

*PricewaterhouseCoopers
Central Asia & Caucasus B.V.
Georgia Branch*

Transparency report

for the financial year ended
30 June 2016



This report is published in accordance with the requirements of article 40 of the European Union 43rd Directive on Statutory audits of annual accounts and consolidated accounts (the Audit Directive)

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Introduction - Letter from Country Managing Partner



Welcome to the 2016 Transparency Report of PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia Branch (“PwC Georgia”) in which we share details about our strategy, our values and our investments in audit quality.

We take our professional role in the Georgian community seriously. As one of the largest accounting firm, we have a responsibility to build trust and confidence to ensure the overall health of the capital markets. Transparency is fundamental to building public trust and confidence in the audit profession and broader community.

This report includes additional details on PwC’s global network, investments in our professionals, performance management practices, our legal structure, governance, ethical principles, quality control procedures and our financial performance.

PwC's transparency report demonstrates our commitment and approach to promoting and achieving audit quality on every PwC audit.

I trust that you find the report an informative read.

A handwritten signature in blue ink that reads "Altaf Tapia".

Altaf Tapia
Country Managing Partner
PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia Branch

At PwC, our purpose is to build trust in society and solve important problems. We’re a network of firms in 157 countries with more than 208,000 people who are committed to delivering quality in assurance, advisory and tax services.

Legal Structure, Ownership and Network Arrangements

PricewaterhouseCoopers (hereinafter “PwC”) Central Asia & Caucasus B.V. Georgia Branch is a Branch office of PricewaterhouseCoopers Central Asia & Caucasus B.V., a company registered under the laws of Netherlands, having its seat at Rotterdam, the Netherlands. That entity is ultimately owned by the partners of PricewaterhouseCoopers in our Central and Eastern European firms.

PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch cooperates with other Central and Eastern European member firms to provide services to local and mutual international clients operating in our region. This cooperation is organised through a regional management team which, in addition to ensuring the adherence of these regional firms to the policies and procedures of PwC International, enables resource sharing, the enforcement of risk management policies and quality standards.

Each national member firm also has its own management structure in place, in accordance with relevant legal and operational requirements. This legal structure and network arrangement gives each member firm the flexibility and autonomy to respond quickly and effectively to conditions in its local market. It also reflects the fact that regulatory authorities in most countries grant the right to practise as auditors to nationally based firms in which locally qualified professional auditors (or in the European Union a combination of auditors and or EU audit firms) have at least a majority ownership and control.

PwC is a global network of separate firms, operating locally in countries around the world. PwC firms are members of PricewaterhouseCoopers International Limited and have the right to use the PricewaterhouseCoopers name. As members of the PwC network, PwC firms share knowledge, skills and resources. This membership facilitates PwC firms to work together to provide high-quality services on a global scale to international and local clients, while retaining the advantages of being local businesses – including being knowledgeable about local laws, regulations, standards and practice’s.

Being a member of the PwC network means firms also agree to abide by certain common policies and maintain the standards of the PwC network.

Each firm engages in quality control and compliance monitoring activities, covering the provision of services, ethics and business conduct, and the compliance with specific, strict standards for independence monitoring and protection.

PwCIL is a UK private company limited by guarantee. PwCIL acts as a coordinating entity for PwC firms and does not practise accountancy or provide services to clients. PwCIL works to develop and implement policies and initiatives to create a common and coordinated approach for PwC firms in key areas such as strategy, brand, and risk and quality. PwC firms use the PwC name and draw on the resources and methodologies of the PwC network. In return, PwC firms are required to comply with common policies and the standards of the PwC network.

A PwC firm of PwCIL cannot act as agent of PwCIL or any other PwC firm, and it is only liable for its own acts or omissions and not those of PwCIL or any other PwC firm. PwCIL has no right or ability to control any member firm’s exercise of professional judgement. The governance bodies of PwCIL are:

- **Global Board**, which is responsible for the governance of PwCIL, the oversight of the Network Leadership Team and the approval of Network Standards. The Board does not have an external role. Board members are elected by partners from all PwC firms around the world every four years.
- **Network Leadership Team**, which is responsible for setting the overall strategy for the PwC network and the standards to which the PwC firms agree to adhere.
- **Strategy Council**, which is made up of the leaders of the largest PwC firms of the network, agrees the strategic direction of the Network and facilitates alignment for the execution of strategy.
- **Network Executive Team** is appointed by and reports to the Network Leadership Team. Its members are responsible for leading teams drawn from Network firms to coordinate activities across all areas of our business.

Olga Grygier-Siddons - the Chief Executive of PwC CEE is a member of the Strategy Council and maintains the relationships with the Network Leadership Team.

Governance & structure

Within the Central and Eastern European grouping of PwC member firms which includes 30 national territories, a matrix system of management is operated. Each partner votes in a 4 yearly election of a Chief Executive who appoints a Management Board, comprising of a mixture of territory Chief Executives and Operational leaders from functional and business lines. This Board is responsible for setting broad business objectives and ensuring compliance with PwC International policies.

Across geographical lines the policy and business objectives of each principal business line (assurance, taxation, legal and advisory) are set by the business line management team.

Oversight of the Regional Management Board on behalf of the partners is carried out by an elected regional Partner Council, which approves key policies and decisions which affect partners and the firm.

PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch is managed by the managing partner appointed by PricewaterhouseCoopers Central Asia & Caucasus B.V. (Netherlands).

Structure

The structure of PwC Georgia is a Branch office of PricewaterhouseCoopers Central Asia and Caucasus B.V.. Only 1 Branch office is represented in the capital of Georgia Tbilisi, with 1 Country Managing Partner and 2 directors – 1 Director each in Assurance and TLS Departments.

The line of services represented in local office are: Assurance, Tax & Legal and Advisory.



Internal Quality Control System and Statement of Effectiveness

As a member firm of PwC International, we are obliged to abide by the common risk and quality standards approved by the organisation. These standards are supplemented by local legal requirements and the professional quality standards of Georgian Federation of Professional Accountants and Auditors (GFPAA) and where applicable third country audit quality standards if we are required to report on an entity from such a country.

Our detailed quality control procedures are set out in our PwC Audit Guide and in PwC Risk Management policies and guidance. The following summarises the key policies, attitudes, behaviours and actions which ensure that we maintain a consistently high level of audit quality:



Quality Control Standards

PwC International member firms are required by internal risk and quality policies, and National Auditing Regulations to enforce a system of quality controls over our auditing practices.

Our quality control system is in full compliance with the International Auditing and Assurance Standards Board (“IAASB”) requirements and the standards/guidelines set down by Georgian Federation of Professional Accountants and Auditors (GFPAA). This quality control system is embedded as part of our day to day activities.

International Standard on Quality Control 1, issued by IAASB applies to all audit firms carrying out audits and reviews of historic financial information in accordance with International Standards on Auditing. This standard sets out the required elements of the quality control system which should operate in an audit firm. The requirements cover:

- Leadership responsibilities for quality within the firm
- Ethical Requirements
- Procedures for acceptance and continuance of client relationships and specific engagements
- Human Resources
- Engagement Performance
- Monitoring

PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch addresses these requirements as follows:

Leadership Responsibilities for Quality within the Firm

Tone at the Top: Our leadership is committed to taking all actions required to ensure that PwC continues to stand for quality, independence, objectivity and ethical behaviour. The firm's leadership regularly sends communications to partners that include an emphasis on the importance of "standing firm on quality". The same messages are contained in regular leadership communications to all staff members. Equally important is leadership's regular communications that alert our partners and staff about new standards and related guidance to assist them in providing high-quality service to our clients. Communications from the top take every relevant opportunity to emphasize the importance of maintaining quality standards on a daily basis. Our leadership team demonstrates by its behaviours that it firmly believes in our quality assurance objectives and systems. This is evidenced by the appointment of partners responsible for independence, risk management and audit quality who report to a regional or country Territory Senior Partner and/or Assurance Leader. These partners are individuals of experience and stature who consult and if necessary instruct client service partners on risk and quality matters.

Ethical requirements

Integrity and objectivity

We take pride in the fact that our services add value by helping to improve transparency, trust and consistency of business processes. In order to succeed, we must grow and develop, both as individuals and business. Our core values of Excellence, Teamwork and Leadership help us to achieve this growth. We conduct our business within the framework of applicable professional standards, laws, and regulations together with PwC policies and standards. This objective incorporates, inter alia, full compliance with the IESBA (International Ethics Standards Board for Accountants) Code of Ethics for Professional Accountants. However, we also acknowledge that these standards, laws, and policies do not govern all types of behaviour. As a result, we also have a PwC Code of Conduct which is applicable and issued to all PwC people and firms. This Code is based on our values and takes them to the next level – demonstrating our values in action. The Code defines how we should behave and conduct business in a wide range of settings and situations. It also contains a “framework for ethical decision making” to assist partners and staff in deciding on the right course of action in addressing ethical dilemmas they can come across.

Partners and staff are expected to not only live by the Code values in their careers with PwC but to also help others at PwC do the same.

CEE has a fully integrated Ethics & Business Conduct network. Supervision over ethical matters in CEE is carried out by the regional Ethics and Business Conduct Leader. Each country has a local Ethics and Business Conduct Team responsible for promoting ethics locally. This includes, but is not limited to, communication and training to local country partners and staff.

Each PwC office has access to the detailed supplementary guidance to our Code of Conduct. This includes guidance on such matters as the receipt of gifts from clients, close personal relationships and how staff should proceed if they become aware of an unethical behaviour by any partner or employee.

CEE has a region-wide tool accessible to all partners and staff to enable the sending of anonymous queries to a selected Ethics & Business Conduct Team. Individuals from outside of PwC, including our clients' personnel, can submit a query, including in an anonymous manner, by using a global PwC communications tool available from <http://pwc.com>. When potential non-compliance with our Code of Conduct is reported or otherwise suspected, steps are taken to investigate, and where appropriate, remedy the situation. Partners and staff are encouraged to report and express their concerns in a fair, honest and respectful manner. PwC is committed to protecting individuals against retaliation.

Partners and staff at PwC are responsible for addressing issues that are brought to their attention. The CEE Complaints and Allegations Policy sets the protocols for investigating the issues reported. All amendments needed to the firm's systems or policies, identified during the course of an ethical investigation are addressed.

IESBA [Code of Ethics](#) and PricewaterhouseCoopers standards are supplemented with the Ethical Rules of the Georgian Federation of Professional Accountants and Auditors (GFPA).

Independence

PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch has adopted the PwC Global Independence Policy, complemented where necessary by more restrictive local professional and regulatory rules. The PwC Global Independence Policy is based upon and is consistent with the IESBA Code of Ethics for Professional Accountants. PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch strictly monitors compliance with regulatory, professional, and PwC independence requirements related to financial interests, scope of service matters, fee arrangements and business relationships with third parties.

The PwC Global Independence Policy is being amended to capture and reflect on changes to the independence rules pursuant to the implementation of the EU audit legislation (The Directive and The Regulation).

Further information on the procedures we enforce to maintain our independence is set out in the “Independence Practices of PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch” section of this report.

Independence-related tools

As a member of the PwC Network, the firm has access to a number of tools which support PwC firms and their personnel in executing and complying with our independence policies and procedures. These include:

- The Central Entity Service (‘CES’), which contains information about corporate entities including public interest audit clients and SEC restricted clients and their related securities. CES assists in determining the independence status of clients of the firm before entering into a new non-audit engagement or business relationship. This system drives the ‘Independence List’ and also feeds Independence Checkpoint;
- ‘Independence Checkpoint’ which facilitates the pre-clearance of publicly traded securities by all partners, directors and practise managers before acquisition and records their subsequent purchases and disposals. Where a PwC firm wins a new audit client, this system automatically informs those holding securities in that client of the requirement to sell the security where required;

- Authorisation for Services (‘AFS’) which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, documenting the potential independence threats of the service and proposed safeguards, and acts as a record of the audit partner’s conclusion on the acceptability of the service; and
- Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations (e.g. those set by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory).

Independence training and confirmations

PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch provides all partners and staff with annual or on-going training in independence matters. Also Partners and staff receive computer-based training on PwC independence policy and related topics. Additionally, face-to-face training is delivered to members of the practice on an as-needed basis by PwC Central Asia & Caucasus B.V. Georgia Branch’s independence specialists and risk and quality teams.

All partners and practise staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with all aspects of the firm’s independence policy, including their own personal independence. In addition, all partners confirm that all non-audit services and business relationships for which they are responsible comply with policy and that the required processes have been followed in accepting these engagements and relationships.

Independence monitoring and disciplinary policy

PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch is responsible for monitoring the effectiveness of its quality control system in managing compliance with independence requirements. In addition to the confirmations described above, as part of this monitoring, we perform:

- Compliance testing of independence controls and processes;
- Personal independence compliance testing of a random selection of, at a minimum, partners and managers as a means of monitoring compliance with independence policies; and
- An annual assessment of the firm's adherence with the PwC Network's independence risk management standard.

The results of **PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch**'s monitoring and testing are reported to the firm's management on a regular basis with a summary reported to them on an annual basis.

The firm has disciplinary policies and mechanisms in place that promote compliance with independence policies and processes, and that require any breaches of independence requirements to be reported and addressed.

This would include discussion with the client's audit committee regarding the nature of the breach, an evaluation of the impact of the breach on the independence of the firm and the need for safeguards to maintain objectivity. Although most breaches are minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. The investigations of any identified breaches of independence policies also serve to identify the need for improvements in **PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch**'s systems and processes and for additional guidance and training.

Acceptance & and continuance process

Considerations in accepting and continuing an audit client relationship

Our principles for determining whether to accept a new client or continue serving an existing client are fundamental to delivering quality which we believe goes hand-in-hand with our purpose to build trust in society.

We have established policies and procedures for the acceptance of client relationships and audit engagements that consider whether we are competent to perform the engagement and have the necessary capabilities including time and resources can comply with relevant ethical requirements, including independence, and have appropriately considered the integrity of the client. We reassess these considerations in determining whether we should continue with the client engagement and have in place policies and procedures related to withdrawing from an engagement or a client relationship when necessary.

Client and Engagement Acceptance and Continuance

PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch has implemented a process to identify acceptable clients based on the PwC Network's proprietary decision support systems for audit client acceptance and retention (called Acceptance and Continuance ("A&C")).

The system involves a determination by the engagement team, business management, industry experts and risk management professionals of whether the risks related to an existing client or a potential client are manageable, and whether or not we should be associated with the particular company, its management and shareholders. Among the issues that we consider during the course of the A&C process are:

- The reputation of the company and its management
- The effectiveness of its Board
- The background and experience of the company's financial reporting personnel
- Any incentives or inclinations for management to manipulate reported results
- Any significant transactions structured to achieve revenue recognition
- Any unusually aggressive or creative accounting
- Any transactions which are complex, unusual or difficult to evaluate
- Any estimates that involve uncertainty or subjective judgments
- Any transactions with related parties that are not part of the consolidated group
- Any indications that the company might be in financial difficulty
- The expertise necessary to carry out a particular engagement

A&C is a powerful enabler, but the real backbone of our client acceptance and continuance process is the significant time invested by our risk management and other senior partners. As discussed more fully in the Engagement Performance section below, our risk management partners are senior partners with stature and independence who provide key input into the decision to accept or continue a client relationship.

Upon acceptance or retention of the client, the results of these assessments are incorporated into our audit process, impacting for example the scope of work and assignment of resources. We decline to propose, accept, or retain work when the risks are considered not to be manageable, when the company will not agree on the scope of the work required or the fee arrangement is otherwise unacceptable.

Learning and education

We, and the other PwC firms in the Network are committed to delivering quality audits around the world. To maximise consistency in the Network, a formal curriculum developed at the Network level provides access to courses covering the PwC audit approach and tools, updates on auditing standards and their implications, and areas of audit risk and engagement quality.

This formal learning is delivered using blended learning, which includes remote access and classroom learning. This learning supports our focus on audit quality and provides our practitioners with the opportunity to sharpen their professional judgement, scepticism, technical and professional skills.

Our Learning & Education leader then considers what additional training is appropriate – formal and/or informal – to address specific local needs in the way of videos, workshops and forums for staff to share their experiences.

This training is then supplemented with learning from others, whether by receiving and discussing feedback, or by shadowing, observing and/or working with others in order to support them on the job.

Soft Skills training are also arranged on annual basis.

Human Resources

Hiring: We maintain stringent hiring standards for both entry-level and experienced recruits, which include assessment not only of each individual's academic and work records, but also interviews, background checks, and references. We also assess the quality of those people we hire from colleges and universities, ensuring that we focus our recruiting efforts on those institutions that have a track record of graduating high-quality people who do well in our profession.

Professional Development: Training is an on-going process. Training starts when a person is hired and continues throughout his or her career. Our people participate in a variety of regional and local formal training courses and are also trained continuously on the job. Both the broad core competencies in accounting, auditing, ethics and independence and the specialized areas in which they work (a specific industry) are addressed. Our partners also receive continuous training, development and education, and they are an integral part of the on-the-job training of our staff. A key partner responsibility is to work with staff members; coaching, reviewing, training, sharing experience and setting an example for the professionals on their teams.

The Firm has established an environment in which our people are personally responsible for their own development over the course of their careers and, to that end, we have developed broad course offerings and tools to help our people tailor a personalized training curriculum to match their roles and responsibilities with the unique aspects of the clients they serve. In addition to attendance at self-elected training, partners and staff are required to participate in mandatory courses which the firm considers to be fundamental to their ability to perform their jobs within the appropriate technical and ethical frameworks. The Firm also ensures compliance with professional standards on the periodic amount and type of continuing professional education required. Our learning and education programs are continually updated to ensure that they provide our people with the development, skills and experiences they need as client service professionals.

Supervision and direction: Each engagement leader is responsible, in consultation with others as necessary, for ensuring that partners and staff assigned to the engagement have the professional competence and experience required in the circumstances. Further, on the engagement they are ultimately responsible for determining the extent of direction, supervision and review of the work of more junior staff to whom work is delegated.

Advancement: Partner and staff performance is evaluated annually through a review process that includes peers, subordinates and superiors. Partners and client service staff are recognized and rewarded for performing as good, well-rounded accountants and auditors. Our performance evaluation and compensation processes have been aligned to address the rules prohibiting a partner from being compensated or evaluated on the basis of their success in selling non-assurance services to their own audit clients. We also encourage, recognize and reward teamwork. Staff are provided with formal performance feedback for each project where they spend 80 or more hours. All staff are formally evaluated at least annually with input from partners and superiors with whom they have worked on an engagement. Additionally, our audit methodology provides built-in opportunities for informal feedback and coaching throughout an engagement. Our methodology is designed to ensure both a quality work product and the continued development of our people. All of this leads into an annual assessment of how well each of our people has performed relative to our values, the goals each has set for the year and their peers. Our staff move up in their careers only when they are ready for the next level of responsibility.

Engagement Performance

Consistent Global Audit Methodology: All PwC firms use an audit methodology and process for all audit engagements to ensure uniformity and consistency in approach. The methodology is enhanced as necessary to respond to the changing environment. All partners and staff receive on-going training in this methodology.

Our methodology is sufficiently flexible to allow the incorporation of any additional procedures which may be required by local regulations.

PwC Audit

As a member of the PwC Network, PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch has access to and uses PwC Audit, a common audit methodology and process. This methodology is based on the International Standards on Auditing (ISAs), with additional PwC policy and guidance provided where appropriate. PwC Audit policies and procedures are designed to facilitate audits conducted in compliance with all ISA requirements that are relevant to each individual audit engagement. Our common audit methodology provides the framework to enable PwC member firms to consistently comply in all respects with applicable professional standards, regulations and legal requirements.

The PwC Audit Guide explains PwC's methodology. The Guide along with PwC's technology-based audit support tools, templates and content support engagement teams in conducting assurance and related services engagements.

Aura

As a member of the PwC Network, PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch has access to and uses Aura, which is the application that powers PwC's audits and supports its Assurance practices. It provides engagement teams with an application that integrates a broad range of capabilities, including built-in tools to promote audit quality, consistency and ease of documentation. Aura also integrates with a variety of other tools and applications, creating one work space for client work. Our audit work is planned, executed and documented using Aura which supports teams in applying our methodology effectively, by creating a transparent linkage between risks identified and the work done to address those risks, as well as providing comprehensive project management capabilities.



Developed technology

We continue to invest in audit technology that builds quality into the audit and enhances our ability to provide insights to our clients. Our technology is built and implemented globally ensuring consistency across the PwC Network. These new tools that enhance audit quality and efficiency through automation, connectivity and mobility include:

- *Aura Now* is an online, multi-engagement dashboard tool that allows teams to monitor progress towards completion and other key information across their portfolio of Aura engagement databases. It visualises the progress of an engagement, which enables our people to prioritise their efforts. It also provides information regarding readiness for file archiving to assist in preparing for and timing of archiving the audit file.
- *Count* is an electronic portal that allows our teams to create instructions for our teams to execute and document all aspects of an inventory count observation electronically. It was built by PwC in response to feedback from teams that using a mobile device would improve the quality and execution of inventory counts.
- *Connect* is our collaborative workflow tool, providing fast, efficient and secure information sharing at every stage of the audit. It monitors the status of requests and information between our clients and the engagement team on a real time basis. Connect provides visibility for both our clients and us to be able check progress on the go, anytime, anywhere.
- *Halo* is our new data auditing suite of tools allowing us to identify and assess risks and determine where to focus audit efforts. The analytical and visualisation capabilities allow us to analyse patterns and trends, identifying unusual and high-risk transactions, and providing invaluable insight to both ourselves and our clients. Halo comprises of three key components – acquisition of client data, transformation of data and applications for automated testing and analysis of data, for example, Halo for Journals allows engagement teams to gather all journal entries and utilise built-in functionality to apply engagement-specific criteria designed to focus testing on higher risk entries.

Consistent Global Audit Methodology: All PwC firms use an audit methodology and process for all audit engagements to ensure uniformity and consistency in approach. The methodology is enhanced as necessary to respond to the changing environment. All partners and staff receive on-going training in this methodology.

Our methodology is sufficiently flexible to allow the incorporation of any additional procedures which may be required by local regulations.

Comprehensive Policies and Procedures:

We have comprehensive policies and procedures governing our accounting and auditing practice that are constantly updated to reflect new professional developments and our local operating environment, and to address emerging issues, as well as the needs and concerns of the practice. These policies cover not only professional and regulatory standards, but also reflect the guidance that we provide to our professionals about how best to implement them. They are available in electronic files and databases, are regularly updated or supplemented for all current developments and are accessible to our people remotely at any time.

Engagement-Specific Quality Controls:

There are a number of other quality control procedures that are performed specifically with respect to a particular engagement. For example, on all of our publicly listed clients and a wide range of certain other high profile or higher risk clients, we appoint an independent quality review partner (“QRP”) who discusses all significant issues with the engagement partner and who is responsible for independently assessing the audit plan, its execution, the resolution of significant issues, the financial statements and disclosures and the appropriateness of the Firm's report. Specific criteria are set forth in PwC's policies to ensure that the assigned QRP has the appropriate level of experience and industry expertise to perform that role.

Our policies require consultations with firm-wide technical experts and industry specialists for specified transactions and circumstances that may involve the application of significant judgment. Our "consultative culture", which is discussed further below, means that our engagement teams regularly have consultations with such experts and others beyond those that are formally required. Engagement partners and QRPs on each public interest entity audit client are rotated to address any potential familiarity issues without sacrificing institutional knowledge about the client.

Furthermore, the PwC Global Audit Methodology is built on the principle that work performed by each member of the engagement team is reviewed by another member of the team, of at least equal competence to consider whether the work has been performed as intended, competently, and to ensure that the correct conclusions have been drawn.

Accounting and Auditing Resources:

Consultation is a key element of quality control in our Firm. Our Accounting Technical group is staffed by partner(s) and staff who are experts in accounting and auditing. If an engagement partner disagrees with the advice provided by our technical experts, we have a formal process for continuing the discussion within our chain-of-command until the matter is resolved with due regard for the view of such technical experts.

With the wider introduction of International Financial Reporting Standards as adopted by the EU (IFRS) we have set up a system to ensure that our clients' financial statements are evaluated by our audit teams in a way that is consistent and in accordance with the full intent of the Standards.

The key element of the system is the review work carried out independently by our regional Accounting Consulting Services team ("ACS") which is geographically located throughout CEE/CIS. Depending on the complexity and risk associated with particular industry sectors, client size and listed/non-listed status, ACS will carry out a review of clients' IFRS statements. The financial statements of listed financial services clients for example will be regularly reviewed by a specialist team with a final review being carried out by one of our ACS partners. All IFRS financial statements that are used in the capital market transactions would also be subject to a mandatory review. Other IFRS accounts are reviewed on rotational / sample basis. During the review the audit team will be required to explain the justifications for the IFRS treatments and disclosures in the financial statement and discuss with the client and its governing bodies instances where treatments and disclosures are assessed by the ACS team as being non-compliant with the standards. In addition, audit teams are required to formally consult with an ACS consultant and ACS partner on a number of defined accounting matters that are assessed as higher risk for misapplication by clients.

Risk and Quality Function: Our Firm's risk management, consulting and policy resources are a central function, comprising both full and part time personnel, internally referred to as Risk and Quality ("R&Q"). The R&Q includes the following key functions: Risk Management, Independence, Accounting Consulting Services, Regulatory, Audit Services, Learning and Development, Ethics and Business Conduct, Quality Monitoring. Each function is led by a partner assisted by other experienced personnel. These partners are also assisted by other partners from other larger PwC practices when the need arises.

The Risk management function use, promotes and applies the global PwC risk management policies, guidance and procedures approved within PwC global network, which are enhanced and tailored to local needs. A key responsibility of the risk management partners is to be an integral part of the client acceptance and retention process, responsible for assessing risk on both a qualitative and quantitative basis. In addition, risk management partners are required to be integrally involved with engagement teams, where necessary, for consultations on issues and judgments, such as going concern considerations.

We have developed formal protocols setting out the circumstances under which engagement teams must consult with the R&Q function. This group of independent and experienced partners is focused on quality, prompting changes to policy and procedures when and as appropriate.

Monitoring of Assurance quality

We recognize that quality in the Assurance services we deliver to clients is key to maintaining the confidence of investors and other stakeholders in the integrity of our work. It is a key element to our Assurance strategy.

Responsibility for appropriate quality management lies with the Leadership of **PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia Branch** ("our firm"). This includes effective monitoring processes aimed at evaluating whether the policies and procedures which constitute our Quality Management System are designed appropriately and operating effectively to provide reasonable assurance that our audit engagements are performed in compliance with laws, regulations and professional standards.

Our firm's monitoring program is based on the PwC Network's Global Assurance Quality Review (GAQR) Program.

This program which is based on professional standards relating to quality control including ISQC1, contains policies, procedures, tools and guidance which are used by PwC Network firms. The GAQR program is coordinated by a central team which consists of a GAQR Leader with a group of International Team Leaders (ITL) who are senior partners seconded to the GAQR central team by PwC member firms. Provision of oversight by the ITLs and their continuous involvement and support enable a consistent and effective performance of reviews across the PwC network.

Our firm's monitoring procedures include an ongoing assessment of the design and effectiveness of our quality management system, as well as a review of completed engagements (Engagement Compliance Reviews - ECR). The results of these procedures form the basis for the continuous improvement of our quality management system.

ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our firm who are authorized to sign audit or non-audit assurance reports. The review assesses whether an engagement was performed in compliance with PwC Audit guidance, applicable professional standards and other engagement related policies and procedures. Each signer is reviewed at least once every three years.

Reviews are led by experienced Assurance partners, supported by independent teams of partners, directors, and senior managers and other specialists. Review teams receive training to support them in fulfilling their responsibilities, and utilize a range of GAQR-approved checklists and tools when conducting their review procedures.

The results of the quality reviews are reported to our firm's leadership who are responsible for analysing the findings and implementing remedial actions as necessary.

In situations where adverse quality issues on engagements are identified, based on the nature and circumstances of the issues, the responsible partner or our firm's Assurance leadership personnel may be subject to [additional mentoring, training or sanctions] in accordance with our firm's accountability framework.

Partners and employees of our firm are informed about the review results and the actions taken to enable them to draw the necessary conclusions for the performance of engagements. In addition, the GAQR Leader informs engagement partners of our firm who are responsible for group audits involving cross-border work about relevant quality review findings in other PwC firms which enables our partners to consider these findings in planning and performing their audit work.

We have a formal pre- and post-issuance quality-monitoring program, which is run as part of a PwC global program. This comprehensive programme consists of Engagement Compliance Reviews ("ECR's") and Quality Management Reviews ("QMR's") and also Audit Quality Assessment ("AQA") comprising hot and cold reviews. The program includes inspection of a partner's and other non-partner's with delegated signing rights work and all aspects of our quality control system to ensure that our quality controls are functioning properly and to provide reasonable assurance that we comply with all applicable professional standards and our own Firm policies and procedures. This program is managed and supervised by R&Q.

Engagement reviews are conducted by experienced partners and senior managers with appropriate industry experience who are not connected either with the office that performs the audit or the audit itself. Members of each review team receive the necessary training and guidance to perform their role. Each partner must be reviewed at least once in five years and twice in six years for higher profile clients. More timely reviews are performed when there is a possibility of increased risk. Our inspection process also involves periodic testing of the effectiveness of our quality management system in all ISQC1 functional areas. Annual testing of compliance of the Firm's policies and procedures in each of the component areas of ISQC1, covering the regional and territory (on rotation basis) controls and monitoring procedures is in place.

Quality monitoring is an integral part of our continuous improvement program. We constantly evaluate inputs from formal programs such as this and a variety of informal sources in an on-going effort to improve our policies, procedures and the consistency of the quality of our work. The findings resulting from quality reviews are communicated to partners and staff via newsletters and webcasts. Every instance of failure to meet performance standards is treated seriously - the partner responsible is counselled to improve performance and the work of the partner is reviewed in the following year. Poor technical, risk management, independence or ethical performance would result in a negative adjustment to the partner's compensation; in some cases the partner is no longer permitted to sign audit opinions in the Firms' name and in serious cases the partner is requested to leave the Firm. Quality Improvement Plans needs to be prepared based on results of any of the quality reviews.

Management's Statement on the effectiveness of internal quality control system functioning

The Management Board of PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch believes that the quality control environment described above is in compliance with all applicable regulations and that it provides a reasonable basis for believing that statutory audits carried by PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch consistently meet the required quality standards.

Root cause analysis

We perform analyses to identify potential factors contributing to our firm's audit quality so that we can take actions to continuously improve. One of our primary objectives when conducting such analyses is to identify how our firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at audits both with and without deficiencies—whether identified through our own internal inspections process or through external inspections—to help identify possible distinctions and learning opportunities.

For individual audits, a team of reviewers that is independent from the engagement team identifies potential factors contributing to the quality of the audit. We consider factors relevant to technical knowledge, supervision and review, professional scepticism, engagement resources, and training, among others. Potential causal factors are identified by evaluating engagement information, performing interviews, and reviewing audit working papers, as appropriate to understand the factors that may have contributed to audit quality (the “why of the why”).

In addition, the data compiled for audits both with and without deficiencies is compared and contrasted to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours incurred on the audit, whether key engagement team members are in the same geography as the client, the number of years that key engagement team members have been on the engagement, the number of other audits that engagement partners are involved in, whether the engagement was subject to a pre-issuance review, and the timing of when the audit work was performed.

Our goal is to understand how quality audits may differ from those with deficiencies, and to use these learnings to continuously improve all of our audits. We evaluate the results of these analyses to identify enhancements that may be useful to implement across the practice. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.

Last Quality Assurance Review

As per Georgian legislation PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch is not subject of any external quality assurance reviews.

Though per PricewaterhouseCoopers global quality and risk management standards, the internal PwC quality Assurance reviews are conducted on an annual basis.



Independence Processes at PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch

Independence, Integrity and Objectivity

The Regional Independence Leader with the support of the country Partners Responsible for Independence monitor compliance with strict regulatory, professional, and PwC independence requirements related to financial interests in, services to and business relationships with assurance clients (audit and non-audit assurance clients). The Firm has implemented an independence compliance program monitoring system and controls with the following key elements:

1. Written independence policies and procedures
2. An automated financial interest tracking system and global restricted entity list
3. On-going independence training
4. Self-assessment/confirmation process that is done by all partners and staff on annual basis
5. Internal monitoring of our system of independence and the related controls including annual testing of partner and directors independence
6. Responsibility for independence and our system and controls vested in senior management
7. An appropriate "tone at the top" and culture relating to independence
8. Prompt reporting of personnel employment negotiations with clients
9. Reporting by personnel of perceived and real independence violations
10. Disciplinary policies and processes
11. Controls over joint business relationships, non-audit relationships with audit clients and fee arrangements.

This program requires that partners and staff examine and document any concerns over the firm's independence either in relation to the acceptance of a new client or a particular engagement. Before any non-assurance engagement is accepted for an audit client, an enquiry is made with the respective audit partner as to the permissibility of providing such services to that client. The assignment can only be accepted once the respective audit partner confirms that the proposed engagement is consistent with the applicable independence requirements.

An important aspect of our independence culture is the central support provided to partners and staff in respect of independence relating to personal matters, non-audit services, fee arrangements or other types of relationships.

Should a client not accept clear accounting guidance, audit results on material issues or behave in an unethical manner, the firm will support the engagement partner in making the appropriate reporting decision even if that may result in disengaging from or not accepting an assignment.

Management's statement concerning independence practices

The Management Board of **PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch** declares that the procedures for ensuring independence are consistent with applicable regulations.

The last internal independence review was carried out on a region-wide basis on PricewaterhouseCoopers CEE and took place in January - February 2016.

Continuing Education of Statutory Auditors

The Management Board of **PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch** declares that, as referred to in the section above on audit quality, our Statutory Auditors are fully involved in the firm's continuing education programme. In addition to participation in on-going internally designed training our statutory auditors are required to take part in the annual obligatory training organised by Georgian Federation of Professional Accountants and Auditors (GFPAA) which covers IFRS, ISA (International Standards on Auditing) and tax legislation updates and lasts for 5 days.

Financial information for the year ended 30 June 2016

(unaudited)	ooo' GEL
Statutory Audit	3,602
Other Assurance Services	2,776
Tax Advisory Services	2,890
Other non-audit services	61
Total Turnover in Georgian Lari	9,329

Public Interest Entities Audited for Statutory Purposes by PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch in the Financial Year Ended 30 June 2016

- **JSC TBC Bank** - transferable securities listed on the Main Market of the London Stock Exchange.

Non listed PIEs

- **JSC Basis Bank**

Basis for Partners Remuneration

Partners are remunerated out of the profits of the firm and are personally responsible for funding pensions and other benefits such as medical care. The partner evaluation and compensation process is fully compliant with independence ramifications of the IESBA Code of Ethics for Professional Accountants which disallow a partner to be assessed or rewarded for selling non-assurance services to own audit clients. A partner's remuneration is allocated by the Regional Management Board after evaluating each partner's contribution to the firm during the year and following the completion of the annual audits for the national firms. The allocations made by the Management Board are reviewed and approved by the Partner Council. Each partner's remuneration comprises of three interrelated profit dependent components:

Responsibility Income, reflecting the partner's sustained contribution and responsibilities;
Performance Income, reflecting how a partner and the teams he works with perform in a given year, and
Equity Unit income which represents a share in the profits after the allocation of the first two elements.

Equity units are allocated to partners on the basis of a matrix which primarily takes account of the partner's current role within the firm. Performance income is determined by assessing a partner's achievements against an individually tailored balanced scorecard of objectives based on the partner's role. These objectives include the realisation of the firm's audit quality standards and absolute adherence to our integrity and independence regulations.

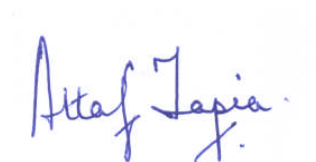
Basis for Statutory Auditors Remuneration

The remuneration of registered auditors, who are partners is described above. The remuneration of those registered auditors who are employees of PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch but not partners is based on an annual performance review process, which considers amongst other factors professional skills (technical, risk, independence and ethical), experience and management skills.



Declaration

To the best knowledge and belief of PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch, the information contained in this report is correct and is compliant with the requirements of article 40 of the European Union 43rd Directive on Statutory audits of annual accounts and consolidated accounts (the Audit Directive) as at the date of publication of this document.



Altaf Tapia

Country Managing Partner
PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch

27 September 2016

