

FY15 PwC Cyprus Transparency Report

1 July 2014 –
30 June 2015

Who we are

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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 recognised 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 Experiences 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

PwC's transparency report 2015 outlines the values and key principles defining the quality of our work. Aiming to deliver the highest level of quality audit services to our clients, the PwC team is committed to professionalism, independence, objectivity and transparency, at all times.

To achieve this, our organisation has consistently invested in training schemes, innovative methodologies and cutting-edge technology, in order to provide our People with the necessary tools and stimulus that will enable them to continuously improve the quality of their work and advance their skills in a challenging environment.

The greatest challenge for a leading brand in its sector is to ensure not only the high level of its audit services, but also its positive impact on society in general. We are proud to say that our organisation's standards have raised the bar within the audit market and set an example of responsible business.

Furthermore, through the implementation of a targeted Corporate Responsibility programme, we have been given the opportunity to contribute with our knowhow to the overall effort for economic recovery in Cyprus. We are convinced that the road to growth passes through entrepreneurship, which is why we actively support bodies which aim to reinforce it, by providing free consultative services, volunteer action and offering technical and other support.

Recognising the great responsibility that we bear as the leading brand in the professional services sector, we aim to continue integrating corporate responsibility into the way we deliver our services while focusing on ethics, integrity and trust.

Our clients and the high expectations they have of us have inspired us to succeed in this challenging mission. Reciprocating their trust, we shall remain focused on achieving our strategic objectives and pursuing excellence in every aspect of our work; factors integral to the success of any organisation.

Last but not least, I express my gratitude to our People for their determination and hard work in delivering the PwC experience. Individual commitment to a group effort – that's what makes a team work, a company succeed and a society progress.

Evgenios C Evgeniou
CEO

September 2015

Commitment to our values

Rebuilding trust and confidence in business



Liakos M Theodorou
Partner
Head of Assurance & Advisory



Petros C Petrakis
Assurance & Advisory,
Risk & Quality,
Regulatory & Policy
Responsible Partner

We are pleased to present our Financial Year 2015 (FY15) transparency report that demonstrates our commitment in sustaining and growing a responsible profitable business, through our purpose of building trust in society and solve important problems for our clients and the society in which we live in.

FY15 has been another challenging year for all businesses due to the continuing difficult economic conditions and the struggle to manage finance and liquidity issues. Adaptation to the difficult market conditions is slow but Cyprus economy is on the road to recovery and we all hope for the return to growth in 2016. The banks are working hard to deal with the non-performing loans following the enactment of the insolvency and foreclosure laws and to address the many European and other regulatory requirements.

We have again managed to capitalise on many opportunities which have arisen during the year and succeed to win major assignments. Key factors for our success have been the professionalism, expertise and capabilities of our teams, the strength of our international network and the proactive engagement with the Government, regulators and the market.

We continue to focus on quality, independence and objectivity in our work, leveraging on our technical and industry expertise which are central to delivering value to our clients and confidence to other stakeholders.

Our Purpose is to help build trust and to help solve important problems for our clients and for the society in which we live and work.

We aim to work together with all our PwC colleagues to bring the benefit of all of our services and expertise to our clients. It is the combination of our services, industry knowledge and our competencies in our global network which offers us the potential to be distinctive in our markets, and which gives us the potential to do so in a manner which is consistent with our Purpose.

The integrated Assurance and Advisory practice with 20 partners, 15 directors and 375 staff services local and international clients, public and private companies, bringing together a diverse team of experts that work together to meet the increasingly complex needs of clients.

We have a strong Assurance practice that works with many companies listed in Cyprus and abroad and hundreds of private and family businesses with both local and international presence.

We are proud of our audit heritage and we continuously work so as to deliver our expertise and offer added value to our clients while safeguarding quality. We subject a very large number of engagements to internal and external quality reviews for the proper application of risk management procedures, audit methodology and standards, and application of the International Financial Reporting Standards. We share the results of our reviews and take initiatives and necessary action to ensure continuous improvement. Through the use of tools deployed globally we ensure the standardisation of audit procedures and alignment of quality with the rest of the PwC network.



At PwC, we are driving audit innovation, with technology at its heart. We have therefore invested heavily in order to have the ability to merge market-leading technology with the skills of our People and a robust audit approach is now central to our global audit strategy and delivery. It is the fusion of these three elements that defines our value and drives the audit. The result is quality, efficiency and insight, delivered in equal measure, to the highest standard.

We believe that this transformation will enhance the flow of information and the transparency of the audit process. We make the transformation available to our People and clients. Our transformation changes the look and feel of our interactions with clients and deliver our customer satisfaction promise, the PwC Experience.

We believe in industry specialisation and expertise. We believe that value adding and relevant audits come from a deep understanding of the subject matter and of the relevant challenges and prospects that each industry is facing. Our scale gives us the benefit of being able to attain specialisation. We maintain strong ties with our network and collaborate seamlessly. Our local expertise and the global reach provide our clients with unique access to specialised technical skills and the ability to provide assurance on businesses operating in all geographies and industries.

In our audits we regularly use local experts in areas beyond accounting and auditing such as, valuations, manual and automated processes and controls, tax and VAT.

This puts us in a unique position to provide those charged with governance with valuable insights on potential business risks and opportunities.

We continue to recruit and develop the best talent. We provide opportunities for professional growth and experience through robust assurance trainings, and opportunities to be involved in challenging assurance engagements and secondments to other PwC member firms globally. We are focused on providing the skills and qualifications that future assurance professionals will need to operate in the changing assurance environment.

The past few difficult years have helped us to anticipate change and adapt to new market opportunities by offering flexible, tailored, cost-efficient solutions. Our local teams, partnered with the support of our Global network, continue to work alongside our clients and deliver transformational solutions based on their specific circumstances, ultimately offering them the value they expect from PwC.

Developments in the regulatory environment have continued this year, with the enactment of the EU legislation on statutory audit services. The legislation that will be in effect from June 2016 will introduce further prohibitions on the provision of non-audit services to Public Interest Entities and mandatory audit firm rotation. It will also bring about new challenges to auditors, Public Interest Entities and their audit committees. Despite the anticipated changes in the regulatory landscape, our commitment to our values and purpose remains intact and our desire for high quality audits grows even stronger.

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 2015 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 members of PricewaterhouseCoopers International Limited (PwCIL) and therefore, member firms of the PwC network. 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, 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* of this report.

Ownership of PwC Cyprus

PwC Cyprus is wholly owned by professional practitioners working within 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 the financial year ended 30th June 2015 can be found in *Appendix B* of this report.

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 during 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 2015 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 with 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 quality 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; and
- 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 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 2015 can be found in *Appendix D* of this report.

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 governance and communication between partners and senior management. The Oversight Board is also responsible to check that the policies in regards to partners' remuneration are being properly and fairly applied.

The Oversight Board generally meets on a monthly basis but may hold additional meetings if the necessity arises. The three year term of office of the elected members of the Oversight Board commenced on 1 July 2014 and ends 30 June 2017.

The currently elected Oversight Board members who are holding office for the three year period from 1 July 2014 are the following:

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

The Oversight Board has met nineteen times during the financial year and has issued two reports on its activities to the partners. The main activities of the Oversight Board during FY15 were as follows:

The Oversight Board received the FY16-18 business plans and budgets from the CEO and other members of the Management Board. Further to appropriate examination,

the Oversight Board approved the process that was followed in preparing the business plan and was satisfied with the resources, processes and monitoring procedures in place for its implementation.

In addition, the Oversight Board has among others:

- received monthly feedback from the CEO on the financial performance, business developments and risk management issues affecting the firm.
- proposed the performance ratings of the members of the Management Board to the CEO, determined the performance rating of the CEO and ensured that the firm's policies and procedures concerning the determination of the partners performance rating for FY14 were performed properly.
- considered major office space leasing agreements and compliance thereto 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

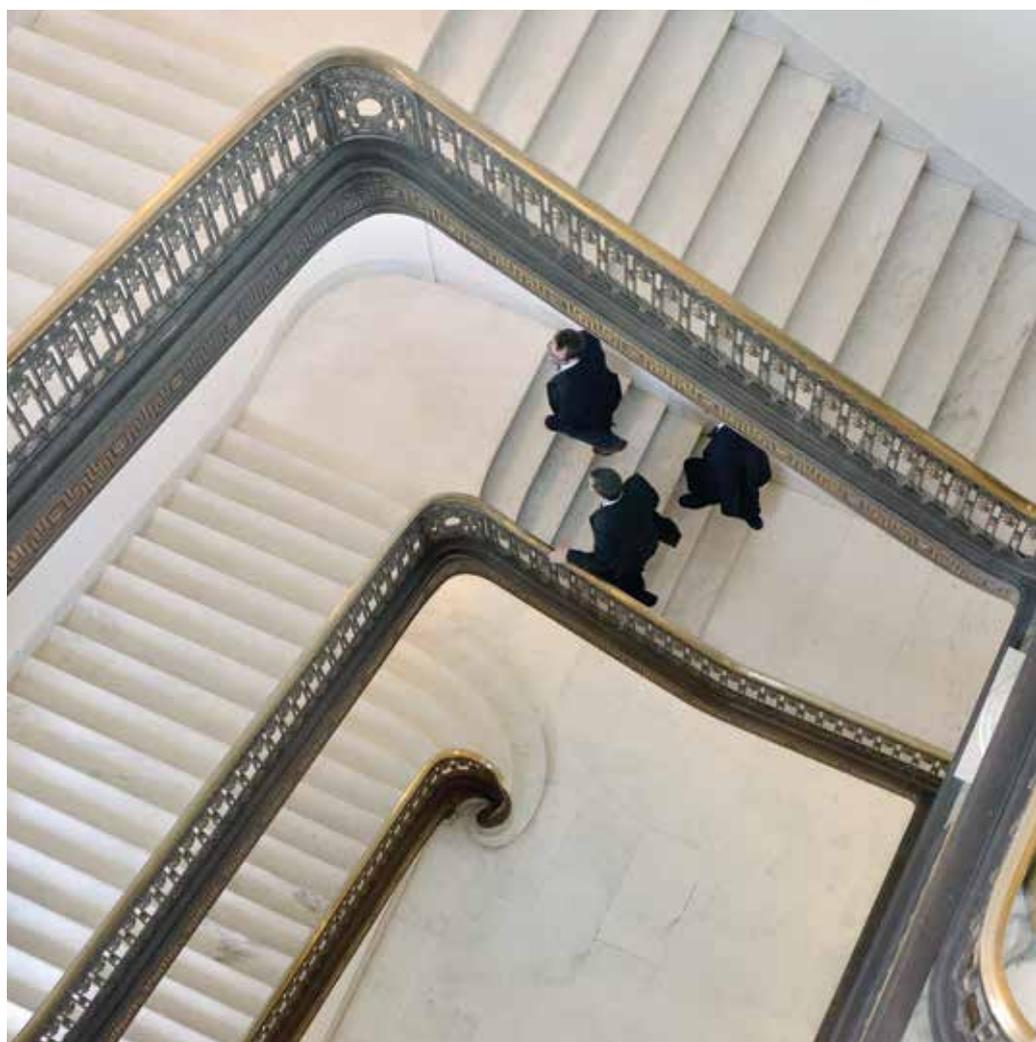
PwC Cyprus operates through two Lines of Service, Assurance & Advisory and Tax & Legal Services. Internal support services are provided by the firm's Functions.

The main roles and responsibilities in the Lines of Services and Functions of the firm in FY15 were as follows:

Head of Assurance & Advisory:
Liakos Theodorou

Head of Tax & Legal Services:
Costas Mavrocordatos

Head of Functions:
Evgenios Evgeniou



Description of the PwC Network

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.

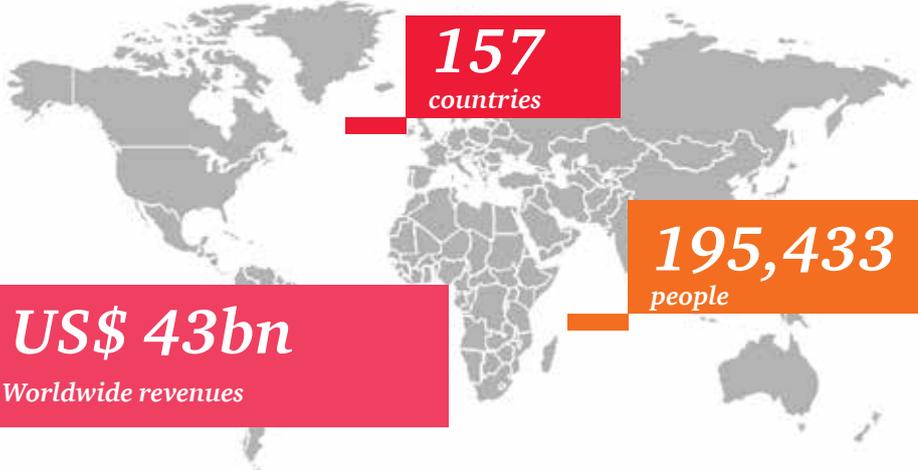
PwC firms can use the PwC name and draw on the resources and methodologies of the PwC network. In return, they are required to comply with certain common policies and the standards of the PwC network.

PwCIL governance bodies

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 consists 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 Global 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 on a monthly basis and on further occasions as required.



157
countries

195,433
people

US\$ 43bn

Worldwide revenues

Worldwide revenues are the aggregated results of individual PwC member firms and are expressed in US dollars.

All figures relate to the year ended 30 June 2015.

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.

Strategy Council

The Strategy Council, comprises of senior partners of the largest PwC firms and regions. It is responsible for the determination of the strategic direction of the network and facilitates alignment for the execution of the strategy. The Strategy Council meets on average four times per year.

Network Executive Team

The Network Executive Team is appointed by, and reports to, the Network Leadership Team. Its members are responsible for leading teams drawn from network firms to coordinate our activities across all areas of our business.

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 13 countries took office in April 2013.

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

Standards and internal quality control systems

As members of 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 a member firm's implementation of common standards. To ensure 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. Consequently, member firms are required to develop an action plan to address specific issues in which they are not in compliance. Such action plans are also reviewed and the 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 of the above 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 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 compliance with the way PwC does business.

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 performed 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 examination 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 plan 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 the 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; and
- the reports issued by the firm/ engagement leaders are appropriate under specific 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; and
- monitoring.

The implementation of our system of internal quality control is divided into two phases. The first phase includes 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 being applied. The second phase follows with 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.

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 to communicate the message of the importance of delivering high-quality service and upholding the values of integrity, independence, professional ethics and professional confidence which are embedded within the audit process.

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 dedicated staff to ensure it maintains high standards of quality, independence and professional ethics.

- Head of Risk & Quality:
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 a quality accountability framework which applies to all partners/ engagement leaders and Service Line leadership right up to the CEO.



Communication

The importance of quality is clearly communicated and embedded throughout the firm. The policies and procedures that form our internal quality control system described below are available to PwC people via PwC 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.

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 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; and
- 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 and identifies the relevant parties that will rely upon, or will 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 in regards to the scope of work, terms of business and the client's willingness to pay the associated fees; and
- 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, while putting in place safeguards where required.

This process enables engagement teams to identify any risks related to an existing or potential client or an engagement and facilitate proper risk assessment in line with relevant policies and procedures in response to the identified risks. Based on the risk assessment, engagement teams 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 appropriate people with 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 the 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 decline it, are also included in 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, who are 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; and
- 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 heavily invest 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 the legal and professional standard requirements.

Engagement performance is further enhanced through regular feedback we seek from our clients paying close attention to 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 contains 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 performed to address those risks, as well as providing enhanced project management capabilities. The effect is the improved quality of our audits, as teams are able to focus their efforts on areas of risk and thus bring 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 services. 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 the 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. In addition, our culture and experience promotes consultation requests on various risk and quality matters that may arise.

Appropriate professional expertise is being dedicated to support audit and non-audit teams within the 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).

One of our Accounting Consulting Services team, Anna Loizou, is also part of the Global PwC Accounting Consulting Services team specialising in financial instruments and business combinations. The Global Accounting Consulting Services team is responsible for global consistent application of IFRS 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, supports teams throughout the audit process and assists in delivering consistent and quality audits in accordance with the 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 completed work 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 appropriate, by being timely and sufficiently involved throughout the audit. This includes making key judgments, initiating 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 during 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 in which engagement teams are challenged to think, analyse, question and be rigorous in their approach. They apply and promote 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 the audit work, quality of the audit process, results and conclusions, and confirm 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 (QRP) 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 prepared. 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, a technical expert or another Assurance partner in relation to their professional views. 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 hard copy paper file and archive these files within 60 days from the date that the audit report was 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 for recording purposes and is retained in a controlled filing cabinet with secure access to which engagement teams have no direct access. View access to the archived files is restricted to the members of the engagement team. Engagement files are retained for a period specified by law.

Monitoring

Quality monitoring is an integral part of our firm's continuous improvement programme as 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 the effectiveness of controls in place to ensure compliance with ISQC1, by the Chief Quality Officer team;
- testing 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; and
- 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 assesses 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 with no comments", "compliant with review matters" or "non-compliant". In FY15, 12 files were reviewed, out of which 9 were found to be "compliant with no comments" 3 "compliant with review matters" and 0 "non-compliant".

In addition, our firms carries out internal audit quality reviews on a sample of audit engagements prior to the issuance of our audit opinion. This year, 11 audit engagements have been subjected to such an internal audit quality review.

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 counselled 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 findings.

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.

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 review processes are addressed and changes are implemented as appropriate.



Ethics & Independence

Ethical behaviour 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 staff 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:

- 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 authorised persons;
- encryption of all the firm's laptops and personal computers;
- software restricts 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;
- 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; and
- 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' 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 behaviour 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 policy and guidance on securities held by partners and members of staff; and
- 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; and
- a centralized electronic Risk & Quality 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; and
- 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 FY15.

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.

Corporate responsibility

At PwC Cyprus we are constantly seeking to increase our impact on society. Our strategy focuses on social relevance and is designed to underline this ambition. This strategic objective means that we aim to design and deliver services that help resolve the key issues and challenges that society is currently facing. We feel that we have a significant role to play in building trust in society and solving important problems.

We believe that all together we can create a positive change in our community by doing the right thing for our business, our People, our society and country. Using our skills, voice and relationships we can be a catalyst for change and have a lasting impact on the world around us.

These aims form the core of our CR Strategy and across the PwC network, all firms support these goals.

Our CR strategy is tailored to our specific strengths and opportunities, as a network of professional services firms. To align and structure our CR activities, we focus on four areas in which PwC people across the world can play their part:

Responsible business, diversity & inclusion, community engagement and environmental stewardship.



Human Resources

***Our People are our biggest asset.
At PwC we create an exciting business environment, where talented people are motivated to give their best and reach their full potential.***

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 calibre 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; and
- participation in local high school career fairs.

Additionally, as more and more university students are starting their search for a job before their final year at university, we continue to offer a “Summer Internship Programme” so as to boost the students’ employability and help them make better informed career decisions. In the context of this, we also launched a “Summer Placement” programme in cooperation with the UCY.

Managing Performance

Objectivity is the basis of our performance management system, and our aim is to continuously build 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 5 PwC Professional Attributes. 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 PwC Professional Attributes. 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 continue 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, Risk and Quality Management and Introduction to Tax for new joiners; and
- 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 in 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. Our trainees' professional examination results in FY15 were outstanding, with pass rates well above the international averages, achieving 100% in some papers.

In FY15, 3 of our ACA trainees received worldwide awards in the ICAEW examinations. More specifically, awards were received for achieving 1st place in the Professional Stage examinations of "Financial Accounting and Reporting" and "Audit and Assurance". Moreover, 1 of our ACA trainees received a worldwide award during the year in the Advanced Stage examination of "Business Reporting".

In addition, 4 of our ACCA trainees achieved 1st place in Cyprus in the ACCA professional examinations in the papers of "Corporate Reporting", "Advanced Financial Management", "Advanced Financial Performance Management" and "Financial Reporting".

Awards and Accreditations

Investing in our People has been a key driver of our business success.

In FY15, following a rigorous assessment, which included lengthy interviews with colleagues from all grades across the organization, we successfully renewed our Investors in People GOLD Accreditation and continued to be one of the elite top organisations across the world to hold the highly prestigious Accreditation in Human Capital Management.

Our IIP GOLD and IIP CHAMPION accreditations reflect the quality of our people management practices, the strength of our culture and our commitment to continuous improvement.

In FY15, we were also awarded with the "Gender Equality in the Working Environment" Accreditation by the Cyprus Ministry of Labour, Welfare and Social Insurance, for implementing good practices aimed at promoting equality in the working environment. More specifically, we were awarded with the "Gender Equality Employer" accreditation within the framework of the Cyprus Certification Business Model, established to recognise companies promoting gender equality in the workplace, for implementing policies that promote equal opportunities in professional advancement and work-life balance, while fully respecting and implementing equal pay between men and women for equal work or work of equivalent value.



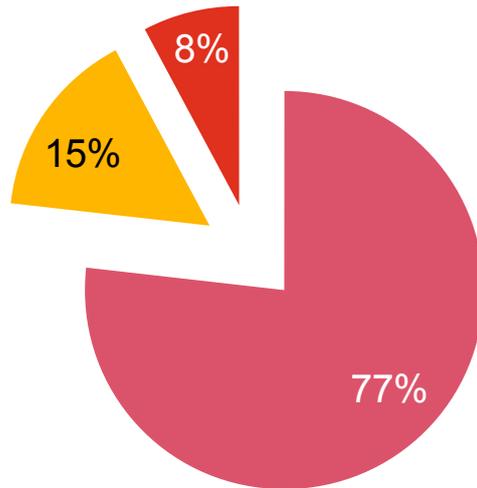
Award ceremony for the "Gender Equality in the Working Environment" Accreditation by the Cyprus Ministry of Labour, Welfare and Social Insurance.

Revenue

Our firm's revenue increased by 2,9% to **€79,5m** compared to **€77,3m** in FY14.

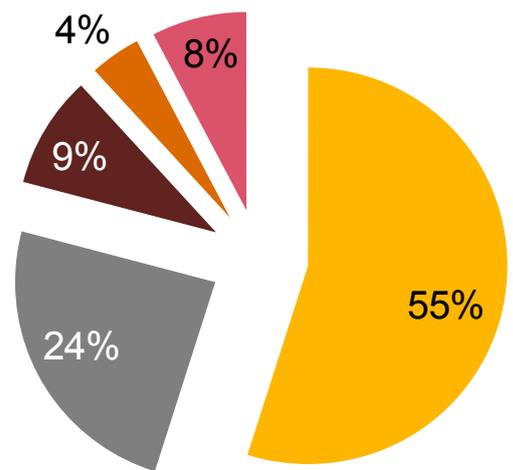
Financial information

Assurance & Advisory



- Assurance - 77%
- Consulting - 15%
- Deals - 8%

Tax & Legal



- Corporate Compliance - 55%
- Tax Advisory - 24%
- Indirect Tax - 9%
- Company Administration - 4%
- Legal - 8%

Assurance

The Assurance practice revenues increased by 1,3% to **€23,7m** from €23,4m in FY14.

Deals

The Deals practice revenues increased by 13,6% to **€2,4m** from €2,1m in FY14.

Consulting

Our Consulting practice, achieved revenues of **€4,7m**, an increase of 17% compared to FY14 of €4,1m.

Indirect Tax

Our Indirect Tax practice achieved revenues of **€4,4m**, an increase of 5.9% compared to FY14 of €4,2m.

Legal

Our Legal and Corporate Support practice achieved revenues of **€3,8m**, an increase of 21,1% compared to FY14 of €3,1m.

Tax Advisory

The Tax practice revenues increased by 0,9% to **€11,8m** from €11,7m in FY14.

Corporate Compliance

Our Corporate Compliance practice achieved revenues of **€26,7m**, a decrease of 0.8% compared to FY14 of €26,9m.

Company Administration

Our Company Administration practice achieved revenues of **€2m**, an increase of 9% compared to FY14 of €1,8m.

Operating costs

Total costs have increased by **5,9%** with staff costs recording a 5,2% increase over the prior year. Other operating costs have increased by 7,7%.

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 the following 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, 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 FY15, the split of the total after tax partner remuneration under the three components was as follows: 51% equity income, 37% responsibility income and 12% 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 the next financial year; and
- the Oversight Board approves the process and oversees its application.

List of public interest entity audit clients

During FY15, 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
Constantinou Bros Hotels Public Company Ltd
Cytrustees Investment Public Company Ltd
Deep Sea Supply Ltd
Ermes Department Stores Plc
GAP Vassilopoulos Public Ltd
Global Ports Investments Plc
Globaltrans Investment Plc
Gunvor Group 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
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 - Cyprus Branch
Commercial Bank Privatbank - Cyprus Branch
Eurobank Cyprus Ltd
RCB Bank Ltd
Promsvyazbank - Cyprus Branch

Insurance companies

AIG Europe Limited Chartis Europe Ltd
CNP Asfalistiki 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 FY15.

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), 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 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 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 2015 were as follows:

Evgenios C Evgeniou - Chief Executive Officer (CEO)
Costas L Mavrocordatos - Head of Tax & Legal
Liakos M Theodorou - Head of Assurance & Advisory
Stephos D Stephanides - Assurance & Advisory (resigned 30 June 2015)
Vasilis Hadjivassiliou - Assurance & Advisory
Androulla S Pittas - Assurance & Advisory
Christos M Themistocleous - Assurance & Advisory
Panicos Kaouris - Tax & Legal
George M Loizou - Tax & Legal
Pantelis G Evangelou - Tax & Legal
Stelios C Constantinou - Assurance & Advisory
Tassos Procopiou - Assurance & Advisory
Andreas T Constantinides - Assurance & Advisory
Theodoros C Parperis - Tax & Legal
Constantinos H Constantinou - Assurance & Advisory
Petros C Petrakis - Assurance & Advisory
Philippos C Soseilos - Assurance & Advisory
Christos H Tsolakis - Assurance & Advisory
Nicos A Theodoulou - Assurance & Advisory
Cleo A Papadopoulou - Tax & Legal Services
Marios S Andreou - Tax & Legal
Nicos P Chimarides - Tax & Legal
Aram A Tavitian - Tax & Legal
Constantinos Taliotis - Assurance & Advisory
Stavros A Kattamis - Functions
Yiangos A Kaponides - Assurance & Advisory
Tasos N Nolas - Assurance & Advisory
Chrysilios K Pelekanos - Tax & Legal
Eftychios G Eftychiou - Tax & Legal
George C Lambrou - Assurance & Advisory
Chris Odysseos - Tax & Legal
Dinos L Kapsalis - Tax & Legal
Stelios Violaris - Tax & Legal
Tony Hadjiloucas - Tax & Legal
Petros N Maroudias - Tax & Legal
George C Kazamias - Assurance & Advisory
Loizos A Markides - Assurance & Advisory
Antonis C Christodoulides - Tax & Legal
Anna G Loizou - Assurance & Advisory

Appendix C – Management Board

The members of the Management Board who have served during financial year ended 30th June 2015 are:

Evgenios Evgeniou

is the CEO of PwC Cyprus and the Head of the Markets function.



He started his career with PwC in 1990 and was admitted to the partnership in 2001. He has worked with PwC in London and on secondment in Athens and Moscow. In addition he was the Chairman of the Capital Markets Committee of the Institute of Certified Public Accountants of Cyprus. Evgenios graduated from Imperial College, London University and is a Fellow of the Institute of Chartered Accountants of England and Wales. He has attended a number of PwC and business school professional development programs and in 2004 he participated in the “Ulysses” leadership development program and in that context worked with the UN for two months in Eritrea.

Evgenios is the President of the Cyprus-Russia Association and a member of the Board of Directors of CIPA.

Costas Mavrocordatos is the Head of the 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.



Costas 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 with articles to the local and international press.

Liakos Theodorou

is Head of Assurance & Advisory. He has extensive experience in auditing and business advisory services with a client portfolio of local and international companies. He was the PwC Cyprus shipping industry leader for a number of years providing professional services to a number of major shipping and ship management groups.



He is currently the Vice President on Economic affairs of the Limassol Chamber of Commerce and Industry and a Member of the Council of the Institute of Certified Public Accountants of Cyprus. He has served following an appointment from the Council of Ministers of Cyprus, as one of the five members of the Cyprus Commission for the Protection of Competition from 2003 to 2008.

Liakos has an Honours degree in Economics from London School of Economics and is a Fellow member of the Institute of Chartered Accountants of England and Wales. He has attended a number of PwC and business school professional development programs and he participated in the “Ulysses” leadership development program in 2005 during which he has worked with the UN for two months in Kenya.

Christos Themistocleous

is the Head of Risk & Quality 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

was the Partner in Charge of Global Compliance Services Competence and Private Wealth Services (PwS) of the firm until 30 June 2015 .



As of 1st July 2015, Theo has taken over as head of Tax & Legal Services of PwC in Cyprus. 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 International businesses with activities in Russia, Ukraine, Asia, M.E. 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

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



Philippos graduated from the University of 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 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 2015 are:

Andreas Constantinides, is the Chairman of the Oversight Board responsible to oversee the Firm's compliance with Governance Standards relating to partners affairs. He is a Partner with the Consumer and Industrial Products and Services (CIPS) Competence of the firm in Nicosia. 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).



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).



Androulla Pittas, is an Assurance Partner specialising in the audits of companies in the Financial Services Sector and has an extensive experience in assurance services. Androulla graduated from University College London, and is a Fellow of the Institute of Chartered Accountants in England & Wales (ICAEW) and of the respective professional body in Cyprus (ICPAC).



George Lambrou, is an Advisory Partner, heading the Regulatory Compliance and Internal Audit services offerings to the banking and investment management sectors. 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).



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).



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Paphos

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