
FY14 PwC Cyprus Transparency Report

*1st July 2013 –
30th June 2014*



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Who we are

We provide audit, tax, accounting, legal, company administration, compliance, business and financial consulting services to local and international companies operating in a broad spectrum of industries.

We are proud of our leadership position in the Cyprus market; we value our past and we invest in our future to be the distinctive, trusted, authoritative firm, always front of mind when professional services are needed.

We are an extensively networked organisation that acts as one firm, to deliver the value our clients are looking for by bringing the best of PwC each and every time.

We deliver value on the basis of:

Excellence - Developing innovative solutions and translating them into action by continuously listening to our clients and the market, learning, developing our expertise, being alert to change moving fast with flexibility and decisiveness.

Teamwork - Building productive long term relationships with clients and each other, embracing diverse cultures and views, readily sharing knowledge, experiences and opportunities.

Leadership - Doing the right thing for our clients, our people and our society, acting with integrity, seizing the initiative, welcoming responsibility and having a clear sense of where we want to go.

Our strategic objectives are:

Leading firm - To be recognized as the leading professional services firm in Cyprus remaining number one in size, brand and reputation, setting the standards and driving the agenda for our profession.

Talent - To recruit, develop and provide career opportunities to intellectually curious enterprising people who become part of the firm's success.

Quality - To deliver exceptional service and quality to our clients and build a culture that delivers continuous improvement.

Growth - To remain the number one firm in revenue, continue to grow profitably and responsibly to enable us to continue investing in the future.

PwC Experience - To achieve our goals we need to offer our clients and people a distinctive experience. PwC Experience defines the behaviours that support our culture and underpin our performance goals. We work to embed PwC Experience behaviours in all we do.

Message from the CEO



Evgenios C Evgeniou

CEO

PwC Cyprus

This transparency report is an opportunity to share our values and strategic objectives in managing our business to deliver consistently high quality. Delivering quality services, acting with integrity and demonstrating high standards of professional behaviour is the foundation of our work and it is at the core of our culture.

We invest in people, training, methodologies, technology and quality assurance in a continuous effort to improve, recognising the increasing demands on our profession from all stakeholders.

We acknowledge our role in rebuilding trust in society and we engage in discussions with regulators and professional bodies on this front. Together with the ICAEW we have taken the initiative to organise the first conference on rebuilding trust post crisis and we intend to follow up on that. Clearly this is an area of continuous focus.

We work in an extremely competitive audit market where audit appointments are subject to shareholder approval and audit fees are published. The tremendous pressure on audit fees and its potential impact on audit quality is something that the professional and regulatory bodies should reflect on. As a firm we remain committed to audit quality.

We take our public interest responsibilities seriously and we believe that we are rightly subject to robust independent oversight and regulation and more recently media and political scrutiny. Whilst these discussions are not always easy they help us demonstrate our commitment to independence, objectivity and quality. At the same time it is important that the relevant stakeholders understand the scope and limitations of our work and in this regard we need to do more to bridge the “expectations gap” that often exists.

Our clients have shown trust in us for which I express my utmost appreciation. It is precisely this trust that propels us to continuously improve the quality and value of our services. Last but by no means least, I would like to express my gratitude to our people for their commitment and hard work. When rising to the challenge, in testing times such as these, the collective effort carries the greatest value.

Evgenios C Evgeniou
CEO

September 2014

Focusing on quality Restoring confidence



Liakos M Theodorou

Head of Assurance & Advisory



Petros C Petrakis

Assurance Risk & Quality
Partner, Regulatory & Policy
Responsible Partner

We are pleased to present our FY14 transparency report that demonstrates our focus and commitment on delivering quality audits.

FY14 has been another challenging year despite the progress in reviving the economy.

Businesses have been trying to adapt to the difficult market conditions and the limited availability of credit. The banks have been trying to deal with rising non-performing loans and address capital adequacy, ahead of the European stress tests.

These challenges gave rise to significant opportunities which led to major wins, particularly in financial services. Key factors for our success have been the expertise and capabilities of our teams, the strength of our international network and the proactive engagement with the regulators and the market.

In FY14 we have continued to focus on quality, independence and objectivity in our audits, leveraging on our technical and industry expertise which are central to delivering value to our clients and confidence to other stakeholders.

We are committed to the continuing support to our clients during these testing times by staying close to them and acting as their trusted advisors. We will assist them in exploring the opportunities that will inevitably continue to emerge as businesses and the economy adapt to the new post crisis realities.

Transparency, audit quality and the role of auditors have never been more important. At PwC, we are proud of the quality of our audits. Audit quality is the cornerstone of our service and we are always striving to improve and go beyond simply adherence to standards and regulations; to ensure that our audits continue to meet the challenges of increasingly complex accounting standards, evolving stakeholder expectations, regulatory input, and the highly competitive marketplace in which we operate.

To perform a high-quality audit, we follow certain basic principles:

- Comply with accounting, auditing, professional, and regulatory requirements, including independence
- Understand the companies we audit and the business environments in which they operate
- Use our expertise and resources to identify and resolve issues early
- Exercise integrity, objectivity, and professional scepticism

Our internal local reviews which are also complemented by annual reviews from our international network and the external reviews from the relevant regulators have reconfirmed the quality of our audit and our risk management procedures.

We also continue our investment in our Audit Transformation Program (ATP) to simplify, standardise and centralize our delivery model for all our services, including our methods, approach, processes and better use of technology.

We monitor closely all developments relevant to the audit profession such as new regulations and new proposals for auditor's reporting. As the largest professional services firm in Cyprus, we acknowledge the leading role we have in sharing our insights with the marketplace and in the development of the profession's perspectives in the audit, financial reporting, regulatory and business environments.

Following a number of years of lengthy review of the regulation of audit across the EU and intense discussions, the European Commission, Parliament and Council of Ministers have reached an agreement on the European Commission audit reform proposals.

The main aspects of the new legislation that is composed of a Directive and a Regulation are:

- The introduction of a mandatory audit firm rotation for all public interest entities (PIE)
- New requirements for audit committees (or their equivalent) relating to their oversight of the performance of the audit
- Additional restrictions on the provision of non-audit services by the statutory auditor to their PIE audit clients
- New reporting requirements by the statutory auditor.

The provisions of the legislation will apply two years after they enter into force – in mid 2016. Mandatory firm rotation will be the exception, which due in part to its sheer scale and resulting impacts, will be subject to transitional arrangements.

PwC supports a number of aspects of the new legislation that will lead to improved audit quality, through strengthening of the role of audit committees in governance and increased transparency. Since the Regulation and the Directive include a large number of member state options both in terms of the period for rotation and prohibited non-audit services to PIEs, a great deal remains to be done at the member state level, to ensure that changes are implemented with clarity, consistency and the minimum disruption and cost to business and investors.



Legal structure and ownership

Legal structure of PricewaterhouseCoopers Ltd (PwC Cyprus)

PricewaterhouseCoopers Limited (PwC Cyprus) is a private company with limited liability by shares under registration number 143594, having its registered office in Cyprus at Julia House, 3 Themistocles Dervis Street, CY-1066 Nicosia.

Subsidiary undertakings

The principal subsidiary undertakings of PwC Cyprus as at 30 June 2014 are:

Subsidiary undertaking	Principal activity
PricewaterhouseCoopers (Marketing & Communications) Limited	Professional services
PricewaterhouseCoopers Associates Limited	Professional services
PricewaterhouseCoopers Professional Training Limited	Professional services and training

These entities are all member firms of the PwC network by being members of the PricewaterhouseCoopers International Limited (PwCIL). A description of the PwC network can be found in section: *Description of the PwC Network* of this transparency report.

Other PwC network member firms in Cyprus

S. A. Evangelou & Co LLC is a member firm of PricewaterhouseCoopers International Limited (PwCIL) and part of the PwC's Tax and Legal Services Network providing Legal Services in Cyprus. It is a private company with limited liability by shares having its registered office at 3 Themistocles Dervis Str, Julia House Annex, 1st Floor CY-1066 Nicosia, Nicosia, Cyprus and it was registered in Cyprus as a Lawyers' Limited Company under registration number 23348. S.A. Evangelou & Co LLC and its wholly owned subsidiary undertaking, namely PricewaterhouseCoopers Corporate Secretarial Services Limited, are wholly owned by Spyros Evangelou who is also the Head of Practice.

Spyros' curriculum vitae can be found in Appendix A.

Ownership of PwC Cyprus

PwC Cyprus is wholly owned by professional practitioners working with the firm who are all members of the Board of Directors and are commonly referred to as 'partners'.

The members of the Board of Directors during financial year ended 30th June 2014 can be found in Appendix B.

Leadership and Governance

The governance structure of PwC Cyprus is made up of three main bodies: the Board of Directors, the Management Board and the Oversight Board.

Board of Directors

The Board of Directors is responsible for undertaking certain statutory duties of the firm. The Board of Directors has met four times in the financial year.

Management Board

The Management Board is chaired by the CEO (who is elected by the firm's partners). The CEO appoints the other six members of the Management Board, all of whom are partners in the firm. The members of the Management Board who have served during financial year ended 30th June 2014 can be found in Appendix C.

The Management Board is responsible for assisting the CEO in the formulation and implementation of strategic priorities and business plans, compliance with all PwC network obligations and the design, maintenance and operation of an effective quality control system.

The Management Board meets at least twice a month and the agenda of its meetings includes matters for consideration raised through the CEO, by any Management Board member or PwC Cyprus partner.

The Management Board takes overall responsibility for the establishment of a system of internal quality control and for reviewing and evaluating its effectiveness. The day-to-day responsibility for the implementation of this system, the ongoing monitoring of the identified risks and the effectiveness of controls applied to reduce the risks to an acceptable level, rests with senior management in the individual Lines of Service.

The Management Board evaluates the effectiveness of the firm's system of internal control through reports of:

- periodic reviews of performance and quality, which are carried out independently by the PwC network and the profession's regulator in Cyprus
- our Lines of Service and Internal Firm Services that document identified risks and the responses to these risks
- our risk and quality functions that oversee our professional services' quality control and risk management systems

A detailed description of our system of internal quality control is set out in section: Internal Quality Control System of this transparency report.



Oversight Board

The Oversight Board, which is independent of the Management Board, is made up of five members who are elected by the firm's partners for a three-year term of office. The Oversight Board elects its own Chairman. The members of the Oversight Board who have served during the financial year ended 30th June 2014, can be found in Appendix D.

The Oversight Board is responsible for overseeing the activities of the Management Board on matters that it considers to be of concern regarding the well-being of the firm and the shareholders/partners as a whole. These matters include national, legal, regulatory and fiscal requirements, implementation of global policies and the arrangements for effective communication between partners and senior management. The Oversight Board is also responsible for checking that the policies on partners' remuneration are being properly and fairly applied.

The Oversight Board generally meets monthly but may hold additional meetings as necessary. The three year term of office of the elected members of the first Oversight Board commenced on 1 July 2011 and ended 30 June 2014.

Elections for the Oversight Board members who will hold office for a three year period from 1 July 2014 took place on 26 May 2014. The members elected are as follows:

- Andreas Th. Constantinides
- Constantinos H Constantinou
- George C Lambrou
- Chrysilios K Pelekanos
- Androulla S Pittas

The Oversight Board has met twelve times in the financial year and has issued two reports on its activities to the partners. The main activities of the Oversight Board during FY14 were as follows:

The CEO and other members of the Management Board presented to the Oversight Board the FY14 business plans and budgets. The Oversight Board was satisfied with the process followed in preparing the business plan and with the resources, processes and monitoring procedures in place for its implementation.

In addition the Oversight Board has:

- received monthly feedback from the CEO on the financial performance, business developments and risk management issues affecting the firm.
- proposed to the CEO the performance ratings of the members of the Management Board, has determined the performance rating of the CEO and satisfied itself that the firm's policies and procedures concerning the determination of the partners performance rating for FY13 was performed properly.
- considered major office space leasing agreements and noted its agreement with the proposals of the Management Board.
- assessed the effectiveness, independence and reappointment of the firm's external statutory auditor.

Lines of Service

As of 1 July 2011, PwC Cyprus operates through two Lines of Service, Assurance & Advisory and Tax & Legal Services. Internal support services are provided by the firm's Functions.

The roles and responsibilities in the Lines of Services and Functions of the firm in FY14 were as follows:

Head of Assurance & Advisory:
Liakos Theodorou

Head of Tax & Legal Services:
Costas Mavrocordatos

Head of Functions:
Evgenios Evgeniou

- Partner in Charge of Markets:
Evgenios Evgeniou
- Partner in Charge of Human Capital:
Philippos Soseilos
- Partner in Charge of Academy:
Philippos Soseilos
- Partner in Charge of Finance:
Stavros Kattamis
- Partner in Charge of
Quality & Risk, Ethics & Independence:
Christos Themistocleous
- Partner in Charge of
Marketing & Communications:
Evgenios Evgeniou
- Partner in Charge of Operations:
Angelos Loizou (retired 30 June
2014) *Christos Themistocleous*
appointed 1 July 2014)



Description of the PwC Network



Worldwide revenues: FY13 (1 July 2012 – 30 June 2013) revenues are the aggregated results of individual PwC member firms and are expressed in US dollars.

People: Figures at 30 June 2013

Network arrangements and member firms

In most parts of the world, the right to practise audit and accountancy is granted only to firms that are majority owned by locally qualified professionals. PwC is a global network of separate member firms, operating locally in countries around the world.

PwC firms are members of PricewaterhouseCoopers International Limited (PwCIL) and have the right to use the PricewaterhouseCoopers name.

As members of the PwC network, PwC firms share knowledge, skills and resources. This membership enables PwC firms to work together to provide high-quality services on a global scale to international and local clients, while retaining the advantage of being local businesses, knowledgeable about local laws, regulations, standards and practices.

PricewaterhouseCoopers International Limited

PwCIL is a UK private company limited by guarantee in which PwC firms are members. PwCIL does not practise accountancy or provide services to clients. Instead, it acts as a co-coordinating entity for PwC firms. PwCIL works to develop and implement policies and initiatives that create a common and co-ordinated approach for PwC firms. PwCIL focuses on key areas such as strategy, brand and risk and quality.

PwC firms can use the PwC name and draw on the resources and methodologies of the PwC network. In return, they are required to comply with certain common policies and the standards of the PwC network.

PwCIL governance bodies

Global Board

The Board, which consists of 18 elected members, is responsible for the governance of PwCIL, oversight of the Network Leadership Team and approval of network standards. The Board does not have an external role. Board members are elected every four years by partners from all PwC firms. The current board, with members from 12 countries took up office in April 2013.

Board members may serve a maximum of two terms of four years each. The Board meets four times a year and on further occasions as required.

Network Leadership Team

The Network Leadership Team (NLT) sets the overall strategy for the PwC network and the standards to which PwC firms agree to adhere.

The NLT is made up of the Chairman of the PwC network; the senior partners of the US, the UK and China member firms; and a fifth member appointed by the Board, currently the senior partner of PwC Germany. The Chairman of the PwC network and the fifth member may serve on the NLT for a maximum of two terms of four years each in their respective capacities. The terms of the other NLT members are limited by the arrangements in their respective firms. The NLT typically meets monthly and on further occasions as required.

Strategy Council

The Strategy Council, which is made up of senior partners of the largest PwC firms and regions, agrees the strategic direction of the network and facilitates alignment for the execution of strategy. The Strategy Council meets on average four times a year.

Network Executive Team

The Network Executive Team is appointed by, and reports to, the Network Leadership Team. Its members are responsible for strategy and coordination of key aspects of PwC's Assurance, Advisory and Tax offerings, and functional areas such as Risk and Legal, Human Capital, Operations, and Clients & Markets across the PwC network.

Standards and internal quality control systems

As members in the PwC network, PwC firms are required to implement the agreed-upon common standards and policies of the PwC network. Every PwC firm is responsible for its own risk and quality performance and, where necessary, for driving improvements. Each PwC firm is also exclusively responsible for the delivery of services to its clients.

Membership in the PwC network depends on a member firm's implementation of common standards. To support transparency and consistency, each PwC firm's CEO signs an annual confirmation of compliance with certain standards. These cover a range of areas including Independence, Ethics and Business Conduct, Assurance, Advisory and Tax Risk management, Governance, Anti-money laundering, Anti-bribery and Data Protection and Privacy.

These confirmations are reviewed by others who are independent from the PwC firm in question. Member firms are required to develop an action plan to address specific matters where they are not in compliance. Such action plans are reviewed and execution of the plan is monitored by the network.

There are some common principles and processes to guide PwC firms in applying the network standards. Major elements include:

- *the way we do business*
- *sustainable culture*
- *policies and processes*
- *quality reviews*

The way we do business

PwC firms undertake their business activities within the framework of applicable professional standards, laws, regulations and internal policies. These are supplemented by a PwC Code of Ethics and Business Conduct for their partners and member of staff.

PwC People have an obligation to know, understand and comply with the guidelines contained in the Code as well as the values – Excellence, Teamwork and Leadership – on which the guidelines are based.

Sustainable culture

To promote continuing business success, PwC firms nurture a culture that supports and encourages PwC People to behave appropriately and ethically, especially when they have to make tough decisions. PwC People have ready access to a wide array of support networks within their respective firms – both formal and informal – and technical specialists to help them reach appropriate solutions. The foundation of PwC's culture is objectivity, professional scepticism, cooperation between PwC firms and consultation.

Policies and processes

Each PwC firm has its own policies based on the common standards and policies of the PwC network. PwC firms also have access to common methodologies, technologies and supporting materials for many services.

These methodologies, technologies and content are designed to help a member firm's partners and members of staff perform their work more consistently, and support their compliance with the way PwC does business. Each client engagement leader is responsible for assigning partners and members of staff to a particular engagement and building the appropriate combination of professional competence and experience.

Quality reviews

Each PwC firm is responsible for monitoring the effectiveness of its own quality control systems. This includes performing a self-assessment of its systems and procedures and carrying out, or arranging to have carried out on its behalf, an independent review.

In addition, the PwC network monitors the compliance of its member firms with PwC Network Risk Management Standards and external regulations on quality control. This includes monitoring not only whether each PwC firm conducts objective quality control reviews of all of its services, but also includes consideration of a member firm's processes to identify and respond to significant risks.

Assurance work is governed by a specific quality review programme that is based on relevant professional standards relating to quality controls including International Standard on Quality Control 1: 'Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements'. For more details of our firm's quality review programme, please refer to section: *Internal Quality Control System* of this transparency report.

In accordance with applicable regulatory requirements, each PwC firm may also be reviewed periodically, in some cases annually by national and international regulators and/or professional bodies.

A member firm's assurance quality review programme is monitored, as is the status and effectiveness of any quality improvement plans a PwC firm puts in place.

Network profit-sharing arrangements

PwC Cyprus and its subsidiary undertakings have no profit-sharing arrangements with other member firms of PwCIL. Member firms operate their own partner and members of staff remuneration arrangements, which are independent and separate from other member firms of PwCIL. Details of the profit-sharing arrangements of our firm can be found in section: *Partner Remuneration Policy* of this transparency report.



Internal quality control system

Introduction

PwC network member firms' quality control system for Assurance practice is based on the International Standard on Quality Control 1 (ISQC1): Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements (ISQC1), issued by the International Auditing and Assurance Standard Board (IASSB) of the International Federation of Accountants (IFAC).

The objective of ISQC1 is for the firm to establish and maintain a system of quality control to provide it with reasonable assurance that:

- the firm and its personnel comply with professional standards and applicable legal and regulatory requirements
- the reports issued by the firm/ engagement leaders are appropriate in the circumstances.

Description of our internal quality control system

Our internal control system is based on the six elements of quality control set out in ISQC1, which are:

- Leadership responsibilities for quality within the firm.
- Relevant ethical requirements (including Independence).
- Acceptance and continuance of client relationships and specific engagements email.
- Human resources:
 - recruitment and hiring
 - learning and education and career development
 - performance evaluation and compensation
 - assignment of teams and resourcing engagements

- Engagement performance:
 - consistency in quality of engagement performance
 - consultation
 - engagement quality control review
 - resolving differences of opinion
 - engagement documentation
- Monitoring

The implementation of our system of internal quality control is divided into two phases. The first phase is that of the documentation of the policies and procedures in place in relation to the six elements outlined above and the controls that the firm has implemented to ensure that these policies and procedures are complied with. The second phase is that of the testing of the controls in place to assess their adequacy and provide the Management Board with reasonable assurance that they operate effectively.

The effectiveness of our firm's system of internal quality control is evaluated by independent reviewers from the PwC network and it is also subject to review by the profession's regulator the Institute of Certified Public Accountants of Cyprus (ICPAC).

Where necessary, a remedial action plan is approved by the Management Board and guidance on areas identified as needing improvement are communicated to partners and members of staff via mandatory training and other technical communication alerts.

Quality Requirements		Risk Identification	PwC policy		Control / monitoring procedure	Testing procedure of the control	Testing results	Identified weakness
ISQC Paragraph #	ISQC1 paragraph requirements	Generic risks Member firm specific risks	Global Network policy	PwC Cyprus local policy				
26	<p>The firm shall establish policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to provide the firm with reasonable assurance that it will only undertake or continue relationships and engagements where the firm:</p> <p>(a) Is competent to perform the engagement and has the capabilities, including time and resources, to do so;</p> <p>(b) Can comply with relevant ethical requirements; and</p> <p>(c) Has considered the integrity of the client, and does not have information that would lead it to conclude that the client lacks integrity.</p>	<p>Firm may accept a new client, or continue with an existing client, which lacks integrity and which the firm would not wish to be associated with.</p> <p>Firm will accept a new client, or continue with an existing client when it is unable to comply with relevant ethical requirements. Firm will undertake engagements that it does not have the appropriate resources and adequate time to complete.</p> <p>Firm will not adequately document the resolution of identified issues, where the decision was taken to accept or continue a client relationship or engagement.</p>	<p>Client acceptability</p> <p>Engagement acceptability</p> <p>A&C software is used by the Firm</p> <p>Pwc Audit Guide 3011- Acceptance and Continuance</p> <p>Client acceptance and continuance</p> <p>Relationship checking</p> <p>Conflicts of interest and sensitive client situations</p> <p>Anti-money laundering</p> <p>Higher risk engagements</p>	<p>Client acceptability (Client Acceptance procedure and Client Acceptance & Money Laundering checklist)</p> <p>Client acceptability (Requirements for a Client Acceptance Panel)</p>	<p>Engagement Leaders and Risk Management Partner (RMP) and Partner Responsible for Independence (PRI) (as necessary), reviews and approves the client and engagement acceptance and continuance procedures performed for all new and continuing clients.</p>	<p>1) Test description: select a sample of audit clients and check whether client and engagement acceptance/ continuance procedures have been satisfactorily performed Sample size: 63 Sample selection details: the sample size is in accordance with PwC Audit Guide 7043.1 on accept-reject testing for a population of 200 items or more. Nature of test: Re- performance Responsible for testing of control: Chief Quality Officer</p> <p>2)Test description: Obtain evidence that the electronic engagement acceptance and continuance (A&C) system enables the application of triggering questions to ensure that high risk assessments are appropriately approved. Sample selection details: Same settings apply for all assessments. Nature of test: Inspection Responsible Team/Group: Assurance Technology Team</p>	<p>1) Appropriate client and engagement acceptance/ continuance procedures have been carried out for all clients and engagements selected. RMP consultation/ approval was obtained where high risk clients have been identified.</p> <p>2)Obtained evidence that the A&C system is properly configured to trigger Assurance Leader, RMP, PRI notification/ approval, as required. Find attached below the evidence obtained.</p>	None – control is functioning properly



Leadership responsibilities for quality within the firm

Resources and responsibility for audit quality

The Management Board and the Assurance Line of Service leadership are committed in continuously passing on the message of the importance of delivering high quality service and upholding the values of integrity, independence, professional ethics and professional confidence embedded within the audit process itself.

As mentioned in section: *Leadership and Governance* of this transparency report, the Management Board has the overall responsibility for establishing systems of internal quality control and for reviewing and evaluating their effectiveness. The day-to-day responsibility for implementation of these systems and for ongoing monitoring of risk and the effectiveness of controls is delegated to the Head of the Line of Service, Liakos Theodorou- and the Chief Quality Officer, Petros Petrakis.

Our firm has a number of partners supported by a team of dedicated resources to ensure it maintains high standard of quality, independence and professional ethics.

- Head of Quality, Risk & Independence: Christos Themistocleous
- Assurance & Advisory Risk Management Partner: Petros Petrakis
- Tax & Legal Services Risk Management Partner and Anti-Money Laundering Compliance Officer: Chris Odysseos

Audit engagement leaders take primary responsibility for the delivery of the firm's audit opinion. Audit quality is a major component of the partner planning, assessment and execution process. Partners are held accountable for their performance. In this respect, the firm has adopted an audit quality accountability framework which applies to all partners/ engagement leaders and Assurance service line leadership right up to the CEO.

Communication

Quality has been embedded throughout the firm and the policies and procedures that form our internal quality control system described below are available to PwC People via network and PwC Cyprus websites and databases. Relevant updates and changes, as well as points needing reinforcement are communicated to partners and members of staff via mandatory training and other technical communication alerts.

Risks of audit quality failures are addressed through the ongoing Audit Quality Risk Assessment performed under the supervision of the Assurance leadership. In view of the uncertain economic climate and adverse market conditions during the recessionary FY14, we worked on a daily basis on many fronts to protect the quality of our services and support our People. We monitored and continuously reassessed the impact of many challenging events on our business and adapted to each emerging reality.

Relevant ethical requirements

A detailed description of our policies, procedures, tools and practices in relation to ethical requirements including independence and conflicts of interests can be found in section: *Ethics & Independence* of this transparency report.

Acceptance and continuance of client relationships and specific engagements

The reputation and success of our firm depends on the professionalism and integrity not only of each and every partner and member of staff but also of our client relationships. Therefore, robust acceptance and continuance procedures have been established to help protect the firm and its reputation.

Acceptance and continuance processes

Our firm focuses on the quality of prospective clients and has established consistent policies and rigorous vetting procedures for accepting clients and engagements across all of our Lines of Service.

Key factors taken into consideration for client acceptability:

- the identity, business reputation, integrity and ethics of the client's principal owners, key management and those charged with its governance.
- information concerning the attitude of the client's principal owners, key management and those charged with its governance towards matters that might affect the provision of a prospective service (for example, aggressive interpretation of accounting standards and the internal control environment in the context of assurance engagements).
- the nature of the client's operations, including its business practices
- imposed limitations in the scope of work which may raise questions about the integrity of the client.
- indications that the client might be involved in money laundering or other criminal actions
- the public profile of the prospective client and the underlying reasons for that profile.
- a sense of the operating and control environments of entities involved.
- financial condition and the prospective client's ability to pay our fees.
- whether heightened risks of fraud exist (for example, opportunities, incentives, or pressures).
- independence and potential conflicts of interest
- any current or previous relationships with other PwC firms.

Assessment of the above factors is made through the Client Acceptance and Anti-Money Laundering form which is also in line with the requirements of the Prevention and Suppression of Money Laundering Activities Laws of 2007 to 2013. Prior to accepting a new engagement we carry out additional procedures to assess their suitability and consider whether the firm/ engagement team:

- is able to comply with independence and ethical requirements to provide the service being requested
- has the ability to deploy the necessary capabilities and resources to deliver the engagement has identified the relevant parties that will rely upon, or be impacted by, the services offered. This includes situations where PwC Cyprus or other PwC firms may be working for counterparties in a transaction or litigation, so that any conflicts can be identified and addressed appropriately.
- will be able to meet the client's expectations having regard to the scope of work, terms of business and the client's willingness to pay the associated fees
- can ensure that acceptance of the engagement will not impair the firm's independence or reputation or that of other PwC firms.

Our electronic Acceptance & Continuance (A&C) engagement assessment system used by the Assurance practice contains triggering questions, so that consultation required on risk conditions identified is made with Assurance leadership, the Assurance Risk Management Partner, the Partner Responsible for Independence and other technical specialists, to determine whether those are manageable, putting in place safeguards where required.

This process enables engagement teams to identify any risks related to an existing or potential client or engagement and facilitate proper risk assessment in line with relevant policies and procedures in response to the identified risks and decide whether or not our firm should be associated with a particular client, its management and the services in question.

Moreover, client and engagement acceptance is revisited annually via the client and engagement continuance risk assessment and the client retention panels comprised of the right people having the stature and independence of mind to decide on the retention of certain engagements, in accordance with our client and engagement continuance policy. A re-assessment is also made where significant changes/ events that may alter our initial decision of accepting this engagement have occurred during the course of our engagement.

Withdrawal from an engagement

Policies and procedures, in accordance with legal and professional obligations, are in place for circumstances in which we determine that we should or are required to, withdraw from an engagement. Appropriate consultations both within the firm and with those charged with governance of our clients are being held. Circumstances where we become aware of information after accepting an engagement which, had we been aware of that information earlier, would have led us to declining it, are also covered by these policies and procedures.



Human resources

At PwC we acknowledge that our continuing success and ability to meet the demands of our clients in an increasingly challenging business environment depends critically on the strength and quality of our People. We aim at recruiting, training, developing and retaining the best people, committed for delivering high-quality services. Therefore, our strategy is focused in maintaining across the firm consistent policies and procedures in relation to the following:

- recruitment
- learning and education
- performance evaluation and compensation / remuneration
- assignment of engagement teams

A detailed description of our human resource related policies can be found in section: Human Resources of this transparency report.

Engagement performance

We invest heavily in the effectiveness of our audits, in the skills of our People and in our underlying audit methodology, as well as in making the right amount of time and resources available, to ensure compliance with regulatory requirements and PwC's policies and standards. Standard terms of business under which we perform audit and non-audit assurance engagements are agreed in accordance with law and professional standard requirements.

Engagement performance is further enhanced through regular feedback we seek from our clients paying close attention in things we need to improve. In addition, remedial or improvement actions are taken based on the findings of the routinely internal and external reviews performed on the effectiveness of our risk and quality processes described further below.

Methodology and tools

Member firms of the PwC network use a common audit methodology and process (PwC Audit), supplemented by local regulatory requirements, for their audit engagements. This common methodology allows PwC firms to provide high quality and consistent services and to respond quickly to the changing environment in which member firms and their clients operate. Our audit methodology is based on International Standards on Auditing (ISA) and laws and regulations applicable in Cyprus.

Our audit work is documented using our electronic documentation tool, 'Aura'. Aura is designed to enable the consistent delivery of a differentiated value adding and high quality audit. The tool includes specific policies and procedures with regards to audits of groups, including multi-locational and cross-border groups. It supports teams in applying our methodology more effectively by creating greater transparency of the linkage between risks and the work done to address those risks, as well as providing enhanced project management capabilities. The effect is that the quality of our audits improves as teams are able to focus their efforts on areas of risk, thus bringing greater value to our clients and People. The globally developed tools are supplemented by locally developed tools and templates to further support audit engagement teams, contributing to the quality and efficiency that characterizes our audit. Partners and members of staff are trained on the PwC audit methodology and the use of Aura upon joining the firm. Furthermore, annual training is carried out for all Assurance partners and members of staff providing guidance for a more effective use of Aura and the latest updates on PwC Methodology.

Our firm has policies and procedures that address both professional and regulatory standards of the accounting and auditing practice. These are regularly updated to reflect new professional developments, changes in our operating environment and emerging external issues, feedback from internal and external reviews of engagement performance, as well as the needs and concerns of the practice.

Consultation and support

Consultation and support given to engagement teams by the firm's experts is an integral part of maintaining quality. PwC's policies set out mandatory consultation requirements when certain conditions apply. Also our culture and experience promotes consultation requests on various risk and quality matters that may arise.

Appropriate professional expertise has been dedicated to support audit and non-audit teams within Assurance practice to meet professional standards, regulatory and legal requirements. All consultation requests are submitted to a central database from which a dedicated person directs them to the appropriate technical expert. All consultation requests and responses are filed in this database.

Our Accounting Consulting Services team specialises in the application of International Financial Reporting Standards (IFRS) and provides support and guidance both internally (to Assurance, Global Compliance and Tax teams) and externally in relation to the accounting treatment of specific transactions (i.e. treatment of complex financial instruments, business combinations, lease classifications). Two members of our Accounting Consulting Services team, Tasos Nolas (team leader) and Anna Loizou, are also part of the Global PwC Accounting Consulting Services team specialising in the financial instruments and business combinations. The Global Accounting Consulting Services team is responsible for global consistent application of IFRSs and the development of IFRS training material and publications such as the PwC - Manual of Accounting.

The Audit Methodology team, headed by the Audit Methodology Partner, Stelios Constantinou, deals with and addresses audit issues encountered, supports teams throughout the audit process and assists in delivering consistent and quality audits in accordance with PwC audit methodology.

The Assurance Risk & Quality team led by the Assurance Risk Management Partner and Chief Quality Officer, Petros Petrakis, provides consultation on risk management matters and assists engagement teams to comply with PwC Network Risk Management Standards.

PwC's audit guide, policies, guidance, templates, professional accounting and auditing standards and technical alerts on new developments are located in electronic repositories and are available to all partners and members of staff. Consultation teams are responsible to update and/or develop additional policies and guidance where necessary to comply with local legislative and regulatory obligations. Such updates and new developments are communicated to partners and members of staff via email alerts and during mandatory training courses.

Supervision and review

Supervision of the audit, review of the work done and coaching of the team by accredited engagement leaders and managers are key elements in maintaining audit quality. The Engagement Leader, Quality Review Partner and Team Manager document their review of the work done in Aura. Aura includes guidance and audit procedures that need to be performed in order to ensure that engagement teams

have appropriately addressed all matters as required by auditing standards. It also enables teams to track the progress of the engagement and follow up pending issues ensuring that all work has been fully completed and appropriately reviewed.

The Engagement Leader is responsible to ensure that the audit is performed and documented as required and the conclusions reached are proper, by being

timely and sufficiently involved throughout the audit. This includes making key judgments, initiation of consultation requests on difficult or contentious matters as deemed appropriate and being satisfied that all risks have been appropriately assessed and responded to.

The Team Manager supports the Engagement Leader by promoting quality and continuous improvement in the performance of the audit, adhering to documentation requirements by being involved throughout the audit and coaching the team members as necessary. This includes identifying the risks and being satisfied that they have been addressed appropriately.

Engagement Leaders and Team Managers cultivate a mindset where engagement teams are challenged to think, analyse, question and be rigorous in their approach. They apply professional skepticism, foster an integrated coaching culture and demonstrate a willingness to learn and to coach others. Both are responsible to ensure timely reviews of audit work, quality of the audit process, results and conclusions, be satisfied that the audit work was appropriately carried out and documented in the file and the conclusions reached are consistent with the understanding of the engagement.

Rotation policies apply for all Key Audit Partners (including the Engagement Leader and Quality Review Partner). Key Audit Partners involved in audits of High Profile Clients or Listed Public Interest Entities serve in this role only for a period of seven years.

The name and role of the audit Engagement Leader is communicated to the client's Board of Directors and those charged with Governance via our contractual agreement.

Engagement Quality Control Review

A Quality Review Partner is appointed to conduct engagement quality control reviews of the audits of High Profile Clients, listed entities and other Public Interest Entities and engagements identified as high risk. Quality Review Partners are experienced

partners who are independent of the core engagement team. They are appointed in this role based on their expertise and receive appropriate training on the responsibilities of a Quality Review Partner prior to their appointment.

The QRP is responsible for reviewing key aspects of the audit, including independence, significant risks and their responses, judgments made, uncorrected misstatements, documentation of work done in the areas reviewed, the financial statements, communication with those charged with governance and the appropriateness of the audit report to be issued. The QRP will seek to challenge the audit team in the judgments made and work done. QRPs are involved throughout the audit process so that their input is timely.

Differences of opinion

Policies are in place to resolve situations where a difference of opinion arises between the Engagement Leader and either the Quality Review Partner, or another Assurance partner or a technical expert, in relation to professional views associated with consultation. Technical panels consisting of partners independent of the engagement are held as appropriate.

Engagement documentation

Upon completion of an engagement the engagement team is required to assemble the audit file, which comprises of the electronic and paper file and archive both files within 60 days from the date the audit report has been issued. An automated archiving process exists for the electronic file preventing any further amendments being made to it. The hard copy paper file is archived using an electronic system that logs the files and is then retained in a secure access controlled filing cabinet to which engagement teams have no direct access. Access to both the electronic and hard copy paper files is restricted to the members of the engagement team and only after approval from the engagement leader. Engagement files are retained for a period specified by law. Our firm retains audit files for a period of seven years, after which the files are destroyed.

Monitoring

Quality monitoring is an integral part of our firm's continuous improvement program and we constantly seek to enhance our policies and procedures and improve the quality of our work. We therefore implement an internal monitoring programme to monitor the adequacy and effectiveness of our internal system of quality control and address any matters needing improvement.

Our internal monitoring programme includes:

- testing of the effectiveness of controls in place to ensure compliance with ISQC1, by the Chief Quality Officer team
- testing of a sample of engagements carried out by the Assurance Risk & Quality team under the supervision of the Assurance Risk Management Partner, to check compliance with our risk management and independence policies and procedures.
- pre-issuance 'hot' reviews of compliance with IFRS carried out by our Accounting & Consulting Services team
- pre-issuance 'hot' reviews of audit work and conclusions reached thereon by our Audit Methodology team.

Our internal system of quality control is also subject to review by independent PwC network firms as part of the Global Assurance Quality Review (GAQR) programme for Assurance practices. The GAQR has two components:

- **Quality Management Review (QMR):** This is carried out annually at the leadership and management level of the firm to assess the effectiveness of quality control systems over Assurance work. A full QMR is performed every three years with an update being performed in the intervening years. The QMR assess the firm's adherence to the requirements of professional standards, including ISQC1 and other applicable professional standards. The results of the QMR drive the nature, timing and extent of the Engagement Compliance Review, which is the next phase of the program.

- **Engagement Compliance Review (ECR):** Detailed testing is carried out annually through reviews at the engagement level to determine compliance with applicable professional standards and PwC Audit methodologies. Engagement Leaders are subject to review of their audit work at least once every three years, but such reviews may be more frequent due to the nature of the clients being reviewed (e.g. High Profile Clients are reviewed more frequently).

Each engagement reviewed is classified as either "compliant", "compliant with review issues" or "non-compliant". In July 2014, 12 files were reviewed out of which 8 were found to be "compliant" and 4 "compliant with review issues".

A detailed report is issued summarising the findings of these reviews. Any issues identified are followed up and a remedial action plan is developed and implemented. Instances of failure to meet defined performance standards are treated seriously and the Engagement Leader and Team Manager responsible will be counseled to improve performance. In addition, under the firm's accountability framework, the remuneration of an Engagement Leader and Team Manager can be impacted by quality failings.

Periodical network integrated reviews are also performed by an independent team from the PwC network. The scope of this review is to assess the firm's compliance with the PwC Network Risk Management Standards.

External monitoring is also undertaken by the firm's regulator. For details and findings of the latest regulatory review of our firm please refer to section: External Monitoring of this transparency report.

Separate action plans are developed to respond to significant matters arising from each of the above reviews. Specific individuals are responsible for implementing the action plan within agreed time frames. The progress of implementation of the action plan is monitored by the Management Board.

Statement on the effectiveness of the firm's internal quality control system

On the basis of the reviews outlined in this section, the Management Board is satisfied that PwC Cyprus' internal quality control system for Assurance is operating effectively. Any matters identified through the various reviews processes are actioned and changes implemented as appropriate.

Ethics & Independence

Ethical behavior guides us in conducting our business. Our aim is not only to abide to ethical requirements but to embrace their spirit.



Professional conduct

The PwC network has developed professionalism and integrity standards on which our reputation and success depends on and our People uphold and comply with. This commitment to 'doing the right thing' is central to PwC's strong brand and trusted reputation.

Our firm's Partner Responsible for Ethics & Business Conduct, who is supported by a team of dedicated resources is responsible for ensuring that ethical behaviour is embedded in our culture and that our firm implements a comprehensive action plan to ensure compliance with PwC network ethical standards as well as local laws and regulations.

Upon joining the firm, all partners and members of staff are provided with a copy of the PwC Code of Conduct, which is also available on the PwC Global Portal and the Human Capital database. The Code of Conduct sets out what we stand for and is underpinned by the following overarching principles:

PwC Code of Conduct

- **Upholding the PwC name**
- **Behaving professionally**
- **Respecting others**
- **Corporate responsibility**

Policy updates and reinforcement of ethical and professional requirements under which we operate are communicated to partners and members of staff in the form of email alerts, regular mandatory training, speeches and presentations made by the CEO and other senior leadership and through posters placed on notice boards in our buildings and screen savers on all personal computers.

We regard the tone from the top of our organisation as critical to upholding our core values of integrity, professional ethics and business conduct.

All partners and members of staff are required annually to confirm, that they are aware of and have complied with all relevant ethical and professional obligations.

Confidentiality and Data Protection

Confidentiality and information security are key elements of our professional responsibilities. Misuse or loss of confidential client information or personal data may expose the firm to legal proceedings, and it may also adversely impact our reputation.

Our firm's Data Protection Officer is responsible for providing oversight, policy and strategic direction on confidentiality and data privacy matters.

All PwC People are required to comply with the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants ("IESBA"), (an independent standard-setting body within the International Federation of Accountants (IFAC)), that has been endorsed by the profession's local regulator. Additionally, our firm is required to comply with the relevant PwC network standard on data protection and privacy and the obligations arising from the local data protection legislation regarding handling of confidential information and personal data, and contractual terms govern the use and disclosure of information.

We have implemented information security policies and procedures aiming to ensure that:

- sensitive information is protected from internal and external threats
- confidentiality, availability and integrity of information is maintained
- statutory, regulatory and contractual obligations are met
- access to confidential information is restricted to authorized persons
- encryption of all the firm's laptops, personal computers
- software restricting the use of removable media to approved and encrypted devices only
- access to engagement files – both electronic and hard copy paper files is approved by the engagement leader or manager
- regular backup of data on individual laptops and personal computers are carried out
- clear-desk policy, both in our offices and at client sites
- hard copy files not in use are secured
- remote access to our network is via a secure virtual private network, or equivalent technology
- policies are in place on the transmission of data by email outside of the organisation
- access to operational areas of PwC Cyprus and our buildings is restricted.

The firm's policies and standards are supported by ongoing compliance monitoring. Monitoring is carried out by PwC Cyprus's Information Security Compliance Organisation and is supplemented by checks by the PwC Network's Global Security Organisation.

Complaints and Allegations Policy

Our firm has a Complaints and Allegations policy which is communicated twice a year to partners and members of staff by the Partner Responsible for Ethics & Business Conduct. Under this policy any partner or member of staff who observes unethical behavior is encouraged to report it to any member of the Complaints and Allegations reporting team. Our firm has procedures in place to (a) protect individuals raising a concern, from being victimized or losing

their job as a result and (b) enable anonymous reporting as well. In addition, clients or other third parties are informed via our contractual agreements that they may also report any such concern to our Partner Responsible for Ethics and Business Conduct. We are committed to deal with responsibility and professionalism with any genuine concerns raised about possible malpractice. Concerns should be expressed in good faith, fairly, honestly and respectfully.

Anti-bribery

Compliance with anti-bribery and anti-corruption initiatives is part and parcel of our culture. Our Code of Conduct, the PwC Network Risk Management Standard on Anti-bribery, the IESBA Code of Ethics and other local legal requirements make it clear that it is unacceptable for our people to solicit, accept, offer, promise, or pay bribes. Policies, training and procedures in respect of anti-bribery are in place to comply with the above rules and regulations.

Conflicts of interest

Relevant relationships, potential conflicts of interest and other sensitive situations are identified before accepting a new client or engagement. The Independence team performs checks via internal and PwC network databases and websites and provides a report to the engagement team with the results. Where conflicts of interest are identified the appointment is either declined or safeguards are applied to make sure that potential conflicts of interest are appropriately managed. These safeguards could include the assignment of separate teams, carrying out the engagements under code names and holding meetings with the clients in relation to the transaction at the clients' respective premises or in designated meeting rooms, amongst other.

Independence

Being objective is a corner-stone value in our profession and it is imperative to maintain our independence in everything we do.

The principle of being independent supports our culture which entails conducting work with a questioning mindset. It has two elements: being independent in fact and being perceived as independent by third parties. These principles are critical components of objectivity and all the member firms in the PwC network have a wide set of policies and procedures that together with the cultivation of an ethical oriented mindset ensure our objectivity.

Our firm's Partner Responsible for Independence, Christos Themistocleous, supported by the other members of the firm's Independence team has the responsibility for implementation and monitoring of policies and procedures designed to provide reasonable assurance that the firm complies with applicable independence standards.

Our firm follows the independence policy of the PwC network which incorporates the independence requirements of the International Ethics Standard Board for Accountants (IESBA) Code of Ethics for Professional Accountants in relation to personal financial interests, scope of services and business relationships. The independence policy of the PwC network also outlines the independence rules of the US Securities and Exchange Commission (US SEC) and those of the Public Company Accounting Oversight Board of the US (PCAOB) which in general are more restrictive and should be complied with where they apply. In some instances, our firm has also developed supplementary policy based on local business and regulatory environment.

Independence restrictions apply to non-assurance services provided to assurance clients and their related entities. Our independence policy includes procedures and safeguards to ensure that independence

is maintained from such clients at all times and covers, among others, the following areas:

- firm's financial and business relationships, including policy and guidance on the financial arrangements of the firm, joint business relationships and the purchase of goods and services.
- individual financial interests and relationships, including policies and guidance on securities held by partners and members of staff
- non-assurance services provided to assurance clients.

Training

All partners and members of staff receive induction, milestone and annual refresher training on PwC independence policies and the relevant regulatory updates. Attendance of training courses and completion of computer based training courses is mandatory and strictly monitored.

Compliance Systems

Our compliance processes rely on a combination of business activities and monitoring systems.

The PwC network has a number of global systems that assist our firm and its People to comply with its independence policies and procedures.

The 'Central Entity Service' (CES) contains information about corporate entities including audit clients of all PwC network firms and their related entities as well as the securities they have issued. This information assists in determining the independence status of clients of the firm during the acceptance and continuance stage of an engagement or business relationship. PwC firms are required to obtain authorisation from the lead audit engagement partner regarding the provision of non-audit services to entities on the CES for which independence restrictions apply.

Authorisation is sought through the 'Authorisation for Services' (AFS),

which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, documents the potential independence threats that may arise from the provision of the non-audit service, describes the proposed safeguards that will be applied to reduce the threat to an acceptable level and acts as a record of the audit engagement leader's conclusion on the acceptability of the service.

Authorisation is only given after careful analysis of whether the service could impair the reporting firm's independence by reference to policy requirements, including an evaluation of threats to independence and available safeguards.

Partners and client-facing directors and managers are required to record the details of their investment portfolios on a sophisticated confidential database, the Global Portfolio System (GPS), that provides real-time monitoring of the permissibility of investments held against an 'Independence List' of prohibited securities. Partners and client-facing directors and managers use GPS to pre-clear securities before acquisition and to record their subsequent purchases and disposals. Where a member firm wins a new audit client, this system automatically informs those holding securities issued by this client if there is a requirement to dispose the security.

Our firm has also developed a number of PwC Cyprus-specific systems including:

- a rotation-tracking system that monitors compliance with the firm's audit rotation policies for engagement leaders and other key audit partners.
- a business relationships database that records business relationships entered into by the firm, including the purchase of goods or services in the normal course of business. These relationships are reviewed on a six-monthly basis to identify any changes that may impact the initial independence assessment and their permissibility.
- a centralized electronic QRM&I Helpdesk database, through which all our Partners and members of staff can consult on quality, risk management and independence matters.

Compliance confirmation

Partners and members of staff are required to confirm that they comply with the requirements of our independence policy on an annual basis. In addition all partners and directors who act as engagement leaders must confirm that all non-audit services and business relationships for which they are responsible, comply with our independence policy, and that the firm's processes have been followed in accepting these engagements and relationships.

These confirmations act as a reminder of the firm's independence policies and procedures and assist in identifying any potential breaches of independence that may have occurred in order to take appropriate measures to resolve them.

Confirmation of internal review of independence procedures and practices

Our independence procedures and practices are subject to review on an ongoing basis through a monitoring and testing programme, which includes but is not limited to the following:

- engagement reviews to confirm compliance with the firm's risk management procedures, including independence
- personal independence audits of a random selection of partners, directors and managers
- compliance testing of independence controls and processes
- annual assessment of the firm's adherence to the PwC network's risk management standard for Independence.

The results of the firm's monitoring and testing are reported to the Management Board on a regular basis. Based on the reviews outlined above, we confirm that we have conducted an internal review of our independence practices during FY14.

PwC member firms are required to have disciplinary mechanisms to promote compliance with independence policies and processes and to report and address any violations of independence requirements.

In PwC Cyprus, a violation of independence policies, by a partner or member of staff, has consequences which may include role and rating adjustment to impact future income or other disciplinary actions, including dismissal.

Where appropriate, discussion on the impact of the independence issue and the need for and nature of safeguards to maintain objectivity are carried out with the client's audit committee. Although most breaches are minor and attributable to an oversight, breaches are taken seriously and investigated as appropriate.



External monitoring

Our firm is licensed to undertake statutory audit work by the Institute of Certified Public Accountants of Cyprus (ICPAC). ICPAC conducts an Audit Monitoring Visit at least every three years under the auspices of the Cyprus Accounting Oversight Body. The purpose of the Audit Monitoring Visit is to monitor amongst other areas, our firm's compliance with International Standard on Quality Control 1 (ISQC1) and International Standards on Auditing (ISAs) in the conduct of audit work.

Results and recommendations for improvement arising from the Audit Monitoring Visit are presented to the firm's CEO and the Chief Quality Officer who are required to report to ICPAC on the remediation plan they have developed and will implement to address areas needing improvement.

Our firm has undergone the first regulatory inspection in September 2009 by the Association of Chartered Certified Accountants (ACCA) of the United Kingdom to which ICPAC has outsourced the Audit Monitoring Visit process. As part of this visit our firm has received the 'ICPAC Quality-Checked Award' which it maintains until present.

In July 2013, ACCA has carried out a second Audit Monitoring Visit on behalf of ICPAC. Following the review, the firm was assessed as being in compliance with ISQC1; and the twelve randomly selected statutory audit engagements inspected were found to be in compliance with the International Standards on Auditing (ISAs). The firm was also found to be in compliance with the requirements of ICPAC relating to its practicing members and sufficiently aware of the requirements of the Anti-Money Laundering Regulations.

The review findings demonstrate our firm's high standards of quality which are embedded in our culture and our genuine commitment to doing the right thing, rather than achieving simply regulatory compliance.

2013 Audit Monitoring Visit and Review Report

Firm	Generally in compliance with ISQC1
Sample of 12 statutory audit engagements selected for review	All generally in compliance with ISAs



At PwC we acknowledge that our continuing success and ability to meet the demands of our clients in an increasingly challenging business environment depend critically on the strength and quality of our People. Therefore, despite the difficult market and economic conditions, we continue to invest in the professional development of our People by taking a long-term view of our business.

Recruitment

Our recruitment processes ensure that we attract and recruit graduates with potential, as well as qualified and experienced professionals with technical expertise, management skills, leadership attributes and personal integrity.

In order to attract these candidates, our Human Capital professionals carry out a series of activities, specifically aimed at recruiting high caliber graduates and professionals, such as:

- Dinner in London for Cypriot professionals working in the UK.
- On-campus presentations at top UK universities.
- On-campus presentations to University of Cyprus (UCY) students and teaching UCY accounting classes.
- Recruitment of top Russian and Ukrainian graduates in close cooperation with the respective PwC firms.
- Participation in career fairs at local universities and colleges.
- Participation in local high school career fairs.

Additionally, we continue to run our successful “Summer Internship Programme” for high-calibre university students who are interested to pursue a professional qualification.

Performance Management

Objectivity is the basis of our performance management system, and our aim is to continue building a culture, where People are rewarded and progress based on their job performance.

Our approach to performance management is called “Performance Coaching and Development” (PC&D). This framework clarifies and aligns our goal-setting, evaluation and feedback processes by focusing on our ten Global Core competencies. The framework spans a diverse set of skills, yet is flexible enough to accommodate individual needs.

Through this approach, formal feedback is provided on an ongoing basis, and includes amongst other things, feedback on technical expertise and quality. The feedback then forms a key element of our annual appraisal process.

All People are assessed against their agreed objectives and the related Global Core Competencies. Based on this assessment, individuals are assigned a performance rating that is benchmarked across the firm and which influences their progression and remuneration, if applicable.

Additionally, we administer a confidential, anonymous upward feedback programme for all Partners, in order to help them in their personal development journey. Moreover, all our Assistant Managers, Managers, Senior Managers and Directors receive similar confidential and anonymous feedback from their colleagues, to help them develop their managerial and leadership style.

Continuous Professional Development

The Firm is committed to providing its Partners and People with the relevant opportunities to continuously develop as professionals, reaching the maximum of their potential at every role they are assigned within the Firm.

Over and above our Performance Management and Upward & Peer Feedback processes, our People's professional development is guided through a combination of on-the-job training (expected to account for 70% of development), coaching (20%) and formal training programmes (10%).

Formal training programmes ensure that our People meet their Continuous Professional Development (CPD) requirements. For this reason, we continued to follow the "Approved Employer - Professional Development stream" awarded by the Association of Chartered Certified Accountants (ACCA) and the Institute of Certified Public Accountants of Cyprus (ICPAC).

Our training curriculum includes internal and external training courses, seminars and e-learns, which are industry-specific, grade-specific and cover both technical and business skills.

More specifically, the firm continuously invests in strengthening the technical knowledge and business skills of our People through:

- PwC global technical training courses, where our People attend technical programmes, such as the Advisory University, International Corporate Tax planning, International Tax Structures and VAT for Financial Services Master Class
- Local PwC business skills training courses, in areas such as Relationships, Coaching, Leading and Inspiring teams, Business and Global acumen.
- Local PwC technical training courses, in areas such as Assurance methodology, IFRS updates, Quality and Risk Management and Introduction to Tax for new joiners

- Local training seminars organised by other bodies in Cyprus, such as The Institute of Certified Public Accountant of Cyprus (ICPAC) and The Cyprus Employers and Industrialists Federation (OEB)

In addition to the formal training programmes, the Firm encourages each professional to take ownership for their own continuous professional development, by looking into opportunities for secondment to the PwC network and also by making sure that all the activities they follow are aligned to their role and grade.

PwC's Academy also ensures that our trainee accountants, under both the Institute of Chartered Accountants in England and Wales (ICAEW) and the Association of Chartered Certified Accountants (ACCA) schemes, are provided with the highest quality education and support.

As a result our trainees' professional examination results in FY14 were once again outstanding, with pass rates well above the international averages, achieving 100% in some papers.

In addition, 5 of our ACA trainees received worldwide awards in the ICAEW Professional Stage examinations. More specifically, 3 ACA trainees received an award for achieving a joint 1st place in the "Audit and Assurance" examination and 2 ACA trainees received an award for achieving joint 5th and 8th places overall for the Professional Stage examinations during the year 2013.

Moreover, 1 of our ACCA Trainees achieved 8th worldwide place in the "Corporate Reporting" ACCA professional examination and 5 of our ACCA Trainees achieved 1st Pancyprian place in the ACCA professional examinations of "Corporate Reporting", "Advanced Financial Management" and "Financial Reporting".

Investors in People

Investing in our People has been a key driver of our business success. In FY14, we continued to be one of the elite top organisations across the world to hold the highly prestigious Investors in People GOLD accreditation.

Being an Investors in People (IIP) GOLD organisation reflects the progress we are continuously making in our Human Capital management practices, our commitment towards continuous improvement, the quality of our Human Capital management practices and our People's personal commitment to continuous improvement.



Financial information



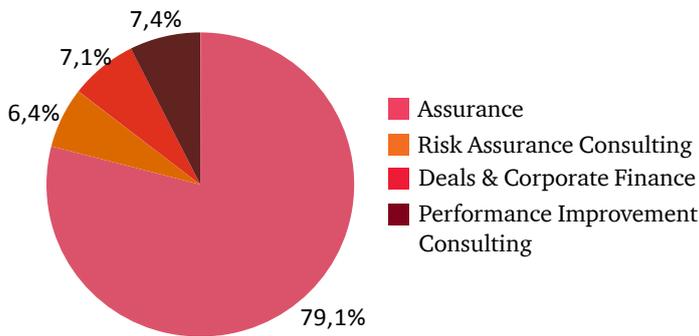
Our firm achieved same net revenues compared to FY13 of **€77,3m.**

Revenue

Assurance & Advisory

The Assurance & Advisory practice net revenue increased by **0,7%** to **€29,6** from **€29,4** in FY12.

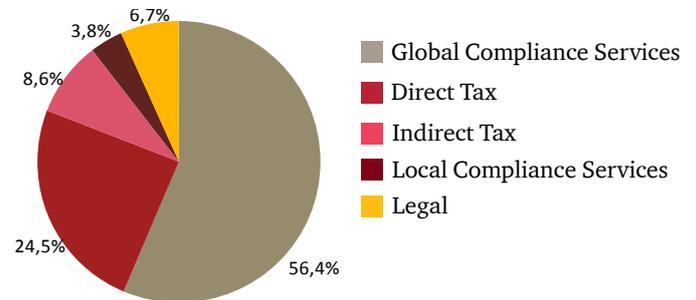
Assurance & Advisory



Tax & Legal Services

The Tax & Legal Services practice net revenue increased by **5,1%** to **€47,7** from **€45,4** in FY12.

Tax & Legal Services



Assurance

The Assurance practice net revenues decreased by **5,9%** to **€25,3m** from **€26,9m** in FY13.

Global Compliance Services

CCS net revenues increased by **2,5%** to **€28,7m** from **€28m** in FY13.

Tax

The Tax practice comprising of Direct & Indirect Tax net revenues decreased by **2,5%** to **€15,8m** from **€16,2m** in FY13.

Legal

Our Legal and Corporate Support practice achieved net revenues of **€3,2m**, being a decrease of **8,6%** compared to FY13 of **€3,5m**.

Advisory

Our Advisory practice comprising of Risk Assurance Consulting, Performance Improvement Consulting, Deals & Corporate Finance, Capital Markets & Transactions Support achieved net revenues of **€4,3m**, being an increase of **59%** compared to FY13 of **€2,7m**.

Operating costs

Total costs have decreased by **7,8%** with staff costs recording a **5,8%** decrease over the prior year. Other operating costs have decreased by **13,2%**.

Partner remuneration policy

Partners are remunerated based on the Partner Income Framework (PIF), which is revised every 5 years. The PIF will regulate the remuneration of partners for the five years FY13 - FY17 and comprises of the following three components:

- **Equity income** – dividend payments reflecting each partner’s share in the profits of the company. All our partners are equity partners. Each year each partner receives an equal number of additional shares which results in the relative Profit Sharing Ratios (PSR) of newer partners increasing and consequently the PSR of long serving partners reducing.
- **Responsibility income** – a monthly salary reflecting the partners’ role and responsibilities. The PIF recognises three bands of responsibility pay:
 - Chief Executive Officer
 - Members of Management Board and Oversight Board
 - Partners
- **Performance income** – a preference dividend payment reflecting the assessment of how each partner has performed, using a Partner Performance and Development System (PPDS).

Within the context of the PPDS, each partner’s performance income is determined by assessing achievements against an individually tailored balanced scorecard of objectives, based on the partner’s role and responsibilities. These objectives include ensuring that we deliver quality services and maintain our independence and integrity.

Quality failings identified either through regulatory reviews or internal quality reviews impact the remuneration of audit partners, and other audit and non-audit engagement leaders in Assurance, through an accountability framework.

Key Audit Partners, whilst being responsive to the client needs are not evaluated or remunerated for the selling of non-audit services to their audit clients.

The PPDS adopts 4 performance ratings and a range of weights that gives the flexibility for fairer allocation of the performance income in accordance to partner performance and contribution.

In FY13, the split of the total after tax partner remuneration under the three components was as follows: 51% equity income, 36% responsibility income and 13% performance income.

The PPDS process takes place as follows:

- Partner self assessment and form submission to Primary Reviewing Partner (PRP)
- PRP and Partner hold a meeting
- PRP and Secondary Reviewing Partner (SRP) collect feedback and undertake initial assessment
- Moderation and finalisation of partner ratings
- Meetings with individual partners to brief them of final rating and finalise objectives set for next FY
- The Oversight Board approves the process and oversees its application.

List of public interest entity audit clients

During FY14, PwC Cyprus has issued a statutory audit opinion in relation to the following entities:

Listed entities

Amathus Public Ltd
Apollo Investment Fund Public Company Ltd
Camposol Holdings Plc
Claridge Public Ltd
CLR Investment Fund Public Ltd
Constantinou Bros Hotels Public Company Ltd
Cytrustees Investment Public Company Ltd
Deep Sea Supply Plc
Ermes Department Stores Plc
GAP Vassilopoulos Public Ltd
Global Ports Investments Plc
Globaltrans Investment Plc
Gunvor Finance Ltd
H.M.S Hydraulic Machines and Systems Group Public Company Ltd
Interfund Investments Public Company Ltd
K + G Complex Public Company Ltd
Laiki Capital Public Company Ltd
Leptos Calypso Hotels Public Ltd
Mallouppas & Papacostas Public Company Ltd
Mitsides Public Company Ltd
Mosvold Supply Plc
Pandora Investments Public Ltd
Philoktimatiki Public Ltd
Ros Agro Plc
S.D. Standard Drilling Plc
SONGA Offshore SE
Sun Interbrew Ltd
TCS Group Holdings Plc
The Cyprus Cement Public Company Ltd
Unifast Finance & Investments Public Company Ltd
Urals Energy Public Company Ltd
Woolworth (Cyprus) Properties Public Ltd

Banking institutions

Bank of Beirut & Arab Countries
Bank of Piraeus (Cyprus) Ltd
Barclays Bank Plc
Commercial Bank Privatbank
Eurobank EFG Cyprus Ltd
Russian Commercial Bank (Cyprus) Ltd

Insurance companies

AIG Europe Limited
Chartis Europe Ltd
CNP Asfalistikiki Ltd
CNP Cyprialife Ltd
Commercial General Insurance Ltd
HD Insurance Limited
Hellenic Alico Life Insurance Company Ltd
Insurance Company The (Central) Ltd

Note: the above list excludes Public Interest Entities for which PwC has carried out statutory audit work but has not issued an audit opinion during FY14.

Appendix A – Head of the Legal Practice



Spyros A Evangelou

Partner
In charge of Legal Practice
S.A. Evangelou & Co LLC

Spyros has an LL.B (Hons), he is Barrister of Gray's Inn, a TEP (Trust and Estate Practitioner) and an Advocate of the Supreme Court of Cyprus. He was called to the English Bar and he has been in Private Practice since 1991 when he set up his own legal firm. Before returning to Cyprus, Spyros acquired working experience in England and his practice areas include Business Law, Company Law and Tax Law. Spyros has a special interest in Trusts and he has been advising clients in setting up trusts among others for personal, succession, asset protection and commercial purposes.

Appendix B – Board of Directors

The members of the Board of Directors during the financial year ended 30th June 2014 were as follows:

Evgenios C Evgeniou - Chief Executive Officer (CEO)
Costas L Mavrocordatos - Head of Tax & Legal Services
Liakos M Theodorou - Head of Assurance & Advisory
Chris K Santis - Assurance (resigned 31st December 2013)
Stephos D Stephanides - Assurance & Advisory
Angelos M Loizou - Tax & Legal Services (resigned 30th June 2014)
Vasilis Hadjivassiliou - Assurance
Androulla S Pittas - Assurance
Christos M Themistocleous - Assurance
Panicos Kaouris - Tax & Legal Services
George M Loizou - Tax & Legal Services
Pantelis G Evangelou - Tax & Legal Services
Stelios C Constantinou - Assurance
Tassos Procopiou - Advisory
Andreas T Constantinides - Assurance
Theodoros C Parperis - Tax & Legal Services
Constantinos H Constantinou - Advisory
Petros C Petrakis - Assurance
Philippos C Soseilos - Advisory
Christos H Tsolakis - Assurance
Nicos A Theodoulou - Assurance
Cleo A Papadopoulou - Tax & Legal Services
Marios S Andreou - Tax & Legal Services
Nicos P Chimarides - Tax & Legal Services
Aram A Tavitian - Tax & Legal Services
Constantinos Taliotis - Assurance
Stavros A Kattamis - Finance
Yiangos A Kaponides - Assurance
Tasos N Nolas - Assurance
Chrysilios K Pelekanos - Tax & Legal Services
Eftychios G Eftychiou - Tax & Legal Services
George C Lambrou - Advisory
Chris Odysseos - Tax & Legal Services
Dinos L Kapsalis - Tax & Legal Services
Stelios Violaris - Tax & Legal Services
Tony Hadjiloucas - Tax & Legal Services
Petros N Maroudias - Tax & Legal Services
George C Kazamias - Assurance
Loizos A Markides - Assurance
Antonis C Christodoulides - Tax & Legal Services
Anna G Loizou - Assurance

Appendix C – Management Board

The members of the Management Board who have served during financial year ended 30th June 2014 are:

Evgenios Evgeniou

Evgenios is the CEO and Senior Partner of PwC Cyprus. He started his career with PwC in 1990 and was admitted to partnership in 2001. He has worked with PwC in London and on short secondment in Athens and Moscow. Prior to assuming his current responsibility, he was a member of the firm's Executive Board, the Banking and Capital Markets leader and the HC leader. He was also a member of the management team for the Assurance practice of PwC in continental Europe.



Evgenios graduated from Imperial College London and he is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Institute of Certified Public Accountants of Cyprus. He has attended leadership development programs of PwC. Evgenios is the President of the Cyprus-Russia Business Association, a member of the Board of the Cyprus Investment Promotion Agency (CIPA) and a member of the Board of the Nicosia Chamber of Commerce.

Costas Mavrocordatos

Costas is the head of Tax and Legal Services of PwC in Cyprus. He is a Law Graduate, a Fellow of the Institute of Chartered Accountants in England and Wales and of the respective professional body in Cyprus (ICPAC) and a Fellow of the Society of Trust and Estate Practitioners of the U.K. He has been a partner of the firm since 1993. He has in depth experience in international structuring, cross border transactions, in the set up and administration of companies and trusts internationally and specialises in the fiduciary services industry.



He is the President of the International Business, Shipping and Foreign Investments Committee of the Institute of Certified Public Accountants of Cyprus.

He is a presenter at various international conferences and contributes regularly articles to the local and international press.

Liakos Theodorou

Liakos is the Head of the Assurance & Advisory and a member of the Management Board of PwC in Cyprus. He has extensive experience in auditing, IFRS and business advisory services for major local and international groups/companies. Liakos was the PwC Cyprus shipping industry leader for a number of years providing professional services to a large portfolio of shipping clients

Liakos has an Honours degree in Economics from the London School of Economics and Political Science (LSE), is a Fellow member of the Institute of Chartered Accountants of England and Wales (ICAEW) and a Member of the Council of ICPAC.

Angelos Loizou

Angelos was the Partner in Charge of Local Compliance Services Competence of the firm and the Partner in Charge of Operations until his retirement on 30th June 2014. Angelos has extensive experience in projects relating to the tourist industry and has conducted a large number of studies on tourist related matters. Angelos is a Fellow member of the Institute of Chartered Accountants in England and Wales (ICAEW) and of the respective professional body in Cyprus (ICPAC).



Christos Themistocleous

Christos is the Head of Quality & Risk and Operations as well as the Partner responsible for Independence, Ethics & Business Conduct. He is an Assurance partner with extensive experience in the audit of hotels and land developers.

Christos graduated from the London School of Economics and Political Science (LSE), is a Fellow member of the Institute of Chartered Accountants in England and Wales (ICAEW) and of the respective professional body in Cyprus (ICPAC).



Theo Parperis

Theo is the Partner in Charge of Global Compliance Services Competence and Private Wealth Services (PwS) of the firm. He is primarily engaged with international clients operating in a broad range of sectors, including trade in oil and commodities (e.g. metals), transportation, shipping, tourism, manufacturing, information and technology. His clientele comprises primarily of businesses with activities in Russia, Ukraine and Central Eastern Europe.

Theo graduated from the London School of Economics and Political Science (LSE) and is a Fellow member of the Institute of Chartered Accountants in England and Wales (ICAEW). Theo has also served as president of the Institute of Certified Public Accountants of Cyprus (ICPAC) from June 2011 to June 2013.

Philippos Soseilos

Philippos is the Head of Human Capital and the Partner in Charge of the Performance Improvement Consulting Competence of the firm. He has significant experience in the areas of Business and Human Resource Consulting.

Philippos graduated from the University of the Witwatersrand Johannesburg, is a Fellow member of the Institute of Chartered Accountants in England and Wales (ICAEW) and of the respective professional body in Cyprus (ICPAC) and a member of the Cyprus Association of Human Resource Management.



Appendix D – Oversight Board

The members of the Oversight Board who have served during financial year ended 30th June 2013 are:

Chris Santis, is the Chairman of the Oversight Board responsible to oversee the Firm's compliance with Governance Standards relating to partners affairs. He is an Assurance partner responsible for audits of large companies in the Financial Services sector and has extensive experience in Assurance & Advisory services. Chris was previously a member of the Management Team and Head of the Assurance Line of Service.



Chris graduated from London School of Economics and Political Science (LSE), is a Fellow member of the Institute of Chartered Accountants in England & Wales (ICAEW) and of the respective professional body in Cyprus (ICPAC).

Andreas Constantinides, is a Partner with the Consumer and Industrial Products and Services (CIPS) Competence of the firm in Nicosia. He has been appointed Chairman of the Oversight Board on 1st January 2014 following the retirement of Chris Santis. Andreas graduated from Warwick University, is a Fellow member of the Institute of Chartered Accountants in England & Wales (ICAEW) and of the respective professional body in Cyprus (ICPAC).



Constantinos Constantinou, is the Partner Responsible for the Deals/ Corporate Finance Competency of the firm. He received his undergraduate degree from Carnegie - Mellon University, Pittsburgh, U.S.A and his MBA degree from Sloan School of Management, Massachusetts Institute of Technology (MIT), Boston, U.S.A. Constantinos is a Fellow member of the Institute of Chartered Accountants in England & Wales (ICAEW) and of the respective professional body in Cyprus (ICPAC).



Chrysilios Pelekanos, is the partner responsible for the Indirect Tax Competence of the firm. Chrysilios graduated from the University of Manchester and is a Fellow member of the Institute of Chartered Accountants of England and Wales (ICAEW) and of the respective professional body in Cyprus (ICPAC).



George Lambrou, is an Advisory Partner, with joint responsibility for the Risk and Assurance Consulting (RAC) Competence of the firm. George received his undergraduate and postgraduate degrees from the University of Cambridge, UK and his MBA (Dean's List) from the INSEAD business school, France. He is a Fellow member of the Institute of Chartered Accountants in England & Wales (ICAEW) and of the respective professional body in Cyprus (ICPAC).



Nicos Theodoulou, is a Partner with the Consumer and Industrial Products and Services (CIPS) Competence of the firm in Nicosia. Nicos received his undergraduate and postgraduate degrees from the University of Cambridge, UK.



He was elected on the Oversight Board to fill a casual vacancy following the retirement of Chris Santis, for the period 1 January 2014 – 30 June 2014.

He is a Fellow member of the Institute of Chartered Accountants in England & Wales (ICAEW) and of the respective professional body in Cyprus (ICPAC).

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