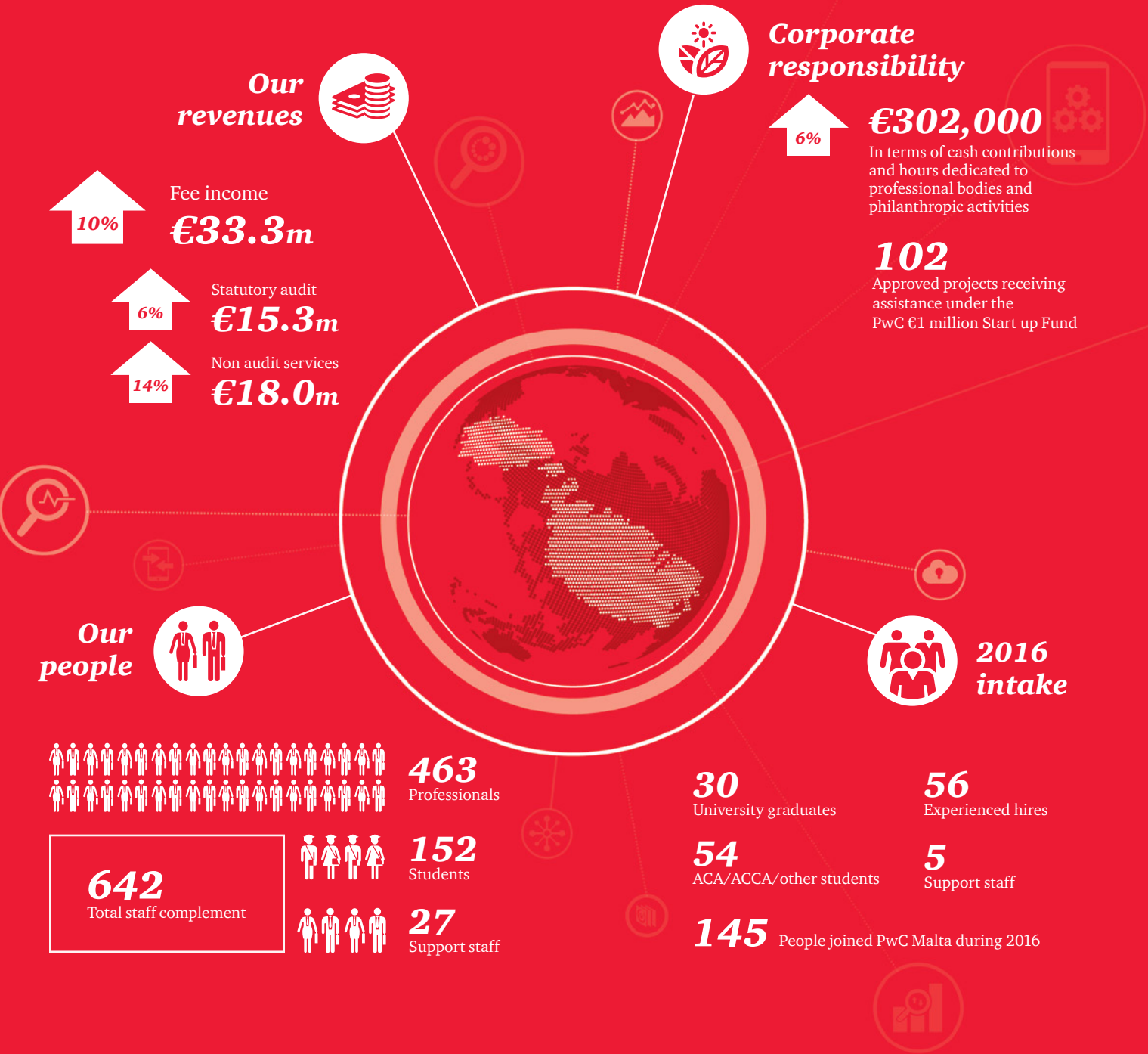


2016 Review Malta Firm

*Working together to build
trust in society and solve
important problems*

pwc

Highlights



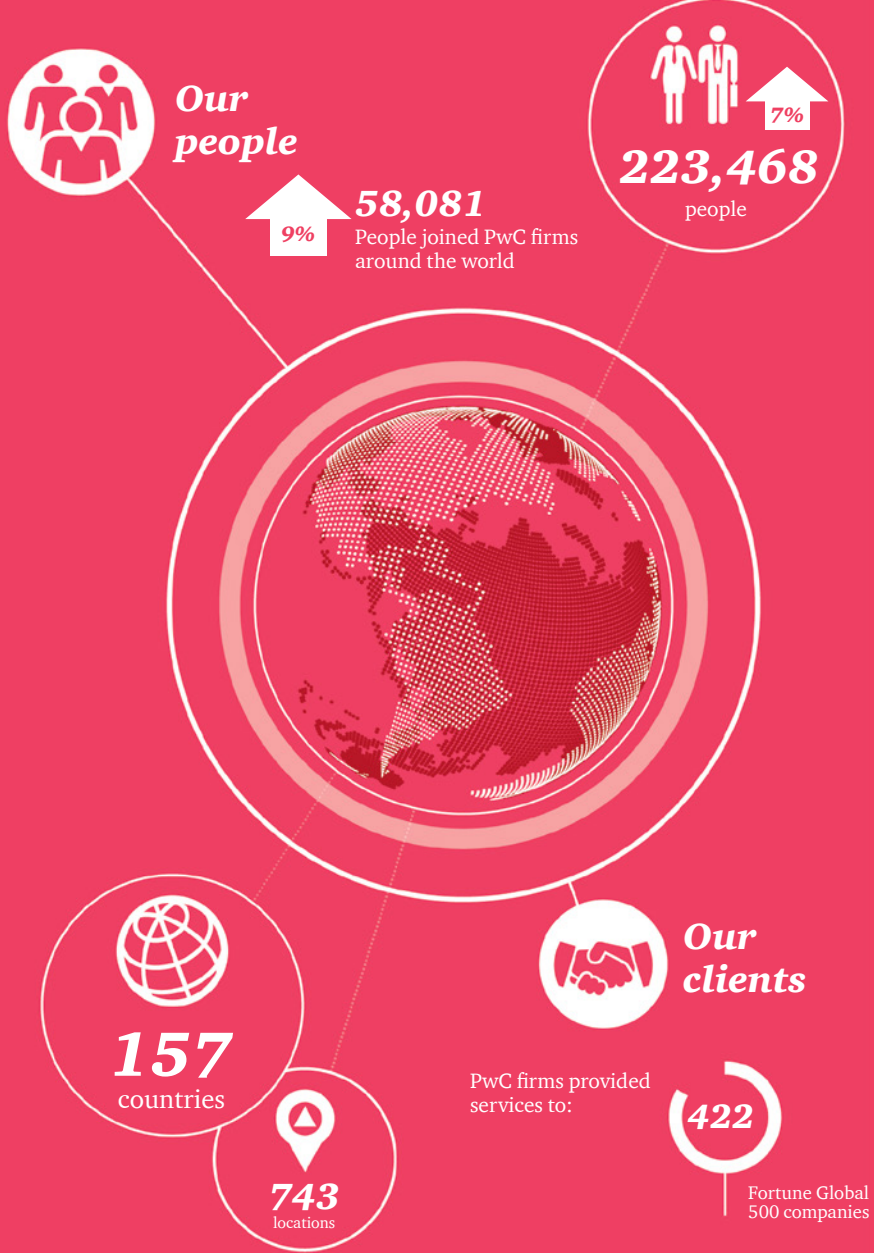
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At PwC Malta, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 223,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com/mt

Note to readers:
PwC refers to the Malta member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.
www.pwc.com/mt/annualreviewmalta

Global figures



Introduction



Kevin Valenzia
Territory Senior Partner

I am delighted to welcome you to our 2016 annual review, which also incorporates our transparency report for 2016 as required by the EU Statutory Audit Directive. Despite the many challenges being faced by the accounting profession, at PwC we are focused on helping our clients - and must never lose sight of that objective. We also have many other stakeholders, including our people, our regulators, the communities in which we live and work, and many others besides. We need to be trusted if we are to maintain our reputation as the market leading firm. Transparency, openness and honesty are at the heart of our engagement and interaction with all key stakeholders, who want to understand the work that we do, the value we generate and the contribution we make to society. Our reputation is based on quality and trust, and our core values are integrity, independence, professional ethics and competence. We expect our people to take personal responsibility for bringing these values to life so that we can rightly continue to claim to be high quality, trusted advisors.

Therefore our culture is built on acting ethically, responsibly and with integrity - doing the right thing. These principles provide the strong bedrock for other aspects of this culture - innovative thinking, entrepreneurial behaviour, responsiveness to client needs and demands, and an ability to solve complex problems. Building and embedding this culture is a major focus for us, and it underpins so much that is important: our reputation, our ability to deliver high quality work and our credibility.

2016 has been a year characterised by a changing political, economic and social landscape – both locally and globally, and we need to continue to ensure that we are doing the best for our clients and our people in these changing times. The kind of disruption that technology will create for all businesses, but particularly for professional services, is really interesting and our job is to ensure that we are seen as a technology enabled business. Both in terms of how we deliver and serve our clients, but also in terms of the new products we can create. We need to be agile, we need

to react to the market place and to its needs, to react to technology, and of course to the needs of our people.

“Transparency, openness and honesty are at the heart of our engagement with all key stakeholders”

Against this backdrop, we have seen a really strong performance in 2016 across all our lines of service, and this has resulted in growth in our revenues by 10% to €33.3 million, mainly derived from impressive growth in our client base, as well as an expansion in the range of services we offer. Of course, it has been a strong year for the Maltese economy as well, so our clients are also growing, and at the end of the day, a firm like ours is a reflection of the economy in which we operate. We will do our best to keep on helping our clients maximise the value that they add for all of their stakeholders.

I would like to thank all of our people for another year of tremendous effort. Our current position is based on the collective body of work of our partners,

and our teams of talented people spread across the firm, and we would not be able to achieve what we do without the commitment of so many of our people. Because of this, we have also continued to focus on inspiring and developing our people to be the best that they can be. We remain a major recruiter, and do not see that changing in the foreseeable future. We need high quality people, and we will continue to recruit and develop top talent. In addition, our ongoing commitment to being a progressive employer shows that we value difference at PwC. Different backgrounds, different cultures, different ways of working and different experiences – and we are focused on maintaining this. We are committed to equality in the workplace, and see diversity as a business imperative. It leads to better decisions and, by reflecting the society in which we operate, helps us to have better client discussions.

As a professional services firm, our environmental impact is small compared with many other industries. But our clients, our people and other stakeholders still expect us to minimise

our impact, and as a responsible business whose operations ultimately rely on natural resources, we want to do everything we can in this area as well.

Our goal is to remain the leading professional services firm in Malta, and this means that we must never get complacent or take anything for granted – especially our client base. We continue to work to ensure that never becomes the case.

As always, my sincere thanks goes to our clients, to our people, and to all who have contributed to make PwC Malta what it is today.



Kevin Valenzia
Territory Senior Partner

March 2017

Do you have any questions for Kevin?

✉ kevin.valenzia@mt.pwc.com
📧 @Kevin_Valenzia

|01

*Serving our
clients*

Assurance

In 2016 our Assurance practice grew by 6% to €15.3m – this, including statutory audit work carried out by our staff overseas. This accounts for 46% of the firm’s income for 2016. Assurance remains the largest activity carried out by the firm.

PwC Malta staff continue to benefit from opportunities to be part of statutory audits overseas. The experience gained by our people through these opportunities is clearly reflected in the quality of our work. Throughout 2016 we had staff participating on audits in cities such as Boston, Brussels, Chicago, Limassol, London, Luxembourg, Milan, Minneapolis, New York, Lisbon, San Francisco, Rome, Seattle, Southampton, and Zurich.

2016 also saw a significant inflow of new clients, both local and international, including for example HSBC Malta and the Corinthia Group.

Ensuring a high standard of quality control over statutory audit work remains a priority, one that is dealt with extensively in this report. It entails the consistent application of a single audit methodology used by all PwC auditors worldwide; backed by consistent

audit training, policies, and guidance applicable to all partners and staff.

As a member of the PwC Network, we have access to use PwC Audit, a common audit methodology and process. This methodology is based on 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.

Our methodology is driven by the IT based tools used in the conduct of statutory audits, centred around Aura. These tools, which are developed and continually enhanced by the PwC global network, are designed to ensure that our work is fully compliant with all relevant auditing standards; and to facilitate the execution, review and control of an audit.

Split of 2016 fee income



Our assurance procedures do not depend solely on the quality and experience of our staff, but we seek to bring to bear on each audit the know-how and experience of the PwC firm as a whole, placing a wealth of relevant material at the disposal of our staff. This allows a better understanding of trends, regulations and risks relevant to our client’s industry. It facilitates the planning of the audit, and the drafting of auditing procedures relevant to the client’s circumstances.

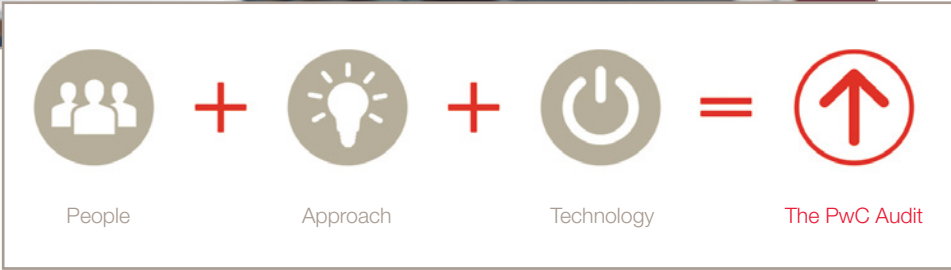
We recognize that quality in the Assurance services we deliver to clients is key to maintaining the confidence of investors and other stakeholders in the integrity of our work. It is a key element of our Assurance strategy.

Responsibility for appropriate quality management lies with the Leadership of 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 are operating effectively to provide reasonable assurance that our audit engagements are performed in compliance with laws, regulations and professional standards.

- 1. Client acceptance & independence
- 2. Deep business understanding
- 3. Relevant risks
- 4. Sophisticated scoping
- 5. Robust testing
- 6. Meaningful conclusions

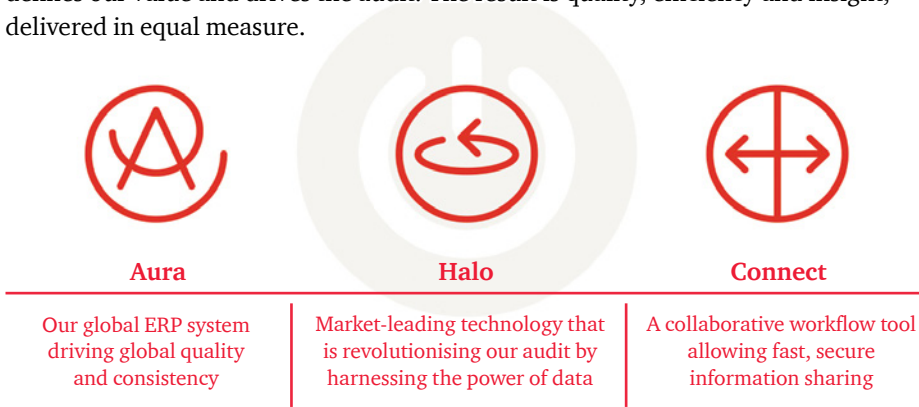
PwC’s audit is built on a foundation of People, Approach, and Technology. This, together with our six step audit process, results in an audit that is robust, insightful and relevant.





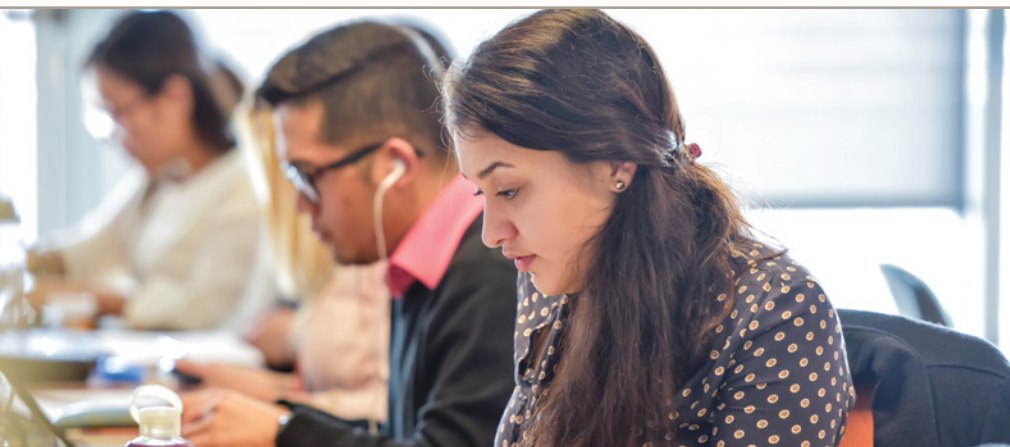
Technology bringing innovation to the audit

In 2016 the firm continued investing in the suite of tools that support the PwC Audit with three unique technologies — Aura, Halo and Connect. At PwC, we are driving audit innovation, with technology at its heart. The ability to merge market-leading technology with the skills of our people and a robust audit approach is now central to our global audit strategy and delivery. It is the fusion of these three elements that defines our value and drives the audit. The result is quality, efficiency and insight, delivered in equal measure.



Aura is a single instance software, ensuring that things are done one way, consistently and efficiently. This results in all of the elements of our audit fitting together seamlessly. Halo is the firm’s data auditing technology that has revolutionised our audits, enabling greater assurance and deeper insight by harnessing the power of data. It scans huge volumes of business-critical data, enabling improvised risk assessment, analysis and testing and unlocking insight. Connect is our collaborative workflow tool, providing fast, efficient and secure information sharing at every stage of the audit, monitoring the status of information flows on a real time basis.





Our tax practice provides a full range of services, acting as a one-stop shop for local and international businesses and individuals. We assist clients both in routine tax compliance work and in tax advice on a range of topics. As tax advisors, our role is to help our clients navigate through the complexity of the applicable rules and make informed decisions with respect to the tax risks they face.

With a total of 160 partners and staff, our tax services registered a growth in income of 15% in 2016, accounting for over one third of the billings of the firm.

Our specialised Indirect Tax team has increased its resources during the year and offers expert advice on all areas of Indirect Tax including VAT advisory services, VAT recovery, VAT disputes and compliance matters.

The service line also provides company administration services, ranging from the maintenance of company secretarial records to the maintenance of accounting records. Our tax professionals moreover play an

With a total of 160 partners and staff, our tax services registered a growth in income of 15% in 2016

important supporting role in the audit of tax provisions and related data reflected in statutory financial statements.

In recent years we've seen the profile and significance of tax rise dramatically across society as a whole, driven by several interrelated trends. For governments, the recent global economic downturn has seen public finances come under heavy pressure in many parts of the world. This fiscal squeeze has led tax authorities to focus on increasing tax compliance. Meanwhile, companies continue to manage their tax costs to be as efficient as possible while grappling with tax laws not designed for today's business activities.

The increased scrutiny of multinationals' international tax policies has led the Organisation for Economic Co-operation and Development (OECD) to tackle the issue of tax base erosion and profit shifting (BEPS). The OECD's Action Plan on BEPS began in 2013 with the aim of addressing perceived flaws in international tax rules, and proposals were published in 2015.

The EU Member States through the Economic and Financial Affairs Council (ECOFIN) reached political agreement on the Anti-Tax Avoidance Directive (ATAD) on 17 June. ATAD is part of the Anti-Tax Avoidance Package (ATAP) originally presented by the EU Commission on 28 January 2016. The agreement requires all Member States to enact laws that largely implement G20/OECD BEPS outcomes on interest limitations rules, hybrid mismatches and controlled foreign companies (CFCs) as well as additional measures on exit taxation and a general anti-abuse rule (GAAR). The directive's aim is to ensure consistent implementation of certain

anti-avoidance provisions (including some key OECD BEPS actions) across the EU Member States. In this sense, the directive could be seen as creating a 'level playing field' throughout the EU.

These initiatives pose circumstances of opportunities and challenges for Malta as a financial service center. The country's success in remaining an attractive location for investment depends on being able to navigate through the proposed changes and grasping opportunities presented by such initiatives.

We have taken a leading role, together with other tax professionals, in assisting Government and tax authorities to help ensure that Malta remains a competitive location for international business, operating in full compliance with applicable EU and other relevant legislation. The importance of the process to the country's economy, and the constant focus it requires from all involved, cannot be underestimated.

Source of total billings

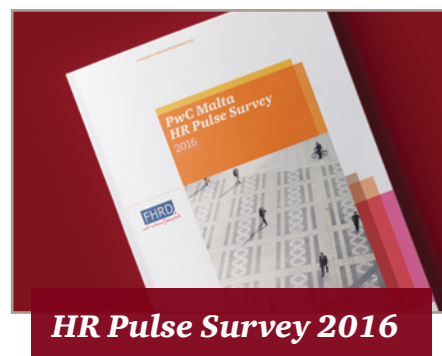


Advisory services income across the range of services provided by our Deals and Consulting teams increased by 12% in 2016. The practice's partner and staff complement dedicated exclusively to the delivery of these services as at 31 December 2016 totalled 72 people.

The last year was characterised by the very robust growth registered in the local economy given the significant strides made in several sectors, including financial services, online gaming, energy generation, health, education and infrastructure capacity building. This economic activity has led to demand for specialist implementation support and corporate finance services related to M&A and capital markets activity. The last year was increasingly characterised by founding owners of successful businesses seeking partial or full exit and business consolidations leading to demand for services across the Deals cycle, from assistance in areas such as preparedness for listing, to business valuation and due diligence services.

The Consulting practice was characterised by heightened demand

for specialist consulting services as technology continues to permeate all areas of operations. In this area, we continue to advise our diverse client base on how to leverage technology by digitalising their business processes, getting more out of their IT investment, improving performance using innovative solutions and harnessing data to optimise service offerings.



HR Pulse Survey 2016

This increased reliance on technology heightens the need for the continuous investment in cyber security to counter threats to systems and data integrity. Indeed, recent international events continue to highlight the need to safeguard business systems. National

governments, banks, financial services providers, online businesses, utilities and transport companies are increasingly targets for criminal activity. Local, smaller organisations that are equally dependent on their IT systems are also among the growing number of victims of cyber incidents.

In the Governance, Risk and Compliance space, we have been helping clients raise the quality of their internal functions and governance structures to align their efforts to key business drivers. With ever-increasing compliance obligations, regulated entities turned to PwC to streamline procedures and to close gaps to reduce risk. The team was also engaged in a number of forensic investigations and provided internal audit service to a growing number of clients.

In the last year, we have continued to invest in recruiting and developing specialists across the broad scope of services we provide to our clients. Our strength lies in our people, who in conjunction with subject matter experts in our audit, accounting and tax service lines, place us at the forefront when

called upon to address complex clients' issues against a backdrop of significant uncertainty in the wider geopolitical, monetary and fiscal landscape.



Financial Services Survey 2016

The Advisory practice has this year launched a number of initiatives for the benefit of the local business community, including the biannual Financial Services Survey – a joint initiative with FinanceMalta - addressing business confidence sentiment within the Banking, Insurance and Asset Management sectors.

In July, soon after the Brexit vote in the UK, we published a short note

on the projected impact of Brexit on the Maltese economy. We have since followed up this initiative with a detailed analysis presented to the Malta Business Network and sectoral position papers presented to our clients.

In the last year, we have also launched a number of initiatives in the Human Resources space, which is undoubtedly our country's principal resource. Consulting services relating to Organisation & Design and Performance Management and Rewards help our clients address the key challenge of seeking performance improvement so as to 'be able to do more with less'. In 2016, for the second year running, we carried out a national HR Pulse Survey jointly with the Foundation for Human Resources Development (FHRD). The survey results were presented to the FHRD members at their annual conference.

Another initiative carried out last year is the Malta Family Business Survey, structured within the biennial global sounding carried out by the PwC network. Given the importance of family



businesses to the local community, we carried out an extensive survey of local businesses interviewing some 80 participants. This provided us with a sharp analysis of local family issues - including challenges relating to articulating their growth strategy, embracing innovation, involving the next generation and succession planning – which we benchmarked extensively to peer businesses in Europe and beyond. This year's publication coincided with the annual PwC/BOV Business Forum, where the key findings and emerging trends were communicated to the delegates.

Independence considerations

Our client relationships are based on a mutual respect that recognises, inter alia, our reporting responsibilities; and the need to maintain our professional independence and objectivity.

A list of the public interest entities (PIE’s) currently audited by the firm is set out in the appendix to this publication. This list includes listed companies, banks and insurance companies, which are defined as PIE’s in terms of law, and for which additional independence requirements need to be met to safeguard the public interest.

The firm attaches importance to the maintenance of independence on audit engagements, and this requires care when providing non-audit services to audit clients. Certain services are deemed incompatible with an audit mandate, and are not provided to assurance clients. These include valuations that impact the statutory accounts that we are opining upon, book-keeping services to public interest entities and any assignments that

require us to take executive decisions – as against advising a client who is sufficiently familiar with the subject matter to make informed decisions independently of us.

In all cases, the final decision as to whether a non-audit service can be provided rests with the audit partner, who must also consider how any potential independence threats should be mitigated.

Further information on the safeguards applied by the firm on this topic is set out in the section ‘Committed to transparency’ of this annual report.

No one external client, audit or otherwise, accounted for more than 2.1% of the income of the firm during 2016

Source of tax and advisory billings



Developing tomorrow’s leaders

PwC’s Academy

During 2016, PwC’s Academy continued to extend the firm’s culture of life-long learning and to grow its footprint as a Higher Education Institution in Malta.

The Academy trained and developed an increasingly large number of professionals working within the public and private sector, in a number of disciplines. To achieve this, our seasoned trainers used a variety of learning methodologies including but not limited to: face-to-face classroom sessions, workshops, action learning groups, coaching and digital learning.

Apart from providing short sessions to support the CPE requirements of warrant holders, over the past year, PwC’s Academy has continued to expand its repertoire of training offerings to meet the needs of different industries in a number of areas related to accounting, audit, tax and finance, business and management, information technology and business skills. The Academy is now well established as a preferred learning partner for corporate clients through its bespoke training offerings and solutions.



Our Academy prides itself of a robust training curriculum which goes beyond finance related training sessions. As a Microsoft Learning Partner we offer IT development and IT infrastructure training programmes on Microsoft Platforms as well as other IT programmes offered on different platforms. The focus of the IT arm of our Academy during 2016, was extended to bring the Finance and IT aspects of business closer together through end user training. This will continue in 2017, through the focus that the Academy’s IT pillar will be setting on Cloud technology training, data analytics within different industries and sectors, CRM training programmes, IT security and cybercrime training.

The Academy’s kids STEM (Science, Technology, Engineering, Mathematics) programme which runs throughout the year has sustained its popularity with our younger learners. The programme is revisited on a regular basis to keep it dynamic and current with developments within STEM education. The latest of these improvements was achieved over the summer months when our Kids@PwC IT programme was extended to include engineering and science projects.

We will continue to invest in this area of our activities during the coming years to ensure that our training offering remains at the forefront of what is available locally.



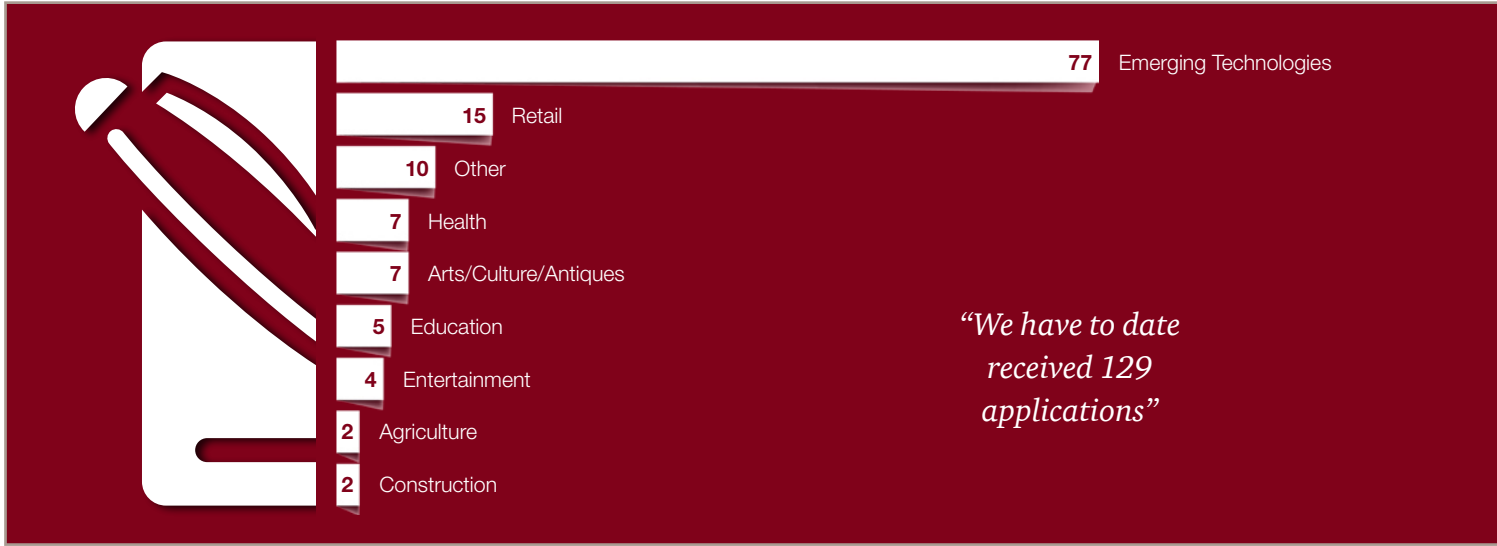
Promoting entrepreneurship and innovation



The PwC €1 million Start up Fund, launched in mid-June 2013 is now approaching its fourth anniversary. In 2016, the firm has renewed its commitment to dedicate €1 million worth of pro-bono services towards start-up businesses with an innovative business idea.

In this initiative, PwC Malta is collaborating with key local institutions, the University of Malta, the Times of Malta and Microsoft Malta.

The PwC €1 million Start up Fund is now approaching its fourth anniversary



We have to date received 129 applications. While these span across a number of industries, the majority are related to the ICT sector. Most applications are in the research & development phase or have been in operation for less than one year. The applications received are reviewed by a selection committee which meets on a regular basis. To date, 102 projects have been approved by the selection committee as deserving assistance and have been the recipients of pro-bono services from the firm on accounting, taxation and business administration.

One of the emerging tech start-ups in the program has successfully sold the business it developed over recent years to a leading global software intelligence solutions provider based in the United States. We assisted the founders in the negotiation process and in the close of sale.

We also actively support other initiatives in the start-up community such as providing mentoring to business incubators across Malta; participating at various events that promote entrepreneurship; provide judging at competitive events which promote entrepreneurial skills and creativity; and delivering training sessions to aspiring entrepreneurs.

|02



*Committed to
transparency*

The structure of our firm

Legal structure and ownership

PricewaterhouseCoopers (PwC) is a civil partnership governed by Maltese law. The firm is owned by a group of 21 members, commonly referred to as partners, all of whom are professionals active within the practice.

The firm is registered as an audit firm with the Accountancy Board in terms of the Accountancy Profession Act (the Act). Kevin Valenzia is the firm's Compliance Principal in terms of the Act.

The number of partners of the firm who are Certified Public Accountants holding a practicing certificate in auditing, and the percentage of voting rights in the firm held by such partners and directors, are materially in excess of the thresholds established in article 10.4 of the Act.

Governance and management structure

The governing body of the firm is the partner group, which meets at regular intervals to discuss strategy and to monitor the firm's progress.

The firm is organised in three service lines, namely Assurance, Tax (including Company Administration), and Advisory.

Service line issues are delegated to subsidiary boards comprised of all the partners in the respective service

line, together with the territory senior partner.

Dedicated boards are also devoted inter alia to managing human resources, business development, training, risk management and technology. These boards have a role across all lines of service.

This structure ensures that all partners are actively involved in the management of the firm, while certain partners carry specific executive roles, reporting to the partner group as a whole.



Bonavent Gauci, Steve Gingell and Stephen Mamo were admitted to the partnership and Nicolette Hills was appointed director, all on 1 July 2016

Our firm as part of a global network

We acknowledge the impact our business has on our stakeholders, the capital market and the community in which we live and work. It is also important to us and all our stakeholders that we build confidence in PwC by emphasising the principle of transparency

Network arrangements and network firms

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.

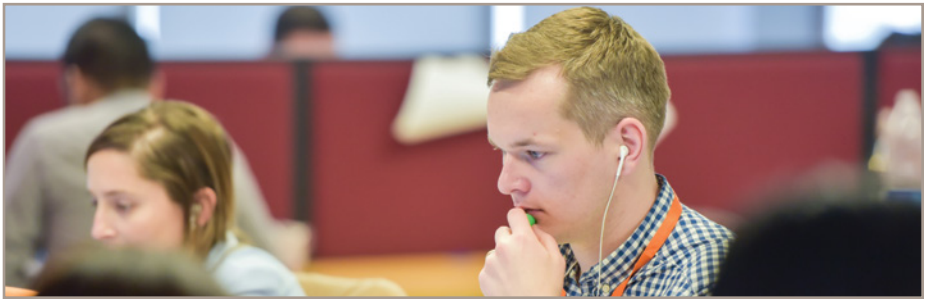
As members of the PwC network, PwC firms share knowledge, skills and resources. This membership facilitates PwC firms to work together to provide high-quality services on a global scale to international and local clients, while retaining the advantages of being local businesses – including being knowledgeable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

PricewaterhouseCoopers International Limited

PricewaterhouseCoopers International Limited (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, member firms are required to comply with common policies and the standards of the PwC network.



Quality in what we do

Standards and internal quality control systems

Every PwC firm is responsible for its own risk and quality performance and, where necessary, for driving improvements.

Each PwC firm is also exclusively responsible for the delivery of services to its clients.

To support transparency and consistency, each PwC firm's Territory Senior Partner signs an annual confirmation of compliance with certain standards. These cover a range of areas, including independence, ethics and business conduct, Assurance, Advisory and Tax risk management, governance, anti-bribery and data protection and privacy.

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

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

The way we do business

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



Sustainable culture

To promote continuing business success, PwC member firms nurture a culture that supports and encourages PwC people to behave appropriately and ethically, especially when they have to make tough decisions.

PwC people have ready access to a wide array of support networks within their respective firms – both formal and informal – and technical specialists to help them reach appropriate solutions.

Policies and processes

Each PwC firm has its own policies, based on the common standards and policies of the PwC network. PwC firms also have access to common methodologies, technologies and supporting materials for many services. These methodologies, technologies and content are designed to help a member firm's partners and staff perform their work more consistently, and support their compliance with the way PwC does business.

Quality reviews

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

In addition, the network monitors PwC member firms' compliance with network quality expectations and risk and quality standards and policies. This includes monitoring not only whether each PwC firm conducts an objective quality control review programme, but also considers a member firm's processes to identify and respond to significant risks.

In accordance with applicable regulatory requirements, each member firm may also be reviewed periodically by national and international regulators and/or professional bodies. In this respect, PwC Malta is subject to periodic review by the QA unit of the Accountancy Board, usually on a triannual basis. The most recent QAU review of the firm was carried out in 2014.

For Assurance work, the quality review programme is based on relevant professional standards relating to quality controls including International Standard on Quality Control 1: 'Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements' ('ISQC1').

The overriding objective of the assurance quality review programme is to assess for each relevant PwC member firm that:

- quality management systems are appropriately designed, are operating effectively and comply with applicable network standards and policies,
- engagements selected for review were performed in compliance with applicable professional standards and PwC Audit requirements, and
- significant risks are identified and managed appropriately.

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

Managing independence

As auditors of financial statements and providers of other types of professional services, PwC firms and their partners and staff are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour.

In relation to assurance clients, independence underpins these requirements. Compliance with these principles is fundamental to serving the capital markets and our clients.

PwC has implemented policies and processes based on ISQC1, issued by the International Accounting and Auditing Standards Board, the Code of Ethics for professional accountants issued by the International Ethics Standards Board for Accountants (IESBA), and, where applicable, the rules and standards issued by relevant regulatory authorities. PwC has also taken measures to implement the provisions of the new EU audit legislation that

became effective for financial statement periods starting on or after 17 June 2016. The EU legislation applies directly to the statutory audit of the annual financial statements of EU Public Interest Entities (PIEs) and includes a number of provisions relating to the auditor's independence. The policies and processes implemented by PwC are designed to help the firm comply with relevant professional and regulatory standards of independence that apply to the provision of assurance services. Where local standards go beyond the international requirements, compliance with those standards is also required.

Each PwC firm has a designated partner with appropriate seniority and standing, typically supported by other specialists, who is responsible for managing the independence process and providing support to the business. The designated partner in Malta is Lucienne Pace Ross.



Kevin Valenzia
The PwC Annual Conference 2016

Independence requirements

PwC maintains a system identifying entities which are subject to independence requirements for PwC firms and their partners and practice staff. This drives many of our controls and processes and assists in determining the independence status of entities before a PwC firm enters into a new non-audit engagement or business relationship.

Firm and personal relationships

Independence policies apply to the interests and relationships of each PwC firm and to partners, as well as to practice staff involved in providing services to an assurance client or its related entities.

The independence requirements are set out in the PwC Independence policy. Key controls include:

- Monitoring of investments
- Annual independence compliance confirmation – every partner and practice staff member is required to complete an annual confirmation of their compliance with all aspects of the independence policy, including personal independence
- Personal independence compliance testing – all PwC firms undertake personal independence compliance testing as a means of monitoring compliance with personal independence policies
- Approval of joint business relationships – before a PwC firm enters into a new joint business relationship, it must be evaluated for compliance with the PwC Independence policy and applicable external independence requirements. All PwC firms are required to implement a policy regarding the periodic review of such joint business or financial relationships to ensure their ongoing permissibility.



Managing independence

Controls over non-audit services

All PwC firms are required to use a network system to obtain authorisation from the group audit engagement partner regarding the provision of non-audit services to entities that are subject to independence restrictions, as included on the PwC Independence List, or to a related entity thereof.

To assist this process and promote understanding of the independence requirements that apply, PwC has developed a comprehensive set of policy and guidance documents which provide implementation guidance on the application of the policy to the provision of non-audit services to audit clients.

These statements are based on the provisions in the 'IESBA Code of Ethics' and the new EU audit legislation, which form the basis for the PwC Independence policy, but also address the requirements of relevant regulatory authorities.

Consultation and training

Consultation by engagement teams on independence issues is embedded in the PwC culture. Teams are encouraged

to consult with independence experts when a matter is complex, where the facts and circumstances of a situation suggest more than a single conclusion may exist, or in the case of doubt.

Our processes are supported by training of partners and staff. All PwC firms are required to develop and implement a training plan to provide partners and practice staff with annual or ongoing training relating to independence appropriate to their position and role.

Quality management systems

Each PwC firm is responsible for monitoring the effectiveness of its quality control systems. This includes performing independent reviews both at the management level of the member firm's systems and procedures, and sample reviews at the individual engagement level, including in respect of non-audit services.

These reviews include a focus on independence and application of required policy and processes. PwC monitors each member firm's compliance with professional standards and policies, including those relating



to independence, through visits to PwC firms. The monitoring program is based on professional standards relating to quality control, including ISQC1 and other applicable professional standards.

Breaches

Any breach of independence requirements in the PwC Independence policy and/or external regulations is evaluated. PwC firms follow the relevant procedural steps set out in the IESBA Code of Ethics, which involves discussion with those charged with governance of the client regarding the nature of the breach, the impact on objectivity and whether steps can be taken to address the consequences of the breach.

PwC firms also follow supplemental local requirements relating to the reporting of breaches.

Acquisitions

PwC has established protocols and processes that are followed for any acquisition a PwC firm makes.

Partner remuneration

An essential element of PwC's ethos is a set of common principles for remuneration of partners in PwC firms, based on partner performance and quality of work.

The underlying premise of the partner income philosophy is to encourage, recognise and reward partners, both as individuals and as members of teams. Reward is based on their contribution to their respective firms and, where relevant, to the wider network. Quality is the most important measure in assessing a partner's contribution.

Monitoring

Regular reports, based on documented monitoring procedures, are submitted to the partner group by the partners responsible for risk management and for monitoring quality in terms of ISQC1, to ensure the proper operation of the procedures described above.

The various reviews of our systems of internal control carried out during 2016 has not identified any failings or weaknesses that have been determined to be significant.

Continuing education



With some 98,200 Assurance people across the firms in the PwC network, the task of providing continuing education throughout each professional's career is a major undertaking. Mechanisms are in place at the network level to support PwC firms in achieving this goal. The PwC approach to Assurance learning and education (L&E) is to provide access to a formal curriculum of technical courses, while also providing support for PwC firms' L&E leadership to consider local or broader training needs and to foster personal accountability

for continuing education. PwC firms are committed to delivering quality audits around the world. To maximise consistency in the network, the formal curriculum 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 PwC's focus on audit quality and provides practitioners



with the opportunity to sharpen their professional judgement, scepticism, technical and professional skills. PwC firms may then provide additional training – 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.

Managing potential conflicts of interest

The firm attaches great importance to confidentiality and to the management of potential conflicts of interest.

While very active in the corporate finance arena, the firm does not act as the originator of potential transactions, as this would entail having to choose between clients as to where to direct a business opportunity.



Conflicts of interest may arise on non-audit services, in particular when clients request assistance on purchase or sale transactions that may involve other clients in a counter party or competitor capacity.

Generally speaking, depending on the nature of the bid and the role requested from us, our firm prefers to act for only one party in a competitive bidding situation. When approached by more than one company to assist on a particular transaction, and after ensuring, where applicable, that we are able to assist on the transaction concerned within the constraints of audit independence rules, we act for the party that first approaches the firm.

In certain cases, it may be considered appropriate to assist more than one bidder. In such instances, all the clients concerned are advised that we would not be acting on an exclusive arrangement. The work concerned would in these cases be handled by teams working in a strictly segregated fashion. Such situations typically arise when the work requested from us is relatively limited, e.g., reporting on the proper technical preparation of the financial projections supporting a bid.

|03

*Creating value
for our people*

145 new recruits in 2016

Commitment to the firm

30



University graduates

CareerDeal provides students with a training programme which moves in parallel with their university studies, as well as work experience at different times of the year. The firm currently has 100 students on *CareerDeal*. The programme is managed by our dedicated human resources group. It is also supported by all our managers, who play a key role across all the activities of the firm.



56



Experienced hires

The recruitment of experienced professionals both locally and overseas was particularly high in 2016. The firm has a total of 85 overseas staff, including professionals who worked with other PwC network firms overseas, drawn from Azerbaijan, Bulgaria, Cyprus, Czech Republic, Philippines, France, Georgia, Ghana, Greece, Italy, Venezuela, Kazakhstan, Lithuania, Macedonia, Mauritius, Nepal, Poland, Portugal, Romania, Russia, Turkey, UK, Ukraine and Wales. Our recruitment is not limited to accountancy graduates and students and our tax and advisory practices are increasingly reliant on the recruitment of non-accountants at all levels of the firm. A number of our accountants in these two service lines hold post graduate degrees in disciplines such as taxation, financial services, IT and economics.



54



ACA/ACCA/other students

During 2016, 54 staff members joined the firm after completing their ACA/ACCA qualifications, as students or working with the firm on a full-time basis. Other students opt to study for an ACA/ACCA qualification on a full-time basis after they complete a first degree at University, or after they obtain their 'A' Levels. For both streams, PwC's Academy ACA/ACCA study programmes aim to accelerate the learning curve of students and offer a fast track route into the profession.



5



Support staff

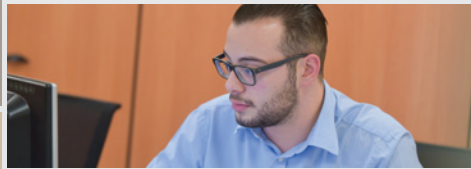
The commitment of our partners and staff was demonstrated during the year in the results attained by the firm, both in terms of numbers and in terms of safeguarding reputation and quality. It was visible as well in the results of our annual people survey.

81%

I am satisfied that PwC is responding appropriately to address the impact of our business activities on the environment

90%

PwC clearly communicates its expectations for ethical behaviour



90%

The people I work with help each other to do their job better

90%

I am proud to work at PwC

93%

PwC is a thought leader in my marketplace



97%

The leaders I work with are committed to providing high quality services to external clients

Our Social Activities group organised a total of 60 social and/or sporting events in the course of 2016

Women



— **62%** —
of our staff
are female

45%
30 years old or less

15%
31 to 45 years old

2%
Over 45 years old

Full-time CareerDeal and ACCA students are excluded from the statistics

Staff complement at 31 December 2016

- Accountants
291
- Other
professional staff
93
- Staff pursuing
professional studies
79
- Support staff
27

**Full-time staff
complement**
490

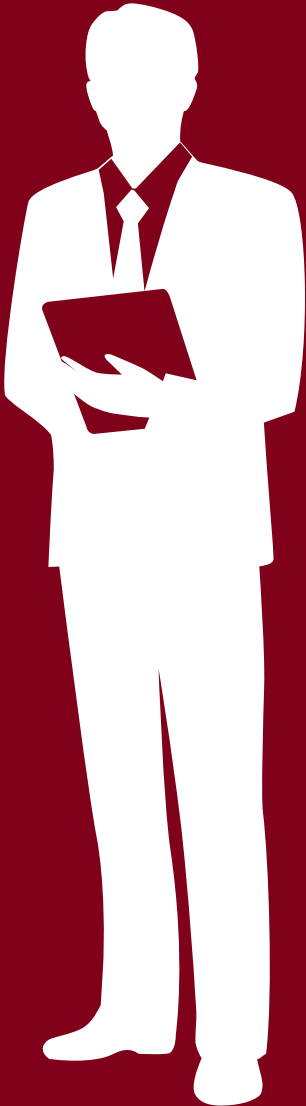
CareerDeal
students
100

ACCA full-time
study programme
students
52

**Extended staff
complement**
642

The average
age of our people
— is —
29 years

Men



26%
30 years old or less

9%
31 to 45 years old

3%
Over 45 years old

Developing our staff

The ongoing development of staff once they join the firm centres around a Personal Development and Coaching system, supported by a comprehensive and fully integrated training programme across all lines of service.

The system entails:

- Assigning a development coach to all staff within the firm
- Setting and agreeing personal development objectives aligned with the firm’s goals
- Providing feedback after the performance of material assignments and at periodic intervals. This process entails formal manager and partner meetings with all staff, and serves as a determining factor in an individual’s career progression
- Attendance to a series of courses throughout one’s career with the firm. Courses may be technical in their content, or may deal with the development of personal skills, the use of IT and the values of the firm.

Partners and staff working on a full-time basis with the firm attended a total of 71,022 hours of training in 2016, up from 61,708 hours in 2015.

This training ensures that our people are alert to regulatory changes, reinforces their awareness of key compliance matters, and supports the wide range of industry expertise and specialist skills available across the firm.

Training courses are progressive in their design, with each year’s courses building on the earlier training given to an individual.

Training is generally conducted in our training centre in Qormi which last year was expanded to eight lecture theatres. In 2017 it has been decided to consolidate all training in a separate building next to our offices. The building will have a capacity of twelve separate theatres that will enable a variety of courses to be held concurrently. Attendance at overseas courses and gatherings is however a regular event, particularly on specialist topics.

The firm launched a new programme called ‘Altitude’, a leadership development programme designed specifically for our newly promoted Senior Associates (staff members who have been with the firm for approximately 2-3 years). The programme focused on providing a strong foundation in leadership skills, opportunities to build lasting relationships with peers from across the firm, and to highlight the opportunities available to help individuals pro-actively plan their careers. 33 participants benefitted from this programme, with 100% of them agreeing that it was relevant to their job responsibilities and would recommend it to others.



25,916 hours

staff attendance at technical training courses during 2016

45,106 hours

staff attendance at personal development and firm’s affairs training courses during 2016

Contributing to the PwC network

Our people form part of the PwC global network, to which they contribute in a variety of manners:

- We participate in various specialist courses held overseas, both by sending participants and by making lecturers available
- We attend and participate at all levels in various network meetings and gatherings that concern our operations. This entails regular overseas travelling attending

various leadership and service line meetings; and a number of technical, training and IT services meetings

- We host and help organise network courses and other meetings held in Malta
- Partners and managers from the firm participate annually in quality control reviews of other member firms

- We participate in cross border panels that are convened on a regular basis to assess and approve large proposals from a risk management perspective; or to form an opinion on complex technical issues
- We contribute, both financially and in terms of making time available, in the development of the network’s methodologies.

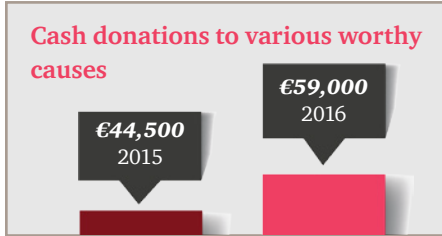


The firm’s annual PwC Experience prize was in 2016 awarded to Maurizio Cortis.

The PwC Experience programme seeks to optimise the manner in which our people interact both with clients and with their peers. PwC Experience is looking to differentiate the client’s experience in working with our firm.

Corporate responsibility

The firm's long standing partnership with Din l-Art Helwa continues through financial assistance in the restoration process of paintings and frescoes at Our Lady of Victory Church. This support started in 2012 and extends for a period of ten years. We also integrated CSR in our *CareerDeal* student programme where each student is assigned to Din l-Art Helwa to provide assistance as required. A number of sites including the Red tower, Wignacourt tower, Our Lady of Victory Church, the Dwejra and Comino towers were supported through selling of tickets opening and closing the sites and accompanying visitors.



€11.8 million
tax contributed in terms of income and employment taxes and VAT



Our staff also assist the organisation by providing back office and administration services together with other voluntary work.

In 2016 a group of business operators from Mriehel decided to establish a foundation that can influence and lobby a complete overhaul and upgrade of the area. The Mriehel Enterprise Zone Foundation, a Public Private Partnership, was founded in April 2016. PwC is part of the 18 founding members from the private sector. Kevin Valenzia was nominated and appointed to the Board of Administrators - responsible for direction of all the

foundation's endeavours. The firm also has representation on the Executive Committee, which is tasked to assist the foundation's CEO on ongoing operations and projects.

The firm regularly supports relevant professional bodies and the University, through the provision of partners and managers who participate on the council of the Malta Institute of Accountants, the Institute of Financial Services Practitioners and the Accountancy Board, or as lecturers and tutors at University.

Recognising achievement

Our staff continue to attain personal achievements both in professional activities, their family life and in a variety of other areas, such as sports.

Philip Zammit attained the highest performing ACA graduate in 2016 in Malta, whilst Ian Grech and Lindsay Marie Farrugia obtained a first class in their University Accountancy degree.

Chantelle Micallef made it to Deans List (Management) - First Class degree and Grade A in dissertation. Twenty of our ACCA / ACA full-time students qualified in their respective professional qualifications.



First steps@PwC
The firm's childcare centre making it easier for our people to manage their work/life balance

Our congratulations go to all these and to many others within the firm whose achievements cannot all be recognised in this review

Many of our partners and staff continue to contribute in various disciplines, in the arts, sport and in other activities.

Vladyslava Kravchenko took part in the Rio Paralympics where she competed in the Olympic 400 metres freestyle swimming event. This achievement also featured in the PwC Global Annual Review 2016.

2016 saw the appointment of Bonavent Gauci, Steve Gingell and Steve Mamo as new partners in the Advisory, Tax and Assurance service lines respectively. Nicolette Hills was appointed Director in the firm's quality and risk management and independence function.



Reducing our environmental impact

We are aware that our operations have an impact on the environment, and we constantly undertake and discuss improvements to minimise this. Our goal is always to improve our impact on the environment by tracking our environmental performance through KPI's. A team referred to as the Sustainability Group meets on a quarterly basis to evaluate and consider

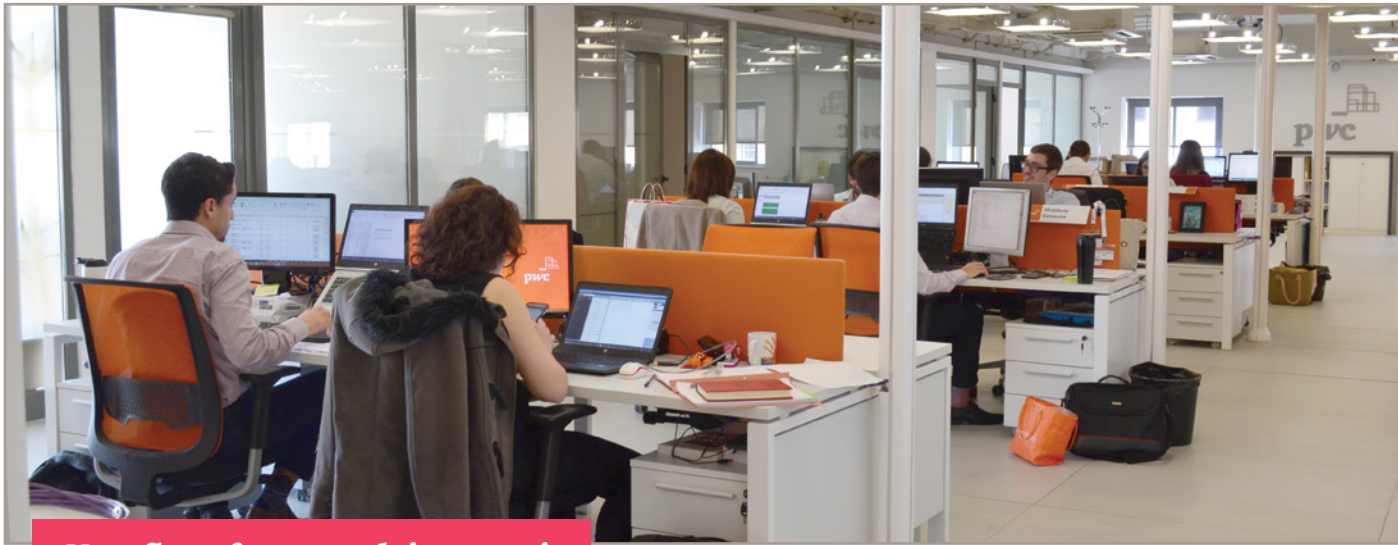
actions based on these results. The activities derived from these actions are communicated within the firm. In addition, our Sustainability Advisory Services team support our clients in addressing environmental and social challenges by raising awareness and improving the understanding of related issues.

As reported in 2015, the start of 2016 led to an increase in our overall floor area. This results in an additional 1875 sq mts or an increase of 30% in additional office space. In real terms, electricity consumption has also increased by 16%. However, to minimise our impact on the environment, we ensure that energy saving solutions are implemented on all floors across

the firm. All floors are equipped with the flexibility in controlling air conditioning units to achieve better climate control, particularly in open areas, also taking into consideration the proximity to external windows. We also have insulation within the roof lightweight structure to help reduce ingress of heat and make use of glass with thermal insulation properties on all external apertures and shading devices

on all south and west facing apertures to reduce the air conditioning load. Most of the premises has been installed with energy saving lights together with motion sensors that turn off lights when floors and rooms are not in use; sensors also control electricity intensity depending on the availability of external light; and the use of collected rainwater to supply all our restrooms, amongst other measures.

In 2016, it was decided to install over 300 new PV panels on the property where we operate, a project that will be delivered in 2017. This will further reduce electricity consumption. We also engage our staff to help find ways in which our work with clients, our suppliers and across the firm can continually reduce the impact we have on the environment.



New floor for our advisory unit



|04

| *Appendices*

Public Interest Entities currently audited by the firm

The Accountancy Profession Act defines a Public Interest Entity (PIE) as an entity whose transferable securities are admitted to trading on a regulated market of any EU Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC, a credit institution 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, or an insurance undertaking within the meaning of Article 2(1) of Directive 91/674/EEC. The PIEs currently audited by the firm include:

Listed Bonds

- Central Business Centres plc
- Corinthia Finance plc
- Ferratum Bank (Malta) Ltd
- Gasan Finance Company plc
- Mediterranean Bank plc
- Mediterranean Maritime Hub Finance plc
- Pendergardens Development plc
- Primus Global Securities Investment SCC plc
- Tumas Investments plc
- United Finance plc

Listed Asset Backed Securities

- Commonwealth Securitisations plc
- Delta1 Securities plc
- ETI Securities plc

Listed Funds

- Amalgamated Investments Sicav plc
- Global Funds Sicav plc
- HSBC Malta Funds Sicav plc
- HSBC No-Load Funds Sicav plc
- RohFund Global Fund Sicav plc
- The Timeless Uranium Fund Sicav plc
- The Timeless Precious Metal Fund Sicav plc
- Vilhena Fund Sicav plc



Listed Equity

- Catena Media plc
- Eiger Sicav plc
- GO plc
- Homechoice International plc
- HSBC Bank Malta plc
- International Hotel Investments plc
- Kindred Group plc
- Lombard Bank Malta plc
- Malita Investments plc
- Malta Properties Company plc
- MaltaPost plc
- Midi plc
- Plaza Centres plc
- Simonds Farsons Cisk plc
- Tigne Mall plc

Credit Institutions

- Banif Bank (Malta) plc
- CommBank Europe Ltd
- Credorax Bank Ltd
- IIG Bank (Malta) Ltd
- Mediterranean Corporate Bank Ltd
- MFC Merchant Bank Ltd

Insurance Companies

- AAK Insurance Malta Ltd
- Arnold Clark Insurance (Malta) Ltd
- Atlas Insurance PCC Ltd
- Bastion Insurance Company Ltd
- Building Block Insurance (Malta) PCC Ltd
- Cafina Assurances Ltd
- Darag Malta Insurance and Reinsurance PCC Ltd
- Elmo Insurance Ltd
- Ergon Insurance Ltd
- Falcon Insurance Ltd
- GasanMamo Insurance Ltd
- HSBC Life Assurance (Malta) Ltd
- Multi Risk Benefits Ltd
- Multi Risk Indemnity Company Ltd
- One Insurance Ltd
- Oney Insurance (PCC) Ltd
- Oney Life (PCC) Ltd
- Practice Plan Insurance Ltd
- Reed Insurance Ltd
- Rhenas Insurance Ltd
- SN SecureCorp Insurance Malta Ltd
- Taurus Insurance Ltd
- Werla Insurance Ltd

The firm is also the auditor of the financial statements of the Central Bank of Malta

The partners



**Kevin
Valenzia**

Territory Senior Partner
responsible for the overall
management of the firm



**Stefan
Bonello**

Assurance partner



**Simon
Flynn**

Assurance partner
Head of Assurance



**Neville
Gatt**

Tax partner
Head of Tax



**Bernard
Attard**

Tax partner



**Joseph
Camilleri**

Assurance partner, asset
management
Head of Business Development



**Chris
Galea**

Tax partner, company
administration



**Bonavent
Gauci**

Advisory partner



**Fabio
Axisa**

Assurance partner, banking and
capital markets
Accounting technical leader,
Regulatory affairs partner



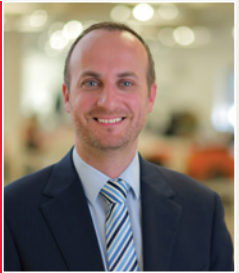
**David
Ferry**

Tax partner
VAT specialist



**Michel
Ganado**

Advisory partner, consulting



**Steve
Gingell**

Tax partner

The partners



**Stephen
Mamo**

Assurance partner



**Lisa
Pullicino**

Human Capital partner
PwC's Academy leader



**Ryan
Sciberras**

Advisory partner, deals and
valuations



**Joseph
Muscat**

Advisory partner
Head of Advisory



**Mirko
Rapa**

Tax partner



**Romina
Soler**

Assurance partner, insurance
and iGaming



**Lucienne
Pace Ross**

Assurance partner, asset
management
Head of Quality Assurance and
Risk Management



**George
Sammut**

Advisory partner, consulting
Technology services leader



**David
Valenzia**

Assurance partner
Finance partner
Head of Human Capital

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