



Doing the right thing - Focusing on quality

Deloitte Cyprus

Audit Transparency Report

for the year ended 31 December 2013





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## Regulatory Context

This Transparency Report has been prepared in accordance with the provisions of article 48 of the Law of 2009 and 2013 on Statutory Audits of Annual and Consolidated Accounts.

The provisions require the annual publication of certain information by auditors, defined as statutory auditors, that have issued an audit report on the annual financial statements of one or more public interest entities during the financial year. This information is to be published on their website or deposited with the Companies Registrar within 3 months of each financial year.

This Transparency Report is in respect of the financial year ended 31 December 2013. The terms Firm and Deloitte will normally denote the Deloitte Cyprus firm, Deloitte Limited throughout this document. The Cypriot firm Deloitte Ltd is a Cyprus registered entity authorised to practice as an audit firm in Cyprus together with its connected undertakings. Full description of the Legal structure of Deloitte Cyprus is set out on page 39 of this report.

# 1. Committed to continuous improvement



Welcome to our 3rd Deloitte Audit Transparency Report in respect of the year-ended 31 December 2013 - a year which will be remembered by all Cypriots for generations ahead.

Our financial and operating performance during 2013 was strong, despite a challenging global and local economy. Notwithstanding a dip in revenues, investments in areas such as quality and innovation strengthened and extended our service capabilities for the future. Our position has been reinforced as a leading professional services organisation in Cyprus offering high class services on an individual, national and global level.

Those headlines are important, but there's a bigger story behind them. The breadth of our work and of how Deloitte's people bring fresh ideas to make a positive impact on clients, organisations, and our community with which we work underpin our strategic position.

For instance, Deloitte professionals:

- Enable companies to explore revenue opportunities by diversification or enabling merger and acquisition opportunities;
- Guide chief financial officers on how to better navigate the complex economic landscapes;
- Improve conditions for workers and prevent business disruptions by working with clients to develop their HR processes; and
- Help organisations enhance cyber security and resilience so they can better detect fraud, recover from intrusions, and get back to business quickly.

Deloitte takes its public interest role seriously and works with regulators and government to contribute to policy development that promotes quality, objectivity, competition, investor confidence, and a return to economic growth. We're investing to shape the audit of the future, including contributing to the exposure draft on extended audit reports that will benefit stakeholders by revealing a more complete picture of companies' financial positions.

Deloitte also takes a leading role in working with other organisations to address challenges faced in common by businesses, government, and local communities.

Deloitte specialists bring insights from their client experience, which helps in developing solutions that are practical and effective. Our priorities include combatting corruption to increase the integrity of markets and our economy and ignite a journey out of economic recession and towards increased employment opportunities within the community.

As this report demonstrates, an unwavering commitment to quality underpins all our work. The focus on quality starts with Deloitte's leaders. Robust quality controls are in place throughout the organisation and client assignments are approached with rigor and discipline. Deloitte is continually investing in innovative tools and methods, like our new auditing platform which we plan to roll out in 2015, to further enhance the quality of our work.

Quality. It's a common thread woven through the Deloitte culture that marks all that we do. It's also a perpetual quest. Our commitment to continuous improvement allows us to meet the high standards and expectations of regulators, clients, and the investing public. We also view our investments in quality as helping create the conditions that will enable society to prosper.

We hope you find this report as informative and inspiring as we do alongside its compliance with the Law. Thank you for investing your time in learning more about Deloitte's commitment to quality and professional excellence. As you will understand from the report we are fully aware of the impact of the quality of our work on sustaining confidence in financial reporting and supporting the wider public interest. This report is accompanied by a list of Deloitte Cyprus's Public Interest Entities for which an audit report was signed during 2013.



## 2. A message from our CEO



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### A welcome note to our 3<sup>rd</sup> Annual Transparency Report by Christis M. Christoforou, Chief Executive Officer

It is a privilege to lead an organisation of talented professionals who are deeply committed to quality, to doing the right thing and to our reputation. There is no substitute for quality and we continuously strive to improve this by enhancing our audit methodology, our internal reviews and the professional skills of our people.

Here, at Deloitte, we embrace the principles behind the Transparency Report and are pleased to set out our approach to ensuring audit quality, robust governance and ethics. I invite you to read the main body of this report which includes information about the governance processes, ethical principles and quality control procedures of Deloitte and, in particular, of our audit practice.

Transparency is an increasingly central element in demonstrating quality and we are in favour of disclosing information that is valuable to interested parties such as investors, audit committees, regulators and other stakeholders in order to understand our commitment to audit quality. Going forward, it is clear to me that the role of auditors is a critical one in underpinning confidence and security in the capital markets, and this has been recognised by the comments made by the authorities, regulators and other commentators.

We believe that transparency creates conditions in which companies can distinguish themselves from competitors if they are confident, determined and prepared to take bold action. Across our wider business, Deloitte is committed to helping clients not only to survive the current challenging markets but to emerge as winners in the medium term.

I whole-heartedly believe that we have positioned our Firm well to overcome the next few difficult years by retaining our devotion to quality, managing our risk exposure and adopting a global vision. This translates into an ever-present Firm with superior capabilities to assist its clients and serve its public interest roles. 2013 represented a significant mile-stone in the Cyprus post-1974 economy. The measures agreed with Troika during March 2013 for the provision of financial assistance to the island has continued harsh consequences for the already-troubled, local economy.

Our prompt responses to events and our dedication to risk management are critical. Each and every one of us has a role to play.

Our plans for the future are rooted in Deloitte's global strategy and our global vision; to become the "Standard of Excellence", the "first choice of the most sought-after clients and talent". At the same time, our plans are also able to reflect the new Cyprus economic reality which we are facing. Our "As One" strategy will help us secure and widen our leadership position in our market.

"Our Shared Values" are also timeless (see page 9). They succinctly describe the core principles that distinguish the Deloitte culture. The principles support our pursuit of the standard of excellence, emphasize member firms' fundamental responsibilities to protect and enhance the brand and recognise their mutual accountability to support each other's success.

Our business strategy is to be recognised as the pre-eminent and most-trusted professional services firm, famous for the calibre of our people and respected for the exceptional quality of our work.

Our goal is to be the highest performing and most successful firm in Cyprus, through our continuous commitment to improvement and quality.

# 3. Our Risk & Reputation Leader



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## A message from our Risk & Reputation Leader - Eleftherios Philippou

We all feel the disappointment and concern over the circumstances our island is experiencing but, at Deloitte, we are firmly committed to restoring economic growth. Pivotal to this goal, is our devotion to quality.

The challenge of the Cypriot economic circumstances must be faced with innovation and strength. We see our role as key in leading our clients step-by-step en-route to driving the foundations of a new and stabilized economic future for the good of the whole of society. Within our audit practice, our role is to build trust in markets and in stakeholders and investors to enable those markets to operate efficiently.

Our commitment, at Deloitte, to quality is unequivocal. It is part of my role as Risk and Reputation Leader to ensure that this culture is prevalent throughout, and in every facet of, our organisation. Quality is our most significant risk management tool upon which we making an ever increasing investment in education, professional development and compliance as the environment in which we operate become more complex.

Consistent with our commitment to, and responsibility for, professional excellence, we are guided by a disciplined approach to audit quality that encompasses the entire scope of organisational motivations and behaviours; from our culture and business priorities to the resources and processes through which we carry out the Deloitte audit.

As a Firm, we welcome the emphasis being placed by investors and regulators on the quality of audit scepticism. We are continually addressing the challenge of enhancing professional scepticism and innovation in our audits, thus “doing the right thing and focusing on quality”.



# 4. Our Audit Leader

This report is our effort to help investors, regulators and our clients better understand how we strive to maintain and improve audit quality. It also aims to explain our system of quality controls to achieve high-quality audits and how we measure our success in reaching this goal; including the results of internal and external inspections and regulatory visits. Auditing public interest companies; the ones for which we expressed an opinion in 2013 are listed on page 30 is a continuous improvement process.

## There are several truths about audit quality:

- There are no generally accepted ways to measure it.
- Deloitte's efforts to achieve quality stem from using a robust and consistent audit methodology documented on an audit platform that is used by Deloitte worldwide.
- We invest thousands of hours in training all our professionals across all service lines, not merely audit, and methodology improvements.
- The double-figure decisions and complex judgements made in the course of performing an audit create the risk of making a decision or judgement that will compromise quality. That risk is mitigated by multiple review mechanisms, creating a culture of consultation within the context of investing in consultative resources and relationships and other elements of quality control that are described in more detail within this report.



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A message from our  
Audit Leader -  
Costas Georghadjis

## Continuous improvement - How it works

We are proud of our professionals and our audits. We recognise, however, that due to the challenges faced by our clients' businesses, the constant evolution of those businesses, the world in which those businesses operate and the, thus, complex nature of the many judgements required throughout the audit process, we need to make continuous improvements to our audit performance. Some of those changes are a direct response to the comments and observations from our internal and external inspections. We take each comment seriously, no matter how few those comments may be, and work to address them promptly.

# 5. Our Vision

Deloitte aspires to be the standard of excellence, the first choice of the most sought-after clients and talent.

In pursuit of that aspiration, we are mindful of our role in society, our obligation to our organisation and its customers, and our responsibility as employers. We aim high, confident that our daily efforts will come together exponentially to benefit a society that needs continuous infusions of integrity, business acumen, innovation, enthusiasm, thoughtfulness, and most of all, meaningful actions.

Deloitte is committed to driving economic growth, responding productively to challenges, and supporting the creation of a sustainable and prosperous society.

When our clients overcome challenges and capitalise on opportunities, economies can grow. When those clients implement new ideas and enhance the quality of their offerings, consumers can profit. And when those clients operate ethically and adopt environmentally friendly processes, society may thrive.

Deloitte's mission is to influence those activities through leadership, insight, expertise, problem-solving skills, and deep knowledge of our marketplace. Doing so demands teamwork, working together across geographic, functional, and business borders.

This multifaceted, inclusive approach is, perhaps, our greatest strength. The people who represent Deloitte come from many corners of the globe, bringing a tremendous variety of skills and backgrounds. Yet, they function "As One", aligned with our vision and shared values that are appreciated by clients and talent alike.

# 6. The Deloitte Shared Values

Our Shared Values bind the people of the Deloitte member firms together, providing the basis for trusting one another and helping enable the network to achieve its vision.

## ***Integrity***

We believe nothing is more important than our reputation. That's why we are committed to sustainable, responsible business practices. Behaving with the highest levels of integrity is fundamental to who we are. We demonstrate a strong commitment to responsible business practices.

## ***Outstanding value to markets and clients***

We play a critical role in helping both the financial markets and our member firm clients operate more effectively. We consider this role a privilege, and we know it requires constant vigilance and unrelenting commitment.

## ***Commitment to each other***

We believe our culture of borderless collegiality gives us a competitive advantage, so we work hard to nurture and preserve it. We go to extraordinary lengths to support our people.

## ***Strength from cultural diversity***

Both our clients and our people benefit from multidimensional thinking. Bringing together individuals of different backgrounds, cultures, and thinking styles helps clients rise above complex business challenges, and enables our people to develop into better professionals and leaders.

# 7. Delivering quality audits

We are fully aware of the impact of the quality of our work on sustaining confidence in financial reporting and supporting the wider public interest

## Overview of Quality Control Procedures

The Firm's quality processes are designed to meet client expectations, internal standards and external requirements. The Firm has implemented internal quality control systems which go beyond what is required by regulation and auditing standards. They are one of the pillars of our practice.

This overview provides a summary of the Firm's quality control policies and procedures related to those engagements, and is organised into the following sections:

- Leadership responsibilities for the system of quality control
- Client and engagement acceptance and continuance
- Engagement performance
- Monitoring

The Ethical requirements and Human resources are discussed in sections 9 and 10 of this Report.

As auditors of public interest entities, we are dedicated to serving investors, our clients and the public interest and to building confidence in the independent audit process. In doing so, we continue to demonstrate the open and straightforward nature that underpins our values at Deloitte, and our commitment not only to delivering quality, but also to cooperation and openness. The Transparency Report includes information about the governance processes, ethical principles and quality control procedures of Deloitte Cyprus and in particular of the audit practice of Deloitte Cyprus.

The quality of auditing in Cyprus has been confirmed by the regulators as being fundamentally sound. The report is a further demonstration of our commitment to audit quality and the culture of integrity, professional

excellence, accountability and continuous improvement that characterises our firm in general.

The report is accompanied by a list of Deloitte Cyprus's Public Interest Entities. Through this report you are invited to learn more about Deloitte's commitment to quality and professional excellence. As you will understand from the report we are fully aware of the impact of the quality of our work on sustaining confidence in financial reporting and supporting the wider public interest.

## Quality in General

The following processes are in place not only because they are required by regulation, but also as they are the cornerstone of our business.

Within the audit practice, our partners are focused to deliver the highest standards of quality and this is achieved by our internal quality control systems which include an Engagement Quality Control Review (EQCR) Process; that is a 'hot' review of the financial information and audit evidence collated before any audit or other opinion is issued; together with annual practice reviews of a selection of completed engagements. These annual practice reviews are conducted under the auspices of our Global Firm and the teams performing these reviews contain Deloitte partners, directors and senior managers from other Deloitte member firms. Each of our audit partners is subject to review over a three-year cycle. The practice review determines whether we have complied, in all material respects, with the professional standards and policies contained in the Deloitte Policies Manual, applicable professional standards and applicable regulatory and legal requirements. The practice reviews also cover, on a rolling basis, such critical areas as learning ethics, independence, human resources and

quality assurance processes.

All our quality processes, allow us to deliver technical excellence, underpinned by objectivity and integrity, at all stages of the client engagement. To measure our performance against the high standards we set ourselves, our client service assessment process in compliance with our ISO9001 systems and Deloitte Policies undertakes independent and formal evaluations of the level of satisfaction of our clients. The latest results continue to show a very high level of satisfaction among our clients.

#### Statement on the effectiveness of the functioning of the internal quality control system

We are satisfied our internal quality control systems are robust, operate effectively and allow us to readily identify any areas of potential improvement or refinement. We guard against complacency and continually seek to improve all aspects of our business, aiming to be the standard of excellence. The quality management system we have adopted meets fully the requirements of the standard CYS EN ISO 9001:2008 and this certification was awarded to our Firm following the successful external audit carried out by the Cyprus Certification Company during 2013.

#### Quality and risk management framework

Our quality and risk management framework is embedded in all parts of our business. The framework brings a rigorous approach across all of our service offerings in areas such as client and engagement acceptance, partner portfolios, engagement risk, and assessment of existing and new service offerings. Its primary purpose is to underpin our commitment to quality, integrity and ethical behaviour throughout our business, whilst establishing that the responsibility for quality sits with those who deliver service to our clients.

#### Audit process

Our audit process and methodology encourage and foster professional scepticism and a robust challenge, recognising these as valuable components of the audit process for our clients. Our audit technology and tools provide a comprehensive framework for the planning, performance, documentation and review of our work in accordance with auditing standards and applicable professional, regulatory and legal obligations.

#### Quality in audit

This audit quality section is organised into the following sub-sections that, when taken as a whole, provide a

summary of the Firm's audit quality control procedures:

- Leadership responsibilities for the system of quality control
- Client and engagement acceptance and continuance
- Engagement performance
- Monitoring

#### Leadership responsibilities for the system of quality control

The Firm maintains policies and procedures to promote an internal culture based on the recognition that quality is our number one priority. The Firm focuses on professional excellence as the foundation for achieving outstanding audit quality on a consistent basis. While the Firm's leadership assumes ultimate responsibility for the system of quality control, the director assigned with operational responsibility for the Firm's quality control system has sufficient and appropriate experience and ability as well as the necessary authority to assume that operational responsibility.

#### Client and engagement acceptance and continuance and risk assessments

The Firm has rigorous policies and procedures in place for accepting prospective clients and engagements and assessing engagement risk, regardless of the proposed services to be rendered.

These comprehensive policies and processes comply with Anti-Money Laundering Laws and Directives from ICPAC together with the Deloitte Audit Approach, International Standards on Auditing and the IFAC Code of Ethics for Professional Accountants.

These policies and procedures are designed to provide the Firm with reasonable assurance that it will only accept engagements where it:

- Is competent to perform the engagement and has the capabilities, including time and resources, to do so,
- Can comply with relevant ethical requirements, including independence and conflicts of interest assessments and considerations, and
- Has considered the integrity of the client, and does not have information that would lead it to conclude that the client lacks integrity.

Engagement risk classification associated with accepting appointment to serve a client is assessed as Normal,



## 7. Delivering quality audits

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Greater Than Normal or Much Greater Than Normal and is completed prior to the commencement of work. The engagement risk assessment process includes approval by the recommending partner and concurrence by at least one other Firm partner. In addition, the decision to accept appointment is approved by the Firm's Audit Risk Leader if engagement risk is assessed as Greater Than Normal or Much Greater Than Normal.

On international engagements, engagement acceptance and continuance procedures are also performed in Cyprus. The Firm does not assume the acceptability of a client merely because it has been referred from another member firm.

In assessing acceptability of an engagement, we consider client and professional service risks, which generally include the following factors:

- Management characteristics and integrity
- Organisation and management structure
- Nature of the business
- Business environment
- Financial results
- Business relationships and related parties, and,
- Prior knowledge and experience.

The Firm's engagement risk assessment procedures identify related risks and provide a basis for tailoring the audit approach in order to address client and engagement specific risks.

The engagement risk assessment begins during the engagement acceptance/continuation process and is an ongoing process that continues throughout the engagement.

Risk assessment tools and programs are encompassed in the audit approach and common documentation to facilitate a comprehensive risk assessment process within the planning phase of the audit once the engagement is accepted.

On an annual basis, engagements in process for more than one year are evaluated to determine if the Firm should continue the engagement. Factors discussed

above are revisited to ascertain whether the relationship should continue.

In addition, any time an entity undergoes a significant change (e.g. change in ownership or management, financial condition, or nature of entity's business), continuation of the relationship is re-evaluated. Decisions of engagement continuance are concurred by one other partner at a minimum.

### Engagement performance

The Firm assigns responsibility for each audit engagement to an audit engagement partner. The Firm's policies define the responsibilities of the audit engagement partner and those responsibilities are communicated to that partner. The identity and role of that audit engagement partner is communicated to key individuals of the client's management team and those charged with governance at the client.

The Firm also has policies and procedures in place so that partners and professional staff assigned to all audit engagements have the appropriate degree of proficiency for their role within the engagement team.

An engagement team ordinarily includes one or more of each of the following: audit engagement partner, audit manager, field senior, and staff. However, the engagement team will be developed based on the size, nature, and complexity of the entity's operations. Every audit engagement team is under the direction and supervision of the audit engagement partner to whom responsibility for the conduct of all audit procedures on the engagement is assigned. The audit manager assigned to the engagement is responsible for providing primary supervision and direction to the professional staff in the execution of the audit plan and in the performance of the audit engagement. The field senior is responsible for the day-to-day supervision of the other members of the engagement team.

The audit engagement partner considers many factors to determine that the engagement team collectively has the appropriate capabilities, competencies, and time to perform the audit engagement. Factors considered in this determination include, among others:

- The size and complexity of the entity's business
- The applicable financial reporting framework used in preparing the financial statements
- Applicable independence considerations, including any possible conflicts of interest
- The qualifications and experience of professional staff
- The portfolio and other responsibilities of professional staff.

### The Deloitte Audit Approach

The audit approach includes requirements and guidance to assist in the planning and performance of audit engagements and is based on the International Standards on Auditing issued by the International Auditing and Assurance Standards Board of IFAC. The Firm has further supplemented these requirements and guidance to reflect local requirements, as applicable. The common documentation and the enabling software technology are tools that enhance the consistent implementation of the the Deloitte Audit Approach and promote effectiveness and efficiency.

The following are the main elements of the audit approach:

#### Partner-led approach

Engagement partners remain fully responsible for the services they provide and for understanding our clients' businesses. Their involvement is required from the very outset of any client relationship and engagement, with partner-led planning key to our audit approach. All partners who act as engagement partners for statutory audits are registered statutory auditors in accordance with the Law and local Institute requirements.

Within our audit practice, we have developed some specialist teams, led by partners with a great depth of experience and expertise. These groups collaborate in order to share their understanding of market developments, risk assessments and emerging trends. This is particularly important at times of significant change.

#### Understanding of the entity and its environment

An understanding of the entity and its environment, including its internal control, to assess the risks of material misstatement at the financial statement and

assertion level whether caused by fraud or error is vital to performing an effective audit.

The Firm's audit teams develop this understanding and assess financial statement risks in a number of ways, including analysing financial information to identify trends and unusual balances; holding in-depth discussions with management and those charged with governance; considering the inherent nature of each financial statement component and the risks associated with that component; evaluating the reliability of internal control; assessing the extent to which technology is used in the financial reporting process; and, if applicable, reviewing internal audit findings.

As necessary, based on the nature of the entity's information systems and the extent to which technology plays a role in the transaction processing and financial reporting processes, information technology specialists may be involved in the audit engagement.

Our partners and people are continuously building their understanding of our clients' businesses, helping us to conduct our audits in a manner most beneficial to all stakeholders.

#### Testing the operating effectiveness of controls

The engagement team obtains an understanding of the entity's internal control in each audit engagement. For certain engagements, when required by local auditing standards or when included as a component of the financial statement audit procedures, engagement teams may also test the operating effectiveness of the entity's internal control in preventing or detecting and correcting material misstatements irrespective of whether caused by fraud or error.

#### Audit procedures

Engagement teams develop the audit plan to address the risks associated with the entity, the audit engagement, and the financial statements as a whole and its susceptibility to fraud.

Throughout the audit, engagement teams continually assess risk and how audit findings bear on the audit procedures. The Deloitte Audit Approach allows partners and professional staff to modify the audit procedures to address issues that arise during the course of the audit.

## 7. Delivering quality audits

### Deloitte Global Audit Imperatives

Deloitte audit teams are mindful of the audit imperatives. Deloitte is committed to driving professional excellence through our audit imperatives, the relevant ones are evidenced whenever an audit is performed in executing audit procedures.

Below is a list of our eight imperatives:

1. Audit procedures must clearly reflect acting as an evaluator with an attitude of professional scepticism.
2. Demonstrate expertise in understanding internal controls, including understanding process flows and testing internal controls where applicable.
3. Audit procedures and documentation must clearly reflect application of the guidance and relevant tools.
4. Own the work performed by internal specialists and involve specialists in planning and concluding.
5. Supervise and review the work of component auditors
6. Improve expertise in audit skills - yours and those of others.
7. Obtain deep understanding of the entity and its environment and improve application of the risk assessment procedures.
8. We all own quality - individually and together.

### The Economic Events in Cyprus - Impact on Audit

Deloitte's commitment to excellence is demonstrated through our response to the current economic crisis.

We continue to provide our people with extensive and timely information regarding the current economic climate and its implications. From early on, we recognised this as a global issue and our IFRS Centre of Excellence played a leading role in developing our response. Our aim is to heighten the level of awareness, rather than change established procedures.

### Use of Experts

While the audit engagement partner retains responsibility for all aspects of the engagement, there are instances when the engagement team utilises an expert. In such instances, the engagement team evaluates whether the expert has the necessary competence, capabilities, and objectivity. In evaluating whether or not the expert's work contributes to the sufficiency and appropriateness of the audit evidence in support of the financial information, the engagement team considers:

- The source data used,
- The assumptions and methods used and, if appropriate, their consistency with those used in the prior period, and,
- The results of the expert's work in light of the engagement team's overall knowledge of the business and of the results of its audit procedures.

### Engagement Documentation

The Firm maintains policies and procedures to support the assembly and archiving of audit files whereby the audit engagement team submits the audit files for archiving within the shorter of: (1) 60 days from the date of the audit report; or (2) the period set out in applicable professional standards and regulatory and legal requirements. The Firm's policies and procedures address the retention of documents (in paper and electronic form) including those that address the confidentiality, safe custody, integrity, accessibility, and retrievability of archived documentation.

### Review of working papers

A review of the audit documentation is required to be performed by a member of the engagement team who has more experience than the preparer. Elements of audit documentation may be reviewed by several team members in reaching the audit conclusion.

### Engagement Quality Control Reviews

An Engagement Quality Control Review (EQCR) is performed for all audit and related assurance services, with limited exceptions. The review is performed by a partner or a member of the management team who is not directly involved in the engagement and who has the appropriate experience and knowledge about applicable accounting and auditing standards and regulations.

The Engagement Quality Control Review is not part of the engagement team and is not portrayed in fact or appearance as a member of the engagement team. Appropriate experience and knowledge includes experience and knowledge of the entity's industry, economic environment, and accounting principles. For all public interest entities and all high risk engagements, the review is performed by a partner with sufficient and appropriate experience and professional qualifications to

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act as an engagement partner on these types of audits. The reviewer is appropriately briefed by the engagement team and conducts the review in such a manner that sufficient knowledge and understanding is obtained in order to reach conclusions. The reviewer's responsibility is to perform an objective review of significant auditing, accounting, and financial reporting matters, to document the procedures the reviewer performed, and to conclude, based on all the relevant facts and circumstances of which the reviewer has knowledge, that no matters that have come to his or her attention would cause the reviewer to believe that the significant judgments made and the conclusions reached were not appropriate in the circumstances.

#### Special Review Partners

For engagements that have been identified as having Much Greater Than Normal engagement risk, a special review partner is assigned to provide an additional level of competence and objectivity in planning and performing the engagement. The Special Review Partner is independent of the engagement. Normally this partner possesses specialised industry and technical skills applicable to the engagement and, in certain situations, is independent of the practice unit to enhance objectivity or to provide specialised resources.

#### Consultation Network & Differences of Opinions

The Firm has established a consultation network, at the local level, to assist in resolving issues identified by the engagement team. Consultations include technical accounting and auditing questions regarding the application and interpretation of applicable standards and reporting issues or on any other matter pertaining to an audit engagement that requires specialised knowledge.

Audit partners are supported by the National Professional Practice Director (NPPD), by the Risk and Reputation Leader (RRL) and by the Audit Risk Leader (ARL). Their approach is responsive and consultative.

The NPPD is responsible for:

- Engagement support
- Audit consultation process
- Learning and guidance

- Accounting and auditing expertise
- External contribution
- Consultation with Deloitte's Global Centres of Excellence.

To facilitate the technical consultation process, the Firm has an international financial reporting and auditing consultation structure. A National Professional Practice Director with specialised technical skills and experience is supported by subject matter resources in various areas, for example, such as regulatory filing requirements; technical auditing requirements; and complex accounting matters, etc.

The Firm maintains policies and procedures for the resolution of differences of opinion among partners and others who are assigned to the engagement team, including those who are in a consultative capacity.

#### Partner rotation

We apply audit partner rotation policies such that audit engagement partners involved in audits of our listed public interest clients serve in these roles only for a period of seven years.

The assigned EQCR partner is also subject to the same rotation requirements.

These resources and our partner-led audit approach ensure that our partners and people have sufficient time and resources to deal with difficult issues as they arise and that high quality, technical expertise is available when audit teams require it or encounter unfamiliar situations.

#### Monitoring

##### Quality Assurance Review (Practice Review)

In accordance with DTTL policies, the audit practice of the Firm is subject to a quality assurance review, or "Practice Review" as it is commonly referred to, of its audit practice over a three-year "rolling" cycle. In fact all of the Firm's service lines are subject to this a quality process.

Compliance with this policy is achieved, for the audit practice, by an annual practice review covering the entire

## 7. Delivering quality audits

audit practice over a three-year cycle. In Cyprus, the Firm has three practice offices located in Nicosia, Limassol and Larnaca.

The annual audit practice review program is designed to take place in one to two practices each year. Every practice office is subject to a practice review at intervals not exceeding three years. Normally, the performance of every audit partner is assessed during the three-year cycle, and at least one engagement for each partner is selected to achieve this goal. Consideration is also given to assessing the performance of managers and directors particularly those who are candidates for partnership.

The Firm is responsible for the practice review. DTL provides guidance and oversight regarding the practice review plans and procedures. The general coordination and administration of the practice review program is the responsibility of the Firm's NPPD, in conjunction with the regional practice review director.

The practice review plan, process, and results are reviewed and concurred by a partner from another member firm (the "concurring partner") every year. The concurring partner who is assigned this responsibility works closely with the Firm's practice review director and the regional practice review director in overseeing the planning and performance of the practice review.

### Types of Engagements Reviewed

The engagements selected for review include national engagements and inbound/outbound transnational engagements (audits of financial statements that are or may be used across national borders), including public interest entities, as well as a number of high risk audit engagements.

Some sensitive and complex engagements (e.g. first-year engagements, situations where there is a change in control or deteriorating financial condition) are also selected. All major industries served by the Firm or practice office are considered.

### Scope of Practice Reviews

Reviewers are chosen from regional or international pools or from other practice offices within our Firm.

The assignment of reviewers is based on the individual's professional skill set, industry knowledge, and experience on transnational engagements.

The reviews of individual engagements consist of meetings with the partner and/or manager responsible for the engagement and a review of related reports, working papers, and, where appropriate, correspondence files.

Engagements are reviewed to:

- Determine whether quality control procedures have been properly applied to such engagements
- Assess the adequacy of implementation of the audit approach, including compliance with the policies and procedures contained in the Firm's policy manuals
- Monitor compliance with applicable local laws
- Assess the overall quality of service provided to clients
- Determine whether the Audit Report issued was appropriate to the circumstances.

The overall risk management and quality control policies and procedures within our Firm are within the practice review scope and include the following:

- Risk management program, including engagement acceptance and continuance
- Independence
- Recruitment and advancement
- Professional development
- Public filings in other countries
- Information technology specialist reviews
- Assignment of professional staff to audit engagements
- Consultation with Firm experts
- Consultation with outside experts
- Engagement quality control reviews
- Others areas of quality control.

### Results of Practice Reviews

The findings and recommendations resulting from the practice reviews are presented in a practice review report and management letter to the firm's CEO. The purpose of the management letter is to provide suggestions for improvement in response to findings noted.



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The firm addresses findings in the practice review report by drawing up a detailed action plan setting out the action to be taken, the person(s) responsible, and the timing to implement the recommendations contained in the practice review management letter, where applicable. In our drive for continuous improvement, these recommendations are implemented and properly managed.

The Firm, on annual basis, communicates the results of the practice review and on-going consideration and evaluation of its system of quality control to its partners and other appropriate individuals within the firm. The 2013 practice reviews covered our Audit and ERS practices, Quality Assurance processes, Ethics and Risk Management.

The Ethics review scored the highest rating and the Firm's Practices have been recognised as a Best Practice. For all reviews the firm once again has been highly praised for its systems of Quality Control and high levels of compliance with Deloitte's Policies and Regulations.

#### Portofolio Risk Reviews

The RRL and the ARL annually conduct a full review of all the partners' audit portfolios in relation to risk, independence and availability of resources to fulfill the engagement at levels of high quality.

This exercise is very comprehensive and results in individual partner action plans that ensure quality and risk minimisation.

#### ICPAC Reviews

Deloitte Cyprus is a registered firm with the local Institute of Certified Public Accountants of Cyprus (ICPAC). ICPAC conducts its own regulatory reviews by performing Practice Inspection Visits at least once every 3 years, if the firm is fully complying with all Rules and Regulations of the Institute and more often if deficiencies are evident. Deloitte was last inspected in 2012 and the review was successfully concluded with minimal deficiencies noted. Therefore, the next review is expected to be undertaken by ICPAC in 2015.

#### Complaints

The Firm's policies and procedures are designed to provide it with reasonable assurance that it deals appropriately with complaints and allegations that the work performed by the Firm failed to comply with professional standards, and regulatory and legal requirements, and allegations of noncompliance with the Firm's system of quality control.

# 8. Leadership and Governance

Our firm is a leading provider in Cyprus of services to a very high calibre clientele. The relentless pursuit of the highest quality and integrity in our professional work allows us to deliver excellence to our clients.

## Leadership and Governance

Maintaining strong governance and leadership structures helps us maintain high levels of quality and integrity and earns the trust of clients, our people, the capital markets, and the public.

Deloitte's Cyprus leadership is the Executive Committee, consisting of respected and some of the most senior partners representing all service lines. Our focus on quality encompasses the values of all our people. We believe our leadership team, the tone-from-the-top they portray and the example they set are second to none. Their daily routines and their long term actions are all of high integrity based on a deeply ethical philosophy: *to do the right thing even when no one is watching. Integrity is a core value for all our people and leadership team.*

We do not take for granted the trust placed in Deloitte by clients and the wider business community, and sustaining this trust rests with every individual - at every level - within our firm, not simply the Executive. Rolling out this priority is considered extremely high on the Executive's agenda.

## Organisational structure

The principal activities of Deloitte Cyprus are the provision of Audit, Tax & Legal, Consulting, Financial Advisory and Integrated services in Cyprus. Deloitte's, professional services in Cyprus are provided to local as well as international entities registered in Cyprus individuals and businesses.

Deloitte operates an integrated business model: each of the four service lines operates a common set of procedures and policies where possible and appropriate. Each of the service lines then develops additional policies and guidance to reflect the specific requirements of their business offerings. For the purposes of Transparency Reporting, this report contains information about Deloitte which is relevant to all of the service lines, as well as specific matters relevant to our audit business.

## Member firm structure

### Chief Executive Officer

Christis M. Christoforou, serving as CEO of the Executive Committee and Board of Directors, has full executive authority for the management of Deloitte Cyprus. The CEO is nominated by the Board of Directors and elected by them for a five year term of office. He can be reelected further.

Christis M. Christoforou was first elected as CEO in 2005 and he is now serving his third term which began on 1<sup>st</sup> January 2014.

The responsibilities of the CEO fall under five principal headings:

- the business of Deloitte, including the development and management of professional services at the highest level of quality and compliance with all regulations;
- the development of policies and strategic direction;
- financial performance;
- partners, including our talent goals; and
- internationally representing the Cyprus firm in its association with Deloitte Touche Tohmatsu Limited.

The CEO communicates regularly with the Board of Directors and with all of our people, in person and by a series of webcasts, voicemails and regular email alerts.

### Executive Committee

Deloitte's activities are managed by the Chief Executive Officer (CEO) and the Executive Committee, which is appointed by the Board of Directors. In keeping with our client service focus, members of the Executive Committee are also actively engaged with our clients.

The members of the Executive Committee (*see Appendix 3: pages 31 & 32*) for the year under review were:

**Christis M. Christoforou**, CEO  
**Eleftherios N Philippou**, Audit and Insolvency & RRL, Ethics & AML Compliance Officer  
**Nicos S. Kyriakides**, Audit & FAS  
**Nicos Papakyriacou**, Audit  
**Costas Georgiadis**, Audit  
**Pieris Markou**, Tax & Legal

The Executive Committee meets frequently and not less than once a month to discuss operational and other issues and business matters.

#### **Oversight Board**

Deloitte's Oversight Board (OB) which is independent of the Executive Committee, has the responsibility for overseeing the activities of the Committee to ensure that it operates with full transparency and diligence aligned with Governance Best Practice. The OB's primary concern is the wellbeing of the Firm and the interests of its partners as a whole, therefore it will give guidance on all matters it considers necessary. The OB meets quarterly, as a minimum.

The members of the OB (*see Appendix 3: pages 33*) comprise of the following partners:

**Athos Chrysanthou**, Audit & Security

**Maria Paschalis**, Audit & National Professional Practice Director (NPPD)

**Antonis Taliotis**, Tax & Legal

#### **Board of Directors**

The Board of Directors consists of 28 Partners as at 31 December 2013. The Board of Directors meets monthly.

The Board of Directors (*see Appendix 3: pages 31 - 38*) during the year under review comprised of the following partners:

**Christis M. Christoforou**, CEO

**Eleftherios N. Philippou**, Audit, RRL, Insolvency Ethics & Anti-Money Laundering

**Nicos S. Kyriakides**, Head of Limassol office, Audit & FAS

**Nicos D. Papakyriacou**, Head of Nicosia office, Audit

**Athos Chrysanthou**, Audit & Security

**Costas Georghadjis**, Audit

**Antonis Taliotis**, Tax & Legal

**Panos Papadopoulos**, Audit & Integrated Services, Director of Independence

**Pieris Markou**, Tax & Legal

**Nicos Charalambous**, Audit, Clients & Markets

**Nicos Spanoudis**, Head of Larnaca Office, Audit

**Maria Paschalis**, Audit & National Professional Practice Director (NPPD)

**Alexis Agathocleous**, Audit

**Alkis Christodoulides**, Audit

**Christakis Ioannou**, Audit

**Yiannos Ioannou**, Audit

**Paul Mallis**, Tax & Legal

**George Martides**, FAS

**Kerry Whyte**, Audit

**Christos Papamarkides**, VAT

**Panicos Papamichael**, ERS

**Andreas Andreou**, Audit

**Andreas Georgiou**, Audit

**Demetris Papapericleous**, Audit

**Christos Neocleous**, Integrated Services

**Alecos Papalexandrou**, Tax & Legal

**George Pantelides**, Human Capital Services & HR

**Panayiota Vayianou**, Tax & Legal

#### **Appointed Leaders**

##### **Functional Leaders**

The following partners have been appointed as Functional Leaders of Deloitte Cyprus:

**Costas Georghadjis**, Audit

**Nicos S. Kyriakides**, FAS

**Pieris Markou**, Tax & Legal

**Panos Papadopoulos**, Integrated Services

**Panicos Papamichael**, ERS

**George Pantelides**, Consulting

**Christis Christoforou**, Wealth Advisory

##### **Functional Risk Leaders**

The following partners have been appointed as Functional Risk Leaders:

**Alexis Agathocleous**, Audit & ERS

**George Martides**, FAS

**Antonis Taliotis**, Tax & Legal

**Christos Neocleous**, Integrated Services

**Christakis Themistocli**, Consulting

**Charles Charalambous**, Wealth Advisory

##### **Subject Matter Experts and other Leaders**

The following people have been appointed as Subject Matters experts:

**Nicos Charalambous**, Clients & Markets

**Eleftherios N. Philippou**, Risk & Reputation Leader, Ethics & Compliance Officer, Anti-Money Laundering Officer, Facilitator for Cross Border Engagements

**George Pantelides**, Human Resources & Learning

**Maria Paschalis**, Audit Learning

**Panos Papadopoulos**, Director of Independence

**Alexis Agathocleous**, Engagement Quality Control Review (EQCR)

**Athos Chrysanthou**, Security

**Andreas Andreou**, Claims & Events

**Katerina Antoniou**, Quality Control, Data Protection Act, Compliance

**Christakis Themistocli**, Technology

**Christos Tavelis**, Finance

**Lakis Koutsokoumnis**, Marketing & Communications

##### **External Auditors**

Moore Stephens, Stylianou & Co were reappointed as auditors for the year 2013. As in previous years, the Executive Committee undertook a review of the 2012 audit, during which no matters arose, and it concluded that it was satisfied with the performance of Moore Stephens Stylianou & Co and proposed to the Board that they be reappointed. The review of the 2013 audit will take place in the second quarter of 2014.

# 9. Ethics and Objectivity

We have well-established systems and procedures to help safeguard the objectivity of our people and the firm, to avoid conflicts of interest and to comply with ethical and other applicable standards.

## Ethics

We continue to balance carefully the spirit of the principled approach outlined Deloitte Code of Ethics and Professional Conduct with the increasing levels of rule-based regulation.

We take these requirements seriously and adopt an approach that wholeheartedly embraces the spirit as well as the letter of regulation. We are confident that they are demonstrated through the tone set by the leaders of our practice and the behaviour and actions of our people.

Upon joining our firm, all new hires experience intensive ethics learning which is revisited on a regular basis. This new hire training received Deloitte worldwide best practice recognition. Deloitte has a policy that all its people undergo formal ethics training at least every two years. In this way, together with its ethics awareness schemes and programmes, it ensures that the firm benefits from the quality that a high set of ethical principles guarantees.

## Building “ethical muscle”

At Deloitte, we work hard to build ethical muscle in our people. That is the ability to recognise ethical issues when they arise, handle difficult situations with sensitivity and judgment, and raise our voices when things just don’t feel right. We ensure that over the whole of our service lines and, in particular, our audit practice, this ethical prowess is clear for all to see.

Our “Ethics in Action” e-learning course focuses on ethical sensitivity, judgment, and decision-making skills. The course has been completed by all Deloitte Cyprus’ people since its recent worldwide launch and by the end of the first quarter of 2013. Further, the firm has developed a comprehensive Ethics Awareness program which it executes on a rolling basis to ensure that ethics are never far from the minds of all our professionals.

## Code of Ethics

The Firm maintains policies and procedures that are designed to provide reasonable assurance that the Firm and its partners, professional staff, and administrative staff comply with relevant ethical requirements.

The ethical requirements for audit services are compiled in the Code of Ethics & Professional Conduct and include Parts A and B of the International Federation of Accountants (“IFAC”) Code of Ethics (the “IFAC Code”) and fully comply with the Institute of Certified Public Accountants of Cyprus (ICPAC) Code of Ethics.

When national requirements are more restrictive than the IFAC Code, the Firm follows the applicable national requirements.

Our firm has a requirement, established in 2012, that all its people annually confirm their compliance with the Firm’s anti-corruption policies.

The Firm has formally appointed an Ethics Officer who is an experienced partner and has direct access to the CEO and is a member of the firm’s governing body, the Executive Committee.

The Ethics Officer participates in the Firm’s Ethics Steering Committee comprised of three members as follows:

**Eleftherios N. Philippou**, Ethics Officer  
**George Pantelides**, HR Partner  
**Panos Papadopoulos**, Independence Director

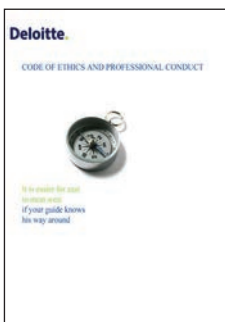
Furthermore, the Firm has adopted the Deloitte Code and applied it to reflect local circumstance. The Firm reinforces its commitment to ethics and integrity through communication tools, learning programs, compliance processes, and measurement systems. These programs are designed to help our people understand expectations for ethical behavior, develop skills for ethical decision-making, and gain the confidence to speak up about challenging ethical situations.

### Deloitte Code

This sets out our ethical framework and codifies our ethical principles:

- **honesty and integrity**- we act with honesty and integrity;
- **professional behaviour**- we operate within the letter and the spirit of applicable laws;
- **competence** - we bring appropriate skills and capabilities to every client assignment;
- **objectivity** - we are objective in forming our professional opinions and the advice we give;
- **confidentiality** - we respect the confidentiality of information;
- **fair business practice** -we are committed to fair business practices;
- **responsibility to society** - we recognise and respect the impact we have on the world around us;
- **respect and fair treatment** - we treat all our colleagues with respect, courtesy and fairness; and
- **accountability and decision making** - we lead by example using our shared values as our foundation.

We see 'doing the right thing' as being a principle that is fundamental not just to the public interest, but also to the reputation of our firm, partners and people.



reputation. Our independence policies and procedures are designed to allow us to comply with international and local independence standards, laws and regulations and achieve excellence in professional performance.

The Board of Directors has adopted robust independence policies and processes to help its teams and people, safeguard their objectivity. The Board requires all of its people to follow independence policies and procedures, which address potential conflicts, within or among member firms, arising from the proposed acceptance of client engagements or proposed business or financial relationships.

### Independence and Conflicts of Interest

We have invested in best-in-class systems to enable us to maintain our independence and avoid conflicts of interest in client assignments. Our firm has a Compliance Director, an Independence Director and an Ethics Partner, as well as a team of professionals to support our people with their compliance obligations. The Compliance, Independence and Ethics Leaders work directly with the CEO and the Executive Committee, to set strategy and priorities and have operational responsibility for our independence, ethics and compliance programme.

The Firm has policies and procedures that are designed to provide reasonable assurance that it complies with applicable independence standards. These policies and procedures are based on those issued by IFAC and are enhanced, as appropriate, to reflect local and Deloitte Global standards that may be more restrictive.

### Committed to Ensuring Impartiality

Independence and quality are the foundations upon which Deloitte is built. They are essential to our integrity, our impartiality, our obligation to serve the investing public, and our firms' ability to retain and attract clients.

Standards for independence are shaped by legislation, regulations, professional guidance, and public expectations. Maintaining independence, therefore, is both a matter of compliance with rules and regulations and a matter of appearance.

### Protecting the public interest

Our well-established policies and procedures help ensure our Firm acts in the interests of both the public and its clients, as well as protect Deloitte's brand and

The Firm's system of quality controls related to independence includes the following:

- Independence policies and procedures
- Compliance business process tools, including the Deloitte Entity Search and Compliance system, the Global Independence Monitoring System and Confirmations
- Business relationship assessments and monitoring
- Independence learning
- Monitoring of independence systems and controls relating to personal independence, and engagement and practice reviews
- Disciplinary measures and actions
- Assignment of responsibility for independence systems and controls
- "Tone-at-the-top" culture relating to independence



## 9. Ethics and Objectivity

### 1. Independence Policies and Procedures

The Firm's independence policies and procedures cover the Firm, and the Firm's partners, professional, and support staff, and certain relatives thereof, where applicable. These policies and procedures are, in some instances, more restrictive than the independence standards in the Code and contain specific independence requirements that are applicable when the Firm is to maintain independence with respect to an audit client ("restricted entity") and the client's affiliates.

Policies require that the Firm, and its partners and professional staff, determine, among other things, whether an entity is a restricted entity before the Firm, a partner or professional staff member (including, their spouse, spousal equivalent and dependents) engage in certain transactions with the entity. The Firm, partners and managerial personnel enter their financial interests and brokerage accounts into a tracking system (the "Global Independence Monitoring System" or "GIMS"). GIMS enables an electronic review of financial interests and brokerage accounts to help identify if independence restrictions may affect the ability to hold such items. The Firm "annually" obtains confirmations from its partners, professional staff and support staff that such individuals are in personal compliance with the Firm's independence policies.

The Firm's independence policies and procedures are made available electronically to the Firm's partners, professional staff and support staff. Updates to these policies and procedures are also made and communicated electronically to the Firm's partners, professional staff and support staff. Moreover, other independence-related materials are available on an independence website. Reminders on policy and other matters are routinely published as part of the communications strategy showing changes to entities that are internationally restricted.

Policies and procedures are in place at the engagement level to require the audit engagement partner to consider independence matters during the course of an audit engagement and to address the completeness of communications with the audit committee or those charged with governance, where required.

### 2. Deloitte Entity Search and Compliance System (DESC) system, the Global Independence Monitoring System (GIMS), and Confirmations

There are three related aspects of the Firm's systems and controls related to the Firm's independence and the personal independence of its professionals: DESC, GIMS, and the confirmation process. These three aspects support each other in that (1) partners and professional staff search DESC, (which includes a database of internationally restricted entities) and/or GIMS (which has a database of financial interests and brokerage accounts), to identify if an entity or its financial interests or brokerage accounts are restricted before acquisition; (2) partners and managerial personnel record their financial interests and brokerage accounts in their portfolios in GIMS; and (3) the Firm periodically confirms to DTTL its compliance and the compliance of its partners, professional staff and support staff with the Firm's independence policies.

#### *Deloitte Entity Search and Compliance (DESC) system*

DESC is operated by DTTL on behalf of the DTTL member firms. Each DTTL member firm reports the names of its clients and their affiliates that meet the definition of an international restricted entity. The policy definition of an international restricted entity includes public audit clients, as well as other entities that may be of public interest. Such restricted entity information is recorded in the DESC system. The entity information provided by the Firm to DTTL is continuously updated to help ensure its accuracy and completeness, including periodic validation processes performed by engagement teams or the DTTL member firms. Updates to DESC's entity information are made daily based upon these processes. The Firm's partners and professional staff access DESC on-line.

DESC also has features that are used to request and document approvals related to providing services to an entity. In many jurisdictions, a restricted entity's audit committee must pre-approve services that will be delivered within the restricted-entity group. In other jurisdictions, similar approvals are needed which may not involve the audit committee. Where such features are enabled for the restricted entity and its corporate group, DESC's features establish a standard business process among the DTTL member firms whereby service requests are submitted to the lead client service partner, who is

responsible for obtaining and documenting appropriate authorisations prior to approving the service request, and prior to providing the service.

#### **Global Independence Monitoring System (GIMS) for financial interests and brokerage accounts**

Each DTTL member firm also identifies and reports the publicly-available securities and brokerage accounts that are associated with an international restricted entity. Such securities and brokerage accounts are recorded in GIMS. GIMS is operated by DTTL on behalf of the DTTL member firms, and each DTTL member firm administers the related monitoring processes related to its partners and professional staff. Partners and professional staff search DESC for an entity, and/or GIMS for a security or brokerage account, before acquiring a financial interest or establishing a brokerage account, to determine if restrictions apply that affect them. This includes investments for or on behalf of a spouse, spousal equivalent, and dependent. Partners and managerial personnel enter defined types of such financial interests and accounts into their individual portfolios in GIMS for monitoring purposes.

GIMS assists partners and managerial personnel by identifying situations which may not comply with the Firm's policies so that the item may either be reviewed or corrected. When such a situation is detected, the system advises the individual that an independence-impairing situation may exist, and poses questions which aid the individual to determine whether the item is permitted in the particular circumstances or not. This includes generating notices to the individual in situations where a once-permissible holding becomes newly restricted, so that appropriate and timely actions can be taken. The Firm monitors and follows-up on such notices until the individual resolves the item.

#### **Confirmations**

The Firm "annually" obtains confirmations from its partners, professional staff and support staff. Annually, the Firm reports to DTTL that the Firm has taken appropriate steps to obtain sufficient evidence that it and its partners, professional staff and support staff comply with applicable independence requirements (including that the Firm itself is independent of restricted entities).

#### **Consultation Network**

The Firm communicates with its partners and employees regarding the consultation policies for independence matters and identifies the individuals who are to be contacted. Additionally, the Firm consults with DTTL's independence group and other member firms when the Firm determines that additional input or advice is needed under the circumstances.

#### **3. Business relationship assessments and monitoring**

The Firm has a business relationships assessment and monitoring process. The objective of such process is to ensure that any business relationship entered into with a restricted entity or its management or substantial stockholders does not impair independence with respect to that restricted entity.

#### **4. Independence Learning**

The Firm provides Independence learning to its staff to enable them understand and apply the independence policies to its partners and professional staff of all levels. An induction course is delivered to all new hires and compulsory e-learning and classroom training is delivered to partners, directors and professional staff. Our online independence programme is undertaken by everyone in the firm, using examples to translate independence questions into practical actions.

#### **5. Monitoring of Independence Systems and Controls Relating to Personal Independence, and Engagement and Practice Reviews**

##### ***Inspection of Personal Independence***

On a periodic basis, the Firm inspects individuals for compliance with the Firm's independence policies and procedures. The objective of the inspection and testing program is to determine whether the representations and information submitted by partners and professional staff relating to independence matters and the information contained in GIMS are accurate and complete.

##### ***Inspection of Firm's Compliance***

The Firm is subject to a practice review at intervals not to exceed three years. Compliance with independence policies at both a firm level and at an individual level is reviewed. The Firm was last reviewed in this area during 2012.

See further details of engagement and practice reviews in the Monitoring section (page 15).

## 9. Ethics and Objectivity

### 6. Disciplinary Measures and Actions

The Firm has disciplinary procedures in place to address non-compliance with the Firm's independence policies and procedures. These disciplinary procedures are designed to provide an appropriate response to breaches of such policies and procedures by partners, professional staff and support staff. Disciplinary procedures are detailed within the HR Manual and are, also, available to personnel on-line.

### 7. Assignment of Responsibility for Independence Systems and Controls

The Firm has assigned a Director of Independence who has the responsibility to implement and maintain quality controls over independence. More specifically, the Director of Independence is responsible for taking the lead on all significant independence issues within the Firm, including the implementation and maintenance of the Firm's business processes related to: (1) independence consultations, (2) independence learning programs, (3) restricted-entity information in DESC, (4) use and monitoring of the features of DESC, (5) use and monitoring of GIMS, (6) "annual" confirmations, (7) testing and inspection programs, and (8) disciplinary processes. Communication channels exist between the Firm's Director of Independence, Firm management, and DTTL's independence group.

DTTL has assigned a senior leader and a DTTL independence team member who provide access to timely and accurate information designed to facilitate the independence function at the Firm level.

### 8. "Tone-at-the-Top" Culture Relating to Independence

Firm leadership reinforces the importance of compliance with independence and related quality control standards, thereby setting the appropriate "tone-at-the-top" and instilling its importance into the professional values and culture of the Firm. Strategies and procedures to communicate the importance of independence to partners, professional staff and support staff have been adopted, emphasising each individual's responsibility to understand the independence requirements.

### Whistle-blowing

We provide a whistle-blowing facility for all of our people. This policy is fundamental to our professional integrity and reinforces the value that we place on our

people being honest and respected members of their individual professions. The policy has the following fundamental elements:

- **Protection** - all of our people are protected from victimisation, harassment or disciplinary action as a result of any disclosure made in good faith and not maliciously or for personal gain
- **Anonymity** - our people make disclosures internally and their identity is protected at all stages in any internal matter
- **Encouragement** - the firm encourages those who suspect wrongdoing to report it

### Learning

Our online anti-money laundering, anti-bribery, information security and independence and ethics learning programmes are undertaken by everyone in the firm, using examples to translate independence and ethical questions into practical actions. A more focused Personal Independence online programme is completed by all of our client-facing people of manager grade and above.

### Conflicts of Interest

Potential conflicts of interest are considered on all prospective engagements and prior to the Firm entering into a financial or business relationship with a third party. The Firm has policies and procedures in place to identify potential conflicts of interest in connection with the Firm either (i) accepting a prospective engagement or (ii) entering into certain business or financial relationships with another entity.

The Deloitte Conflict Checking System (DCCS) is designed to support the Firm's conflict checking business process to identify and manage potential conflicts relating to prospective engagements, business or financial relationships. For each new engagement or relationship opportunity, DCCS captures the principal parties to the engagement, the scope of work, engagement team, and specific questions which are driven by the proposed service offering. As part of each conflict check recorded in DCCS there is an automated search of DESC to identify any potential audit/attest relationships. DCCS also provides an automated means of cross-border conflict checking. Overall DCCS provides a record of existing engagement, business, and financial relationships which is automatically searched when proposing for new engagements or relationships.

# 10. Human Resources & Learning

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The Firm has developed policies and procedures for the recruitment and advancement of high calibre professionals that possess the appropriate mix of technical skills and other core qualities needed to render consistently high-quality service to clients.

## Advancement

Policies and procedures for advancement have been established to provide reasonable assurance that professional staff selected have the qualifications necessary to fulfil the responsibilities that they will be called on to assume.

Key policies and procedures are determined below:

- Predetermined competencies required to perform effectively at each level have been established
- Advancement policies and procedures that identify the experience and performance qualifications for advancement to each level have been clearly defined and communicated to the Firm's professional staff
- Procedures for constant performance evaluation have been implemented
- A counselling program to assist professional staff in identifying a transparent and at the same time realistic career path and a targeted development plan to help them realize professional goals.

A clear acknowledging policy has been also adopted for recognising people's contribution.

## Professional Development

The purpose of the Firm's professional development program is to help partners and professional staff maintain and enhance their professional competence. To supplement on-the-job development, the Firm provides formal continuing professional development programs in relevant subject areas.

The Firm has developed a tailor-made competency model, specific to each function which is used to clearly define the expected levels of performance. Specifically, it has three main components: technical competencies which are service line specific; shared competencies which are common across the functions; and competencies for technical specialisation to successfully perform to each role assigned. In practice, it is a combination of knowledge, skills, and behaviours that are necessary to perform the various roles within the Firm. As such, it constitutes, at the same time, the platform for identifying learning opportunities.

All partners and professional staff are encouraged to take personal responsibility to ensure that their own continuing professional development and education

## 10. Human Resources & Learning

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is appropriate to their roles, responsibilities, and professional requirements. At the same time, the Firm establishes minimum levels of continuing professional development to be undertaken by our people within a specific period of time. These levels include a minimum of 20 hours of structured learning per year and 120 hours of structured learning in every three-year period (i.e., an average of 40 hours per year). To achieve these levels of development, the Firm offers structured, formal learning programs such as internal or external courses, seminars, or e learning covering all areas of the competencies.

### People Development

Our approach to continuing education is based around targeted learning programmes, including regular audit and industry specific training that keeps our people at the forefront of new developments and regulations. These processes and systems are designed so that all our work is of the highest quality, that we comply with regulations and that we do not accept any assignments that would compromise our integrity or independence.

All of our partners and people are supported in their quality, compliance, risk management and anti-money laundering obligations by appropriate technical and other learning programmes as well as supervision by more senior team members and our partner-led audit process. Over and above a comprehensive mandatory audit learning and development syllabus for all grades of staff, we run technical briefings and updates which are presented live during scheduled meetings. In addition, the firm provides mandatory annual accounting and auditing technical training, as well as specific learning modules where new developments require additional understanding.

### Performance Management

As a Firm, Performance Management is a key tool that permits the Firm to maximise its human resource potential through motivational techniques and identification of developmental needs on a timely basis.

Our approach allows us to develop our people not only through structured learning but also by appropriate mentoring, on-the-job training, appraisal and other support activities. Partner leadership of these programmes is an important aspect of their value and success. Individual appraisals set considerable store by feedback provided on specific engagements.

The Performance Management system enables our people:

- To review past performance and to identify areas of improvement
- To improve future performance by setting targets and performance objectives
- To identify professional development needs and plan for their implementation
- To provide a basis for financial reward decisions
- To provide a basis for career development decisions

Targeted evaluations are executed to assess the performance of our professional and support talent within each service line and hierarchical level against the respective Competency Framework. Competencies refer to the set of skills, knowledge and behaviours that employees need to demonstrate.

The process also enables Business Objectives based on measurable criteria to be set and agreed upon. Self-evaluation against both qualitative and quantitative criteria, aiming to enhance further employees' self-awareness is one of the most significant benefits sought from the processes adopted.

For the first time, at the end of 2013, our people have commenced looking at and evaluating, not merely performance, but also the potential of their teams within the realms of the performance management process. The objective of evaluating potential is to identify and manage 'talents', to provide the opportunity to employees for self-reflection and to determine their career aspirations and prospects.

The added-value given by the performance management processes to the Audit practice consist of:



- The introduction of a consistent approach between all staff
- The encouragement of a focus on quality performance conversations
- The improvement of the timing of the feedback given to our people
- Improving our ability to retain top talent, and
- The early identification of development needs which can be readily translated into a Learning Plan.

Our increasing use of web-enabled technology to capture 360° degree feedback from peers as well as team members allows us to obtain a rounded view of individuals' performance and development needs and for those individuals to benchmark themselves against their colleagues.

The purpose of the scheme is to provide information to managers and partners relating to their effectiveness in leading and managing their teams to enable them to:

- Understand and appreciate their strengths and acknowledge developmental areas,
- Further enhance their leadership and management skills and develop self awareness

We are confident that these actions, led by our partners, create an environment where achieving high quality is valued, invested in and rewarded and that our appraisal and reward systems for partners and our people promote the characteristics essential to quality auditing. In addition, these steps ensure that staff performing detailed 'on-site' audit work have appropriate capabilities, experience and competence, are appropriately supervised by partners and managers and that sufficient training is given to audit personnel in audit, accounting and industry related specialised issues.

Investors in People



INVESTORS  
IN PEOPLE | Gold

Deloitte is the first organisation in Cyprus to achieve Gold recognition and International Champion status with the Investors in People (IIP). This achievement confirms the leading position of Deloitte in its sector and confirms the effectiveness of its HR management and development practices.

Investors in People has gained wide acknowledgement and acceptance internationally as the only comprehensive standard in the area of Human Resource Management and Development, boasting international implementations in excess of 37,000 organisations. It has gained visibility in Cyprus over the last 4 years, when Deloitte pioneered the field and we are currently observing a sharp increase in client requests for Investors in People implementations.

Investors in People is a compelling tool for any organisation wishing to align its HR practices with its business strategy and objectives, therefore maximising its productivity gains from its human capital. It is also a bold statement internally to its human capital, resulting in increased motivation, staff retention, client service and productivity, as well as a recognised remark to the marketplace, indicating that IIP accredited organisations are 'employers of choice'. To achieve Investors in People Gold status, as an organisation we had to successfully fulfil at least 165 evidenced requirements in areas such as Strategy, Training & Development, Management Effectiveness, Involvement and Empowerment etc.

# Appendix 1 - Financial Information

## Business performance

Our financial and operating performance during 2013 was strong, despite a challenging global and local economy. 2013 saw a slight dip of 2.8% in the firm's net fees. Over the previous four years, the firm has enjoyed continuous growth; in the immediately preceding year, a growth of 8.8% was observed. Specifically net fees amounted to €31.1 million for the year ended 31 December 2013, compared to €32.0 million for year ended 31 December 2012.

This result under such difficult and uncertain economic conditions is directly attributable to our people's commitment to our clients, and the quality of the services and deliverables to those clients. There is no doubt that the acute restructuring of the Cyprus banking system and the reforms to which the Island continues to be committed, following its agreement with the Troika institutions in respect of the necessary financial assistance, have significantly affected the Cypriot economy as a whole. The direct impact on local businesses coupled with the uncertainty pervading international business' utilisation of Cyprus, affected the financial services sector and our firm. Nonetheless, our services to our clients have proven to be resilient; much more so than many commentators first anticipated in the aftermath of the events of March.

The decline experienced in the firm's revenue was caused primarily by the restructuring of the consulting service line in conjunction with one-off financial advisory projects that had a higher contribution in the year 2012 as opposed to 2013. On the positive side, the two largest service lines of the firm, Audit and Tax & Legal, have not only retained their top line but also produced growth of 1% and 15% respectively.

In a period of such adverse economic conditions, the safeguarding of our revenue and its collectability constitutes a high priority for us while at the same time, control of payroll and overhead costs is of equivalent importance in maintaining our firm's healthy financial position which will enable us confront the challenges and the uncertainties that characterise the outlook for 2014.

## Year ended 31 December 2013

1. From financial information extracted from Deloitte's financial records showing the relative importance of audit work and the levels of non-audit services.

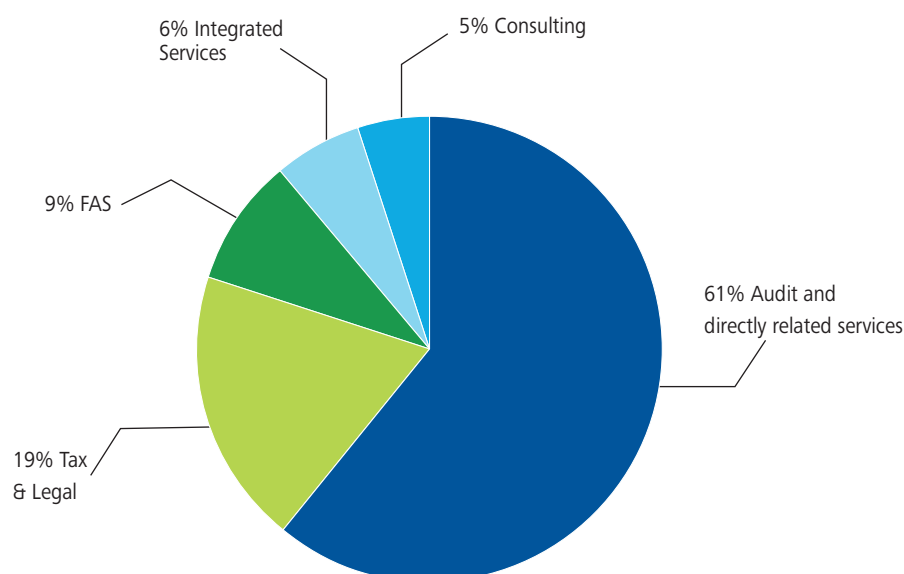
### 2013 - Revenue

	Fees €m	Percentage %
Audit and directly related services	19.0	61
Non-audit work	12.1	39
Total	31.1	100

2. From financial information extracted from Deloitte financial records showing the levels of non-audit fees by Service line.

### 2013 - Non-audit Fees per Service Line

	Fees €m	Percentage %
Tax & Legal	6.1	19
FAS	2.8	9
Integrated Services	1.8	6
Consulting	1.4	5
Total	12.1	39



## Year ended 31 December 2012

1. From financial information extracted from Deloitte's financial records showing the relative importance of audit work and the levels of non-audit services

### 2012 - Revenue

	Fees €m	Percentage %
Audit and directly related services	18.8	59
Non-audit work	13.2	41
Total	32.0	100

2. From financial information extracted from Deloitte financial records showing the levels of non-audit fees by Service line.

### 2012 - Non-audit Fees per Service Line

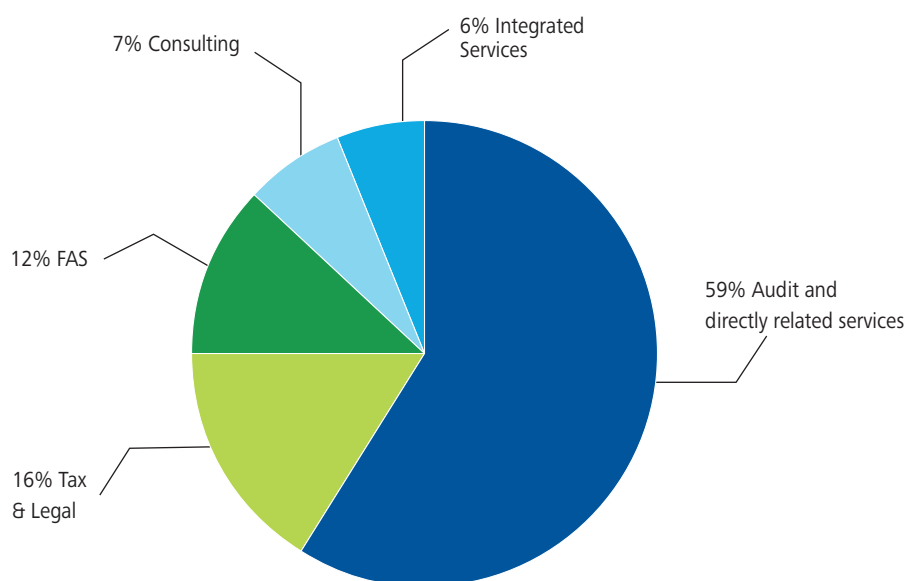
	Fees €m	Percentage %
Tax & Legal	5.3	16
FAS	4.0	12
Consulting	2.1	7
Integrated Services	1.8	6
Total	13.2	41

## Local outlook

The continuing success of Cyprus as a reputable financial centre in Europe remains threatened by the financial instability of the banking sector, economic uncertainty as well as the international pressures and adverse publicity. The last twelve months, however, have provided positive evidence of the resilience and adaptability of the Cypriot economy, with a promising long term growth potential driven by the anticipated impact of the positive finds, and the development of those, within the energy sector and the benefits to be derived from the possible reunification of the island. Without doubt, 2014 is promising to present many challenges not only for our firm but for the Cypriot economy as a whole. Notwithstanding the difficult times that we are facing, our commitment to our clients remains unwavering: 'understanding their needs and offering superior services to help them succeed'.

## The global picture

For the financial year ending 31 May 2013, Deloitte member firms recorded aggregate revenues of US\$32.4 billion, a growth of 3.5% in U.S. dollars compared to prior year, representing the highest revenue ever recorded by the global member firm network. The healthy growth experienced by the network across all businesses and regions is attributed to the strong demand for Deloitte's capabilities and services, as clients manage complexity and uncertainty while investing in growth. Deloitte's success this past year is the result of adapting business strategies to anticipate client needs and address the changing requirements of a dynamic market.



# Appendix 2 - Public Interest Entities

A list of our Public Interest Entity Audit Clients in respect of which an audit report was issued by Deloitte Ltd in the year ended 31 December 2013 is as follows:

1	Actibond Growth Fund Public Company Ltd
2	Alpha Insurance Ltd
3	American Life Insurance Company (Cyprus Branch)
4	Ancoria Insurance Public Ltd
5	Bank of Beirut SAL (Cyprus Branch)
6	BANK MED SAL (Cyprus Branch)
7	Banque Bemo SAL (Cyprus Branch)
8	Banque SBA (Cyprus Branch)
9	Central Cooperative Bank PLC (Bulgaria Cyprus Branch)
10	C.C.C. Tourist Enterprises Public Company Ltd
11	Demetra Investment Public Ltd
12	Ethiniki General Insurance (Cyprus) Ltd
13	Ethiniki Insurance (Cyprus) Ltd
14	IBL Bank SAL (Cyprus Branch)
15	Grawe Reinsurance Ltd
16	Jordan Ahli Bank - Cyprus
17	Jordan Kuwait Bank Plc (Cyprus Branch)
18	KEO Plc
19	Lordos Hotels (Holdings) Public Ltd
20	Medlife Insurance Ltd
21	National Bank of Greece (Cyprus) Ltd
22	National Bank of Greece SA (Cyprus)
23	Progressive Insurance Ltd
24	Top Kinisis Travel Public Ltd
25	Toxotis Investments Public Ltd
26	Triena Investment Public Company Ltd
27	USB BANK PLC
28	Wargaming Public Company Ltd



Under the provisions of the Statutory Auditors Law 2009 and 2013, a "public interest entity" means:

- an entity governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point 18 of Article 4(1) of Directive 2004/39/EC,
- credit institutions as defined in point 1 of Article 1 of Directive 2000/12/EC of the European Parliament and of the Council of 20

March 2000 relating to the taking up and pursuit of the business of credit institutions and

- insurance undertakings within the meaning of Article 2(1) of Directive 91/674/EEC.

Member States may also designate other entities as public interest entities, for instance entities that are of significant public relevance because of the nature of their business, their size or the number of their employees.

# Appendix 3 - Board of Directors

## Executive Committee, Oversight Board,

### Members of the Board, as at 31 December 2013

#### Executive Committee



**Christis M. Christoforou**  
**Chief Executive Officer**

Christis Christoforou is the Managing Partner and Chief Executive Officer of Deloitte Cyprus.

Outside the firm, Christis is a Vice President of the Nicosia Chamber of Commerce & Industry and a member of the Board of Directors of the Cyprus Investment Promotion Agency (CIPA). He is also an ex-President of the Institute of the Certified Public Accountants of Cyprus and a current member of its council. Christis is the Honorary Council of the Republic of Lithuania.



**Eleftherios N. Philippou**  
**Audit and Insolvency Partner and Firm's Reputation & Risk Leader,  
Ethics and AML Compliance Officer**

Lefteris Philippou is an Audit and Insolvency services partner whose diversified portfolio of clients includes local, overseas and multi-national entities, operating in Cyprus and abroad. He spent a considerable time in the Arabian Gulf serving multinational companies operating mainly in the construction and electromechanical industry. He leads the Insolvency Services of the firm.

He has been a partner with Deloitte since 1987. He is the firm's Reputations and Risk Leader (RRL) as well as the Ethics and Anti Money Laundering Compliance Officer.



**Nicos S. Kyriakides**  
**Partner in Charge in Limassol, Audit Partner and FAS practice leader**

Nicos Kyriakides is the Partner in Charge of the Limassol office in Deloitte Cyprus, since 2002. Except from being an Audit Partner, he acts as the Partner in Charge of the Financial Advisory service line of Deloitte Cyprus, having vast experience in corporate finance, business consulting and international tax planning.

Nicos acts as the Audit Engagement Partner for a large number of audit clients (including public and listed companies), local and international business enterprises, in many industries. He has led a large number of consultancy and business advisory projects relating to mergers and acquisitions, reorganisations of groups of companies, business plans and feasibility studies for new projects, and public offerings and flotations.



**Nicos D. Papakyriacou**

**Partner in Charge in Nicosia, Audit**

Nicos Papakyriacou is the Partner in Charge of the Nicosia office of Deloitte Cyprus, since 2002. He is also a partner in the Audit and Business Advisory department serving a wide range of clients both in Cyprus and abroad (including public and multinational companies) and has lead various consultancy and business advisory projects relating to financial reorganisations, mergers and acquisitions, financial feasibility studies, financial due-diligences and business valuations.



**Costas Georghadjis**

**Audit Partner and Function Leader**

Costas Georghadjis is the Audit practice leader. He is the Industry Leader on Shipping serving a number of clients in the ship management and ship owning industry as well as a wide spectrum of other local and international clients in various other industries.

Based in Limassol he leads international multi location engagements for audits under International Standards of Auditing, advises clients on the application of International Financial Reporting Standards and has lead a number of financial due diligences for acquisition purposes as well as for special investigations.



**Pieris Markou**

**Tax Partner and Function Leader**

Pieris Markou is the Tax practice leader of Deloitte Cyprus. He is specialising in local and international taxation. His experience includes many tax planning projects for major multinationals operating through Cyprus and is one of Deloitte Cyprus' major negotiators on corporate and personal tax for resolution of client's tax matters with the tax authorities.

Pieris served as the Chairman of the Tax and VAT Committees of ICPAC participating in a number of meetings with the Minister of Finance, the House of Representatives and the Tax and VAT Commissioners for the formulation of the Government's policies on taxation. Pieris also serves as a member of an advisory committee to the Government on treaty negotiations.



## Oversight Board



**Athos Chrysanthou**

**Audit Partner**

Athos Chrysanthou is a partner in the Audit department in the Nicosia office. He has a variety of clients including both local and international companies spread over a number of industries such as construction, manufacturing, distribution, retailing, travel and tourism. Athos is involved in a number of audits of non-profit organisations in Cyprus.

Athos has performed a number of special projects in areas such as profit improvement, financial due-diligence investigations and financial feasibility studies. He is responsible for the training of the trainee Chartered Certified Accountants of Deloitte Cyprus.



**Maria Paschalis**

**Audit Partner**

Maria Paschalis is a partner in the Audit department in the Nicosia office, serving a wide range of listed and private clients both in Cyprus and abroad. Since 2010 she is also the National Professional Practice Director (NPPD) and the learning partner for Deloitte Cyprus, responsible both for technical and shared-competency learning in the practice.

She became a partner in 2004.



**Antonis Taliotis**

**Tax Partner**

Antonis Taliotis is a Tax partner based in the Limassol office with extensive experience in local and international taxation.

Before joining Deloitte as a tax partner he worked for the Cyprus Inland Revenue as a Principal Assessor. Antonis is the author of various articles on national and international taxation and regular speaker in conferences and seminars. He was actively assisting the University of Vienna team which advised the Cyprus government on the major reform which harmonised the Cyprus tax system to the EU Law and the OECD requirements. He is an IFA member, correspondent to the IBDF for Cyprus and tax consultant to the Cyprus Shipping Council and the Cyprus International Business Association.

## Members of the Board



**Panos Papadopoulos**

**Audit Partner**

Panos Papadopoulos is an Audit partner serving mainly international clients operating in a variety of industries. Since 2010 he serves as the Independence Director of the Cyprus Firm.

Outside the firm, Panos is a long serving member of the Auditing Standards Committee of the Institute of Certified Public Accountants of Cyprus where he has served both as chairman and vice chairman.



**Nicos Charalambous**

**Audit Partner**

Nicos Charalambous is an Audit partner at Deloitte and is based in the Limassol office.

Nicos has over 13 years' experience in serving the firm's clients predominantly in the Banking and Shipping sectors, both locally and abroad.

Nicos has extensive experience with a number of the firm's largest clients, a number of consultancy projects and has led a number of financial due diligences for acquisition purposes for local and international clients.



**Nicos Spanoudis**

**Partner in Charge in Larnaca, Audit Partner**

Nicos Spanoudis is an Audit partner and partner in Charge at the Larnaca office of Deloitte Cyprus. He has extensive experience in accounting and public audit and he was the driving force behind the Larnaca office's expansion from where he serves a wide spectrum of local and international clients.

Nicos is well positioned in the local business community having excellent personal contacts with major banks, law offices and governmental and semi-governmental organisations.



**Alexis Agathocleous**

**Audit Partner**

Alexis Agathocleous is a partner in the Audit department based in the Limassol office. Having started his professional career with Deloitte in London in 1994, he transferred to Deloitte in Athens in 1998 where he became a partner in 2001. He joined Deloitte Cyprus in July 2007.

Alexis specialises in the audit of financial institutions and has been involved in several international offerings including listings on the New York Stock Exchange. He also has extensive experience in securitisations.

He is the Audit Risk Leader and the Financial Services Industry Leader.



**Alkis Christodoulides**

**Audit Partner**

Alkis Christodoulides is an Audit partner serving a wide range of businesses both local and international and of various types including construction, manufacturing, retailing, media, entertainment and travel and tourism. He has also been involved in various corporate finance projects such as business valuations and due diligence assignments, theft investigations and liquidations.

He joined Deloitte, as a partner, in October 2011 from Moore Stephens.



**Christakis Ioannou**

**Audit Partner**

Christakis Ioannou is an Audit partner serving a wide range of businesses both local and international and of various types including construction, manufacturing, retailing and travel and tourism. He has also specialised in indirect taxation and has been involved in various corporate finance projects such as business valuations and due diligence assignments.

He joined Deloitte, as a partner, in October 2011 from Moore Stephens.



**Yiannos Ioannou**

**Audit Partner**

Yiannos Ioannou as a partner, is an Audit partner serving a wide range of businesses both local and international and of various types including construction, international trading, manufacturing and retailing. He has also specialised in direct taxation and has been involved in various corporate finance projects. He has a wide and deep knowledge of detailed financial reporting requirements.

He joined Deloitte, as a partner, in October 2011 from Moore Stephens.



**Paul Mallis**

**Tax Partner**

Paul Mallis is a Tax partner specialising in the tax implications of cross border structuring and transactions, mergers and acquisitions, reconstructions, group refinancing and other intra-group restructuring.

Based in Nicosia, Paul began his career with Deloitte in New Zealand before moving to the UK in 2000 where he joined Deloitte London, advising in the Corporate Tax and Mergers and Acquisitions groups.

Paul joined Deloitte Cyprus in October 2007.



### **Panicos G. Papamichael**

#### **Enterprises Risk Services & Consulting Partner**

Panicos Papamichael joined Deloitte in 2002. Prior to that he was the partner in charge of Ernst & Young's Management Consulting division whom he joined in 1981, first in London and subsequently in Cyprus. He specialises in Consulting and Enterprise Risk Services. His competencies range from Risk Management, to Strategy & Operations, Enterprise Applications, Technology Integration and Financial Consulting.

He now leads the Enterprise Risk Services function of the Firm and contributes to the development of the firm's offerings to clients in the public, as well as the private industry sectors.

Panicos became a partner in 2008.



### **Kerry Whyte**

#### **Audit Partner**

Kerry Whyte is an Audit partner based in the Nicosia office. She is involved in the audits of international business companies and is regularly involved in advising international clients on IFRS and company law compliance matters in connection with their activities through Cyprus. She serves many of the firm's major international clients and regularly works with other Deloitte offices on multinational audit engagements.

She became a partner in 2008.



### **Christos Papamarkides**

#### **VAT Partner**

Christos Papamarkides is a partner in the Tax department leading the indirect tax service line.

Christos has a vast experience in local and international taxation and specialised in indirect taxation. His experience includes tax planning projects for major local clients, companies/group reorganisation and was one of the firm's negotiators on corporate and personal tax for resolutions of client's tax matters with tax authorities.

He became a partner in 2008.



### **George Martides**

#### **Financial Advisory Services Partner**

George Martides is a partner in the Financial Advisory Services (FAS) of Deloitte in Cyprus. George has vast experience in Corporate Finance, Transaction Services, Valuations and other Financial Advisory services.

George has led a large number of projects, including Mergers and Acquisitions, Public Offerings and Floatations to Stock Exchanges in Cyprus and abroad, Financial Due Diligence Reviews, Capital Structuring and Debt Advisory, Fair Value estimates (valuations), Fairness Opinion reports, Business plans, Forensic and Dispute work, Group Restructuring and Reorganisation, Design and Implementation of Costing Systems, etc.

He became a partner in 2008.



**Andreas Georgiou**

**Audit Partner**

Andreas Georgiou is an Audit partner based in the Limassol office.

His audit clients include large International and local groups of public and private companies operating in Cyprus and abroad, operating in various industries, including private equity funds and security markets, retailing and steel trading. He has also lead a number of financial due diligence projects for prospective acquisitions and very often advises clients on the application of International Financial Reporting Standards.

He became a partner in 2009.



**Christos Neocleous**

**Integrated Services Partner**

Christos Neocleous is a partner of the Integrated Services department of our firm in Limassol.

Christos has extensive experience in the audits of large local and international clients (including public and listed companies). His audit client portfolio includes Trading groups, Tourism & Travel companies, Hotels, Manufacturing companies, Construction and Property Development companies, Shipping and Ship-management companies, etc.

He became a partner in 2009.



**Demetris Papapericleous**

**Audit Partner**

Demetris Papapericleous is an Audit partner based in the Limassol office.

Demetris' client portfolio includes a number of important clients of the firm operating in different industries comprising of local, public and private companies, as well as international clients. Demetris advises clients on the application of International Financial Reporting Standards as well as certain aspects of the legislation relating to the preparation of their financial statements.

He became a partner in 2009.



**Andreas Andreou**

**Audit Partner**

Andreas Andreou is an Audit partner based in the Nicosia office.

Andreas is serving a wide range of listed and private clients both in Cyprus and abroad. He specialises in the audit of insurance companies and other financial institutions.

He became a partner in 2009.



### **Alecos Papalexandrou**

#### **Tax Partner**

Alecos Papalexandrou is a Tax partner based in the Limassol office. Alecos has 13 years of experience in the fields of national and international tax planning and tax compliance issues and 2 years of experience in the fields of corporate finance. He has been with Deloitte since 2003 having worked with another Big Four consulting firm from 1995 to 2000.

He has been involved in a number of international corporate restructuring projects and has extensive experience in tax due diligence and international tax planning projects. Alecos provides tax advice across a range of industries, including oilfield services, shipping, real estate, financial services and banking.



### **George Pantelides**

#### **Human Capital Services Partner and HR practice leader**

George Pantelides is a partner in the Consulting Services department with Firm wide responsibilities for Human Capital Services. He is also the Head of the HR Department of our firm. George possesses extensive experience in a number of HR related areas and amongst his portfolio of clients are the most prestigious, well recognised local and international organisations. He is a coacher of a number of CEOs and Executives.

George is highly acknowledged for being a pioneer in developing and promoting HR best practices. He was the first in Cyprus to be accredited as an IIP advisor and has supported a number of organisations in achieving the Investors in People Standard.



### **Panayiota Vayianou**

#### **Tax Partner**

Panayiota Vayianou is a Tax partner based in the Larnaca office.

Panayiota has worked for more than 25 years in the Inland Revenue Department of the Ministry of Finance, where she gained considerable experience in various and diverse tax related issues.

She has progressed from a clerical staff at Capital Gains and Immovable Property Department to a Principal Assessor 1st Grade in the Capital Gains Tax, Capital Statement examinations and Accounts Department and then to a Functional Head within the Larnaca District Inland Revenue Office.

# Appendix 4 - Legal Structure and Network

Deloitte Limited is the Cyprus member firm of the Deloitte Network. The Deloitte Network is comprised of firms that are members of Deloitte Touche Tohmatsu Limited, an English company limited by guarantee (DTTL).

DTTL does not provide professional services to clients, or direct, manage, control or own any interest in any member firm or any member firm's affiliated entities. Member firms in the Deloitte Network provide services to clients, either directly or through their affiliates (member firms and their affiliates are collectively referred to herein as Member Firms).

Member Firms operate under the Deloitte brand and related names, including Deloitte, Deloitte & Touche, Deloitte Touche Tohmatsu, and "Tohmatsu.

Member Firms provide professional services in particular geographic areas and are subject to the laws, regulations and professional requirements of the jurisdictions in which they operate. Each Member Firm is structured differently in accordance with, among others, national laws, regulations and customary practices.

Member Firms are not subsidiaries or branch offices of DTTL and do not act as agents for DTTL or other member firms. Rather, they are locally-formed entities with their own ownership structure independent of DTTL that have voluntarily become members of the Deloitte Network with a primary purpose to coordinate their approach to client service, professional standards, shared values, methodologies, and systems of quality control and risk management. DTTL has adopted certain policies and protocols in each of these areas in an effort to establish a consistently high level of quality, professional conduct and service in all member firms. This structure confers significant strengths, combining high quality standards and methodologies with a deep understanding of local markets and a sense of responsibility and initiative among professionals who have a direct stake in the integrity and growth of their respective practices.

Deloitte Ltd in Cyprus operates from three locations in the towns of Nicosia, Limassol and Larnaca. Deloitte Cyprus has 28 partners within its 516 professional staff members as at 31 December 2013. Nicosia has 285 staff members, Limassol 209 and Larnaca 22.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence. Aggregate revenue of DTTL member firms for the financial year to 31 May 2013 was US\$32.4 billion.

There are governance and management structures at both the DTTL and Member firm levels. At the DTTL level, the DTTL Board of Directors (DTTL Board) has adopted certain resolutions, policies and protocols regarding the governance of DTTL, professional standards and methodologies and systems for quality control and risk management in an effort to establish a consistently high level of quality, professional conduct and service in all Member Firms.

Member Firms provide services to clients and are responsible for applying these policies as well as for setting their own policies and exercising professional judgement to ensure compliance with applicable professional standards and local laws and regulations.

The DTTL Board is the highest governing body of DTTL. DTTL's highest management body is the DTTL Executive, which is led by the DTTL CEO.

## The DTTL Executive

DTTL's CEO approved by the DTTL Board subject to ratification by a two-thirds majority of Member Firm partners, serves a term of four years and may be approved and ratified for one additional four year-term. The DTTL Executive consists of 23 members and includes senior DTTL and Member Firm leaders from various regions around the world. It is responsible for, among other things, fostering a common vision and helping to develop and direct DTTL's strategies. The DTTL Executive works in a collegial style and attempts to reach decisions through consensus.



# Appendix 5 - Partner remuneration

## Partners' profit sharing

Partners share profits based upon their profit sharing ratio, which is determined on the units of interest each one holds of the partnership. Each year, standard units are allocated to all partners in such a way that enables younger partners to increase their participation in the partnership versus the more senior partners. Furthermore, subject to certain conditions and on the fulfilment of certain criteria, additional units may be allocated to partners who make an exceptional contribution to the overall performance of the firm.

Every year there is a comprehensive evaluation of individual performance (both qualitative and quantitative) and contribution to the achievement of the firm's strategic objectives. In assessing the performance of partners, a strong contribution in the following areas is an absolute expectation from all partners, notwithstanding the level of their contribution in other areas:

**Quality:** A role model for quality in professional work.

**Talent:** Contribution to mentoring, leading, recruitment, engagement, development and training of our people.

**Ethics and Objectivity:** Setting the standards for ethical behaviour and objectivity.

**Risk Management:** Adherence to Risk management considerations.

In addition, the following criteria are also used for assessing the performance and contribution of each partner:

**Clients:** Client portfolio managed and roles carried.

**Brand and eminence:** Market related activity including stakeholder relations, thought leadership, innovation and brand protection roles.

Revenue generation, growth and business building: Contribution to business development and relationship building.

**Financial success:** Overall contribution to the financial success of Deloitte.

**Leadership and management:** Contribution to

the firm's broad success through leadership and management roles.

Partners who provide audit services are expected to be responsive to their clients' needs, but they are not evaluated or remunerated on the selling of other services to their audit clients.

We are confident that this approach precludes financial considerations from driving actions and decisions having a negative effect on audit quality.

In 2010, we introduced the partner Audit Quality Dashboard to assist in the appraisal process. The Audit Quality Dashboard identifies objective metrics of quality and measures partner performance against those metrics. The results are considered alongside other sources of evidence in assessing partner contribution to quality and when setting objectives for the forthcoming year.

Partner performance is evaluated in all of the competencies, beginning with the Board's approval of the profit sharing strategy proposed by the CEO and concluding with the Board's review of the recommended profit allocation and equity group for each individual partner, the conclusions of which are disclosed in full to all partners. A committee of partners oversees the management process to ensure consistent and equitable treatment.

## Partners' drawings and the subscription and repayment of partners' capital

There are equity and non-equity partners in Deloitte Ltd. The equity partners share in the profits and subscribe the entire capital of Deloitte Ltd. Each partner's capital subscription is linked to his or her share of profit and is repaid in full on ceasing to be a partner. The rate of capital subscription is determined from time to time depending on the financing requirements of the business.

Partners draw a proportion of their profit share in twelve monthly on account instalments during the year in which the profit is made, with the balance of their profit, net of a tax deduction, paid in instalments in subsequent years. All payments are made subject to the cash requirements of the business. Tax retentions are paid to The Inland Revenue on behalf of partners with any excess being released to equity partners as appropriate.

**About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte Limited is the Cyprus member firm of DTTL. Deloitte Cyprus is among the nation's leading professional services firms, providing audit, tax, consulting and financial advisory services through over 500 people in Nicosia, Limassol and Larnaca. Deloitte has the broadest and deepest range of skills of any business advisory organisation, and we have a straightforward goal: to be recognised as the pre-eminent and most trusted professional services firm, famous for the calibre of our people and respected for the exceptional quality of our work. For more information, please visit the Cyprus firm's website at [www.deloitte.com/cy](http://www.deloitte.com/cy).

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's approximately 200,000 professionals are committed to becoming the standard of excellence.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte Limited would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte Limited accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

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