDIT SRL is:

Bolovan Eugenia	55%
Marghescu Adrian	40%
Babuciu-Tudose Andreea	5%

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Our current audit clients list includes around 30 local and international companies, mainly active in the services, distribution fields, entertainment, retail, construction, agriculture, real estate.

PKF AUDIT has three partners, each of whom with a strong background in legal, audit, tax, accountancy and financial consulting.

Our capital mission is keeping the professionalism and quality of our services at a high level of performance, considering at the same time the observance of the ethical standards, unbiased and independent attitude towards the client.

Being characterized by commitment, seriousness, competence, ambition, and client oriented, the activity of **PKF Audit** has been invariably consolidated, including in our portfolio clients with businesses in various fields.

We've been training and we've been improving ourselves continuously in assisting our clients in their pursuit of success.

As part of our long-term development strategy, our staff is permanently encouraged to obtain recognized professional qualification in accounting and auditing and to continuously improve their understanding of Romanian Standards, International Financial Reporting Standards and International Standards on Auditing.

## 2. Services

### Audit and audit related services

Our audit services are carried in accordance with the International Standards on Auditing (ISA) or other Generally Accepted Auditing Standards.

The services available include:

- Audit report for individual financial statements according to the International Audit Standards (ISA), conducted in accordance with the statutory and international regulations;
- Audit for consolidated financial statements issued according with statutory or International Financial Reporting Standards (IFRS) or other Group regulations;
- Engagements of reviewing the financial statements;
- Special engagements based on agreed upon procedures, for various projects, audit on eligible expenses or in other managerial purposes, performed in accordance with ISRS 4400 or with ISA 800 „Audit of Special Purpose Financial Statements, and Specific Elements, Accounts and Items”;
- Compilation of financial statements elaborated in accordance with other accounting reporting systems (IFRS, UK/US GAAP, German GAAP);
- Corporate finance services (due–diligence reports and ongoing assistance for acquisitions, mergers, divisions; business valuations; advice on re-organising and restructuring existing businesses, commercial and tax considerations).

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### 3. Management

The key persons within the company are the following:

Adrian Marghescu – Managing Partner

Eugenia Bolovan – Audit Partner

Andreea Babuciu-Tudose - Partner

### 4. Internal quality control procedures

PKF AUDIT considers quality to be an essential item of its reputation. The quality is required in everything that PKF AUDIT's employees do.

We are required to adhere to a system of quality control that involves, at a minimum, the following standards issued by the standard setting boards of the International Federation of Accountants:

- ISQC1: Quality Controls for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements;
- International Standard on Auditing 220: Quality Control for Audits of Historical Financial Information;
- IESBA Code of Ethics for Professional Accountants.

These standards and procedures are designed to provide global and national management with reasonable assurance that audits engagements are conducted in accordance with applicable professional standards and procedures.

The firm's system of quality control is presented in PKF AUDIT's Quality Control Manual which details the policies and the procedures necessary for the performance of internal quality control activity.

Our Quality Control Manual includes procedures for:

- Acceptance and Continuance;
- Ethical requirements;
- Human resources
- Engagement performance
- Monitoring
- Documentation

## 5. Date of last independent Quality Inspection

The most recently, the Romanian Chamber of Financial Auditors inspected the Company on February 7<sup>th</sup> 2012. The Company obtained mark "A" (93% compliance with RCFA norms) in this inspection.

## 6. Independence

In order to achieve high quality audits, we accept audit engagements only where the audit team is independent, objective and qualified.

Each partner and employee completes an annual Independence Questionnaire confirming that they are:

- Fit and proper individuals
- Are independent
- Will comply with confidentiality rules
- Understand the policies and procedures of the firm

The partner must ensure that PKF AUDIT's independence is established before a client is accepted.

In case that a member of the audit team became aware of any circumstances or relationship which could create a threat to independence, the audit partner should immediately be notified.

The PKF AUDIT's management confirms that independence policies are strictly observed and continuously reviewed.

## 7. Training and continuing professional development

The firm's personnel policies and procedures are designed to ensure we have sufficient personnel with the capabilities, competence, and commitment to ethical principles necessary to perform audits and assurance engagements in accordance with professional standards and regulatory and legal requirements and to enable the firm or engagement partners to issue reports that are appropriate in the circumstances.

All financial auditors and certified accountants attend the continuous education programs organized by the Romanian Chamber of Financial Auditors and the other professional bodies (CECCAR, CCF).

All audit personnel are also continuously trained on the job during the audit engagement.

Our employees are participating to trainings and conferences organized by PKF International.

In addition, PKF AUDIT holds professional books. Our library is constantly enriched and updated.

## **8. Financial information**

The company has incurred a good growth during the period 2007-2009, followed by a decrease in 2009, due to the world-wide economic crisis.

But starting with 2010, we had a small, but constant, growth.

## **9. List of clients for public interest for statutory audit purposes**

Our firm has audited the financial statements as at December 31, 2011 of Gospodaria Comunala SA which is a public interest company held by the Municipalities of Sfantu Gheorghe and Targu Secuiesc, Covasna City, Intorsura Buzaului City, Covasna Department.

## **10. Remuneration of the partners**

All partners are equity partners. As a result that they have full rights and obligations in accordance with the Companies' Act no. 31/ 1990.

The partners have the right, in accordance with the law, to receive wages, administration fees, dividends.