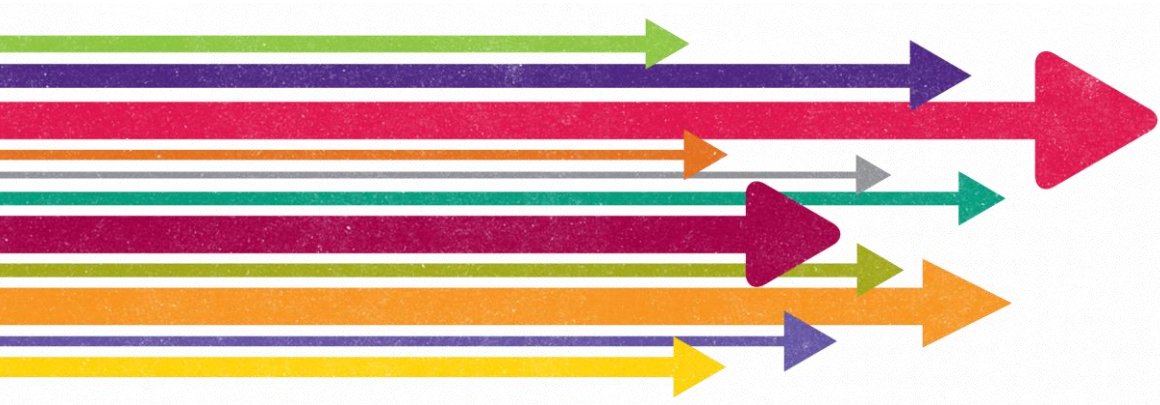


Transparency Report 2013



Why we prepare a transparency report

Transparency is a key element underpinning the confidence of the world's capital markets in the audit process, and Grant Thornton will continue to play its part in creating a more accountable and robust accounting profession.

This transparency report is a public statement to clients, audit committees, regulators and the wider public of our commitment to provide quality assurance services to organisations all over the world. Our clients rightly expect us to have policies and procedures in place that mean the quality and level of service they receive is not only exemplary but consistent, irrespective of where they operate.

This report, which complies with the requirements of the 'Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009' which came into force on 8 April 2011, explains how the firm is run, how we ensure that we perform audits of the highest quality and describes the expertise, breadth and depth of our firm and of Grant Thornton International.

The report describes policies and procedures which are effective as at March 10, 2014.



A message from our CEO

2013 was a testing year for the Cyprus economy – all sectors were affected by the repercussions of the Eurogroup decisions of March 2013 on the banks and the subsequent agreement with the Troika of creditors. In addition to the general slow-down in economic activity, the accounting sector was also affected by the dramatic reduction in new international companies being registered in Cyprus as well as the increased difficulty in cash collection.

However, as this Transparency Report is being produced, almost exactly a year after the dramatic effects of March 2013, the banking sector is already looking much healthier - although dangers still lurk, especially in connection with the extent of the Non-Performing Loans - and the economic outlook is looking brighter. In many ways, the bail-out has forced us to make structural changes that were long overdue and, in the medium to long term, this will be positive for the attractiveness and competitiveness of Cyprus.

We therefore firmly believe that the faithful implementation of the agreed terms of the bail-out agreement is the only feasible way forward and we applaud the efforts of the Government in this regard.

Despite the financial strains of 2013, we took some bold steps during the year, including finalizing (in early January 2014) a merger with the firm of Mouzouris & Polyviou in Limassol. This strategic step was taken within the framework of the coordinated efforts by both firms to offer top quality professional services both locally as well as internationally. We firmly believe that the combination of our international network and the extensive experience of our new partners creates significant synergies and makes the two firms ideal partners for such a merger.

Furthermore, we have enhanced and strengthened our China Desk, a service intended to facilitate Chinese companies looking to invest in or through Cyprus as well as Cyprus clients looking to take advantage of the opportunities presented by such an enormous market. We are already seeing the first successes of this service and we have high hopes and expectations that it will bring significant benefits to the firm in the medium to long-term.



We go into 2014 confident in the future and proud of the fact that, by providing meaningful, actionable advice through our clear thinking, we are helping our clients unlock the parts of their business that have the potential to grow and we are thus also contributing to the resurgence of the Cyprus economy.

A handwritten signature in blue ink, appearing to read 'Stavros Ioannou'. The signature is fluid and stylized, with a long horizontal stroke at the end.

Stavros Ioannou
CEO

Our awards

ICPAC Quality Checked Certificate

Grant Thornton has been awarded the 'ICPAC Quality Checked' certificate by the Institute of Certified Public Accountants of Cyprus (ICPAC) following a review carried out by the Association of Chartered Certified Accountants (ACCA).

The ICPAC Quality Checked certification is a quality assurance scheme introduced by ICPAC in July 2006 to help improve standards across the accountancy profession in Cyprus. The aim of the scheme is to help ICPAC member firms enhance the quality and efficiency of services they provide to their clients by ensuring that the procedures and checks in place are consistent with the demands of the quality programmes and generally accepted best practice within the industry.

ACCA Platinum Approved Employer

Grant Thornton has also been awarded Platinum Approved Employer Trainee Development status by ACCA (the Association of Chartered Certified Accountants). This award covers both the Nicosia and the Limassol offices and is the highest level that an ACCA Approved Employer can achieve. It is an indicator to current and prospective trainees looking to train within an organisation that the firm has the highest standards of tuition and development.

ICAEW Authorised Training Employer

Grant Thornton is an Authorised Training Employer of the Institute of Chartered Accountants in England and Wales (ICAEW) and is therefore authorised to train students for their ACA qualification. This achievement demonstrates that our firm has met the training standards of the ICAEW by ensuring:

- we operate with professionalism and commitment to ACA training
- we provide students with a high quality training environment
- we offer students a high level of supervision and support
- we offer students the opportunity for personal and professional development
- we offer students appropriate training in professional ethics.

Investors in People

Grant Thornton has been awarded the prestigious Investors in People (IIP) accreditation following a successful evaluation in November, 2012. The IIP is an established and highly regarded international standard that is only awarded to organisations who meet a series of stringent assessment criteria.

This award was achieved as Grant Thornton was able to display a consistent effort in the development and training of its people with the purpose of achieving future business goals and maintaining employee satisfaction.



**INVESTORS
IN PEOPLE**



Legal structure and ownership

Legal structure

Grant Thornton (Cyprus) Ltd is incorporated in Cyprus as a limited liability company under the provisions of the Cyprus Companies Law, Cap. 113, with a registration number 267530. Our professional activities are conducted through the company.

Ownership

Grant Thornton (Cyprus) Ltd is entirely owned by its members. A list of the members of the company is open to inspection at the registered office: Agiou Nicolaou 41-49, Nimeli Court, Block C, Engomi, 2408, Cyprus.

Regulatory body affiliation

The firm's practise is regulated and reviewed by the Institute of Certified Public Accountants of Cyprus (ICPAC) whose aim is to help ICPAC member firms enhance the quality and efficiency of the services they provide to their clients by ensuring that the procedures and checks in place are consistent with the demands of the quality programmes and generally accepted best practice within the industry. Each partner and director is a member of either the ICAEW or the ACCA in addition to ICPAC.

Our external audit is undertaken by M. Z. Makrides & Co. Ltd.




Grant Thornton International Ltd

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms. These firms help dynamic organisations unlock their potential for growth by providing meaningful, forward looking advice. Proactive teams led by approachable Partners in these firms, use insights, experience, and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them find solutions. More than 35,000 Grant Thornton people, across over 100 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work.

In 2013, Grant Thornton has been honoured by the International Accounting Bulletin as the “Network of the Year 2013” as a result of our strategic drive, global leadership, and remarkable growth around the world. And we understand that this award reflects not only our strength as a global organisation, but as a collection of member firms who are all dedicated to the highest level of client service.

Teams in member firms worldwide work and train together, sharing industry experience, technical expertise, and a commitment to excellence. Whatever the geographic location, we apply the same insight, flexibility and relevant experience. We examine each transaction objectively and work to involve all parties to ensure you receive the highest quality advice, providing a truly distinctive client experience which is unmatched by our competitors.

Grant Thornton (Cyprus) Ltd is the Cyprus member firm of Grant Thornton International Ltd.



Governance and management

Leadership

We are committed to a strong culture of excellence and ethics. Our partners set the tone in the business and inspire our people to commit to the highest standards of behaviour and performance. We continually evaluate developments in corporate governance and benchmark our performance against them.

Members of the board

- Stavros Ioannou, Managing Partner and CEO
- Augoustinos Papatomas, Assurance and International Practice Partner
- Stelios Loizides, Assurance Partner
- George Poulos, Assurance Partner
- George Karavis, Tax Partner
- Stephen Michaelides, Outsourcing Partner
- Achilleas Achilleos, Assurance Partner
- Nicos Mouzouris, Assurance Partner
- Polys Polyviou, Assurance Partner
- Froso Yiangoulli, Assurance Partner
- Antonis Loyides, IFRS and Training Partner
- Melpo Konnari, Advisory Partner.

The company's rights and obligations, our governance framework, and the key responsibilities for the management of our business are set out in the company's Memorandum and Articles of Association. All the members vote to confirm the appointment of the CEO, which gives the CEO the authority to exercise strong and effective leadership of the business. The CEO along with the members of the board are empowered to run the firm as an executive function.

Management of our business

Management of the firm is the responsibility of the members of the board, headed by the CEO and includes, amongst other duties:

- ensuring that the firm operates within the company's governance framework formulating the firm's strategy and policies
- the profitable management of the firm
- the appointment, appraisal and (where necessary) the removal of partners and staff, and determining their remuneration.

The board has formed a number of committees to ultimately ensure high quality of service is delivered to all clients:

- business development committee

- technical & audit tools committee
- assurance committee
- internal quality control review committee
- human resources committee.

In the profession

We are committed to investing the time of our senior people in professional leadership positions. This ensures that our clients have access to excellent technical support and awareness of emerging issues, and that their interests are properly represented as public policy develops. Our partners and senior management are actively involved in various committees regarding the profession.

Specifically, we have representatives on various committees of ICPAC, our regulatory body.

- **George Karavis:** VAT committee
- **Stephen Michaelides:** International Business, Shipping and Foreign Investments committee
- **Antonis Loyides:** Accounting Standards (IFRS) committee
- **Froso Yiangoulli:** Ethics and Institutions committee
- **Dimitrios Chioureas:** Public Relations committee.

Quality Control

One of the pillars of our assurance strategy is to support partners and staff in the delivery of consistent high quality client service. Our rigorous quality control system is designed to ensure that the firm and its personnel comply with relevant professional standards as well as regulatory and legal requirements.

Our internal quality control system is aligned with the:

- IFAC Code of Ethics for Professional Accountants
- International Standard on Auditing 220: Quality Control for Audits of Historical Financial Information
- ISQC1: International Standard on Quality Control for Firms, which encompasses the following key elements, all of which are elaborated further on:
 - leadership responsibilities for quality
 - ethical requirements
 - people and culture
 - acceptance and continuance of clients and engagements
 - engagement performance
 - monitoring.

Leadership responsibilities for quality

In accordance with the principles of ISQC1, the Board has appointed the Partner, Augoustinos Papatthomas, as Head of Assurance; he has responsibility for audit quality and for setting the assurance strategy.

Ethical requirements

Partners recognise that their behaviour is key to maintaining a strong ethical environment and culture. Internal controls that support our ethical environment are routinely checked as part of the firm's risk management procedures.

Acceptance and continuance of clients and engagements

Our firm has acceptance and continuance systems in place in all service areas to ensure that each client assignment is delivered to consistently high standards of professional and technical excellence.

Our audit engagements are categorised to drive appropriate risk management procedures. We only engage with clients where we have the necessary capacity, skills and expertise to meet client expectations and which will not prejudice our independence, objectivity or integrity. High profile engagements are pre-approved by senior management, independent of the proposed service team.

A similar continuance procedure is required on an annual basis, or if there are any known changes in circumstances. In certain (exceptional) circumstances consultation is also required with Grant Thornton International Ltd.

People and Culture – audit team structures

We implement high levels of expertise within audit teams. Engagements are partner led, with substantial manager involvement throughout the audit process.

We set high benchmarks for recruiting trainees and throughout their induction and training programmes, the need for ethical behaviour and quality is reinforced. We undertake thorough appraisals and continually carry out mentoring, professional, and personal development courses.

Supervision, review and consultation

We have a strong culture of consultation, supervision and support, which is embedded throughout the audit methodology. Where appropriate, reviews by a second partner and the Head of Assurance provide additional levels of expertise and quality management.

Professional indemnity insurance

We are committed to the highest standards of technical excellence and client service, but in order to mitigate any remaining risk, the firm has arranged for appropriate indemnity insurance.

Engagement quality review

All audit clients whose securities are publicly traded, as well as high profile engagements, are subject to an engagement review by a second partner.

Monitoring activities

Internal audit inspections are carried out annually to assess the quality of completed audit work across various areas of activity and industry sectors. The reviews are risk focused and review teams are selected from outside of the department under review.

In addition to our internal national reviews, as a member firm of Grant Thornton International Ltd we are obliged to submit to an inspection of the audit practice by Grant Thornton International, referred to as the Grant Thornton International Audit Review (GTAR), at least once every three years.

GTAR inspection review teams conduct of audit work performed by each member firm. The inspection process includes an evaluation of policies and procedures of the member firm applicable to its assurance practice, benchmarking those policies and procedures against relevant policies and procedures of the international organisation. The inspection team reviews financial statements, audit reports and engagement files. The inspection team also interviews partners and staff on various matters.

Grant Thornton International Ltd quality control procedures

In addition to our own quality control procedures, as a member firm of Grant Thornton International Ltd, we are required to abide by a system of quality control that encompasses, at a minimum, the following standards issued by the standard setting boards of the International Federation of Accountants (IFAC), including:

- International Standard on Quality Control 1: Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements
- International Standard on Auditing 220: Quality Control for Audits of Historical Financial Information
- IESBA Code of Ethics for Professional Accountants.

Each member firm's system of quality control is designed to provide global and national management with reasonable assurance that audit engagements are conducted in accordance with applicable professional standards and global policies and procedures.

Member firms are required to have an effective internal inspection programme in place that meets the requirements of ISQC 1. Member firms are provided with templates to assist them in adopting their internal quality control inspection. These templates include guidelines, work programmes, forms and examples of reports, all of which have been benchmarked to ISQC 1.

Supporting robust audit delivery

Grant Thornton views audit quality as an essential element of our business. To that end, Grant Thornton provides resources to assist member firms in maintaining audit quality, including:

- an audit methodology, with supporting state-of-the-art software, that is used globally
- policies and procedures contained in audit manuals that are benchmarked against international auditing, quality control, independence and ethics standards
- protocols that enable member firms to consult with the global auditing standards team and, if necessary, with audit specialists in other member firms
- protocols that enable member firms to consult with our International Financial Reporting Standards (IFRS) help desk
- a comprehensive intranet service that includes up to date information for member firms on auditing, financial reporting, ethics and independence standards and guidance on applying them effectively.

Each year further investment is made in methodology development, technology, training, communications and guidance toward the continuous improvement of audit quality. In 2011, Grant Thornton made a significant investment in education by providing training to member firms globally. This training covered such items as quality monitoring, group audits, auditing revenue, analytical procedures and several other key audit quality topics. We enhanced our supporting audit tools and provided member firms with bulletins on current audit and accounting issues.

Grant Thornton International Ltd Audit Review

Each member firm is obligated to submit to an inspection of its quality control system, referred to as the Grant Thornton Audit Review (GTAR), at least once every three years. The GTAR process is designed to monitor member firm compliance with professional standards and the global audit policies and procedures. The GTAR is conducted by independent and suitably qualified partners and managers from other member firms under the overall direction of the global audit quality control leader.

GTAR inspection teams review the conduct of audit work performed by each member firm. The inspection process includes an evaluation of policies and procedures of the member firm applicable to its assurance practice, benchmarking those policies and procedures against relevant policies and procedures of the international organisation. The inspection team reviews financial statements, audit reports and engagement work papers and files. The inspection team also interviews partners and staff on various matters.

“With the increased focus on financial reporting during the economic crisis, the external audit is more important than ever in enhancing market confidence. External audits are performed in accordance with

high quality standards. High quality performance underpins our assurance strategy and we have audit quality measures in place for partners and staff to ensure our overall audit quality objective is translated into real, measurable actions. The ICPAC Quality checked Certificate and the latest GTAR review which confirm that we have adequate procedures and checks in place to deliver high quality and efficient services to all our clients” **Augoustinos Papathomas**, Head of Assurance.

External Monitoring

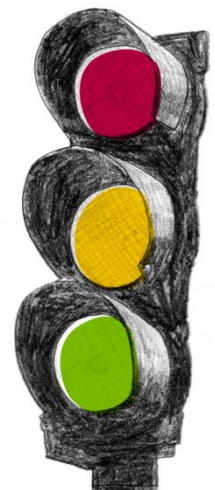
Grant Thornton has been awarded the prestigious 'ICPAC Quality Checked' certificate by the Institute of Certified Public Accountants of Cyprus (ICPAC) following a review carried out by the Association of Chartered Certified Accountants (ACCA).

The ICPAC Quality Checked certification is a quality assurance scheme introduced by ICPAC in July 2006 to help improve standards across the accountancy profession in Cyprus. The aim of the scheme is to help ICPAC member firms enhance the quality and efficiency of the services they provide to their clients by ensuring that the procedures and checks in place are consistent with the demands of the quality programmes and generally accepted best practice within the industry.

The latest review of the firm by ICPAC was in June 2009.

Engagement with regulators

Member firms are expected to maintain an open and constructive relationship with their national regulators. This is consistent with our global policy of embracing external oversight, along with our support of a balanced public reporting of external inspection programmes. As a major international professional services organisation, Grant Thornton meets at least annually with the International Forum of Independent Audit Regulators (IFIAR) and contributes regularly to the public debate on major industry issues.



Independence practices

Maintaining the independence of member firms, audit teams and other professionals is critical to sustaining public confidence in the audit profession. Grant Thornton International Ltd is committed to ensuring that its independence policies and procedures are robust and provide clients of member firms, other users of audit reports and the investment community with confidence that Grant Thornton member firms and their professionals are independent and objective.

In addition to our own independence practices, Grant Thornton International Ltd requires member firms to adopt policies and procedures that have been designed to safeguard independence on assurance engagements and identify circumstances that could pose a conflict of interest. The global independence policies and procedures are based on the International Ethics Standards Board's Code of Ethics for Professional Accountants with supplements to govern compliance with our global independence and international relationship checking processes. Member firms are also required to adhere to their local regulatory requirements where more restrictive.

Global independence system

Avoiding financial interests in an assurance client, or its affiliate, prohibited by the independence rules is a key objective in maintaining the independence of member firms and the client service engagement teams. To help individuals and member firms achieve this objective, Grant Thornton uses the GIS - an automated tracking system that identifies restricted entities (issuers of publicly traded securities in which financial interests are prohibited or restricted). This information is made available to all personnel in all member firms.

Member firms, partners, client-facing managers, spouses, spousal equivalents and dependents are required to maintain a record of their financial interests in the GIS. The GIS monitors compliance with the financial interest policies by comparing financial interests recorded in the system with a regularly updated list of restricted entities. Individuals and their compliance officer are notified by the system in the event a recorded financial interest is in a restricted entity. The GIS provides a mechanism to assist the individual in determining, based on the facts and circumstances, whether it is appropriate to hold the financial interest. Where it is not appropriate to hold the financial interest, it must be disposed of.

GIS compliance monitoring is performed at both the member firm and global levels.

Relationship checking

Grant Thornton policy requires member firms and professional personnel from all service lines to maintain their objectivity when delivering services to clients. To avoid conflicts of interest and threats to independence arising from the provision of non-audit services to audit clients or their affiliates, the identification of any existing client relationships prior to accepting an assignment is essential.

Policies and procedures at the member firm and global levels include processes designed to identify existing relationships. These processes also include requirements for appropriate consultation when relationships are identified, prior to accepting new assignments.

Client acceptance procedures

Achieving professional excellence means accepting and retaining member firm clients that share Grant Thornton's objectives of quality and integrity. Grant Thornton's global client acceptance/continuance procedures integrate with member firm policies. The acceptance/continuance processes provide member firms with information to judge whether the entity meets or exceeds necessary standards of integrity and whether the member firm has the capacity to perform a high quality audit.

Grant Thornton establishes key assurance assignment (KAA) criteria that member firms use to evaluate potential assignments. Member firms submit potential assignments that meet the KAA criteria to an international review committee for consideration.

The assurance client acceptance review committee reviews submitted KAAs to judge whether the member firm has the ability to perform the audit with a high level of quality. This committee is chaired by the executive director – quality control and is comprised of risk management/quality control partners from a diverse group of selected member firms.

Continued professional education

We are committed to ensuring that our people have the skills and expertise necessary to provide the range of quality services and technical excellence required by our clients. All partners and staff are required to keep up to date with the firm's own risk management, ethical and independence requirements.

We have both mandatory and voluntary training requirements, which are actively monitored. Internally, we provide technical resources and support which can include electronic technical updates, training workshops, professional and personal development courses and access to technical teams and committees.

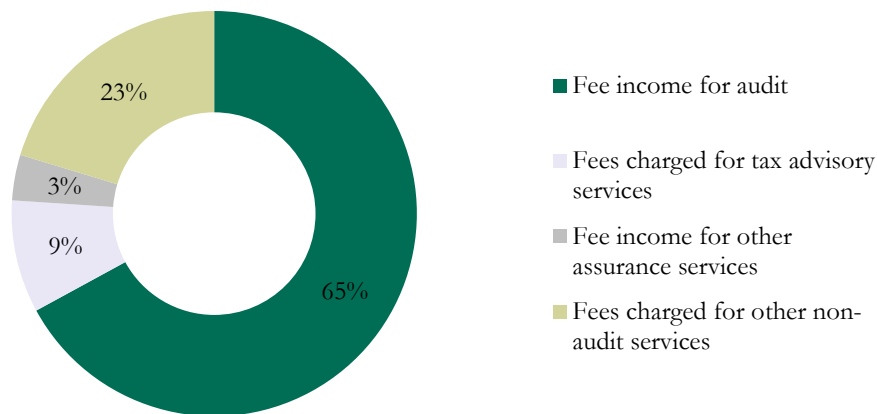
While the majority of technical training takes place within member firms, Grant Thornton International Ltd makes a significant investment in on-going training for audit staff in all member firms in the global audit methodology and supporting technology, and in IFRS.

Programmes include such topics as quality monitoring, group audits, auditing revenue, analytical procedures IFRS technical and interpretive guidance and several other key audit quality topics. Supplemental guidance is provided via bulletins on current audit and accounting issue.

Financial Information

The total revenue for the year ended 31 December 2013 was €4,7 million.

Percentage per service line



Partner remuneration

Partners receive a base salary per year. Additionally, partners receive dividends according to their share interest in the company.

Public interest entities

During 2013, the firm undertook statutory audits for the following public interest entities:

- Livermore Investments Group Ltd
- Cyprus Agricultural Payments Organisation.

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