



BDO MALTA

TRANSPARENCY REPORT 2018

Forming part of the BDO Global network, BDO Malta is an end-to-end corporate services provider, with over 40 years of experience in helping organisations accelerate business growth through exceptional client service. BDO is represented in 162 countries & territories, employing 80,087 talented people in over 1,500 offices worldwide. The network reported a total fee income of \$9 billion in 2018, firmly consolidating its position as the 5th largest professional services network in the world.

162

COUNTRIES AND TERRITORIES

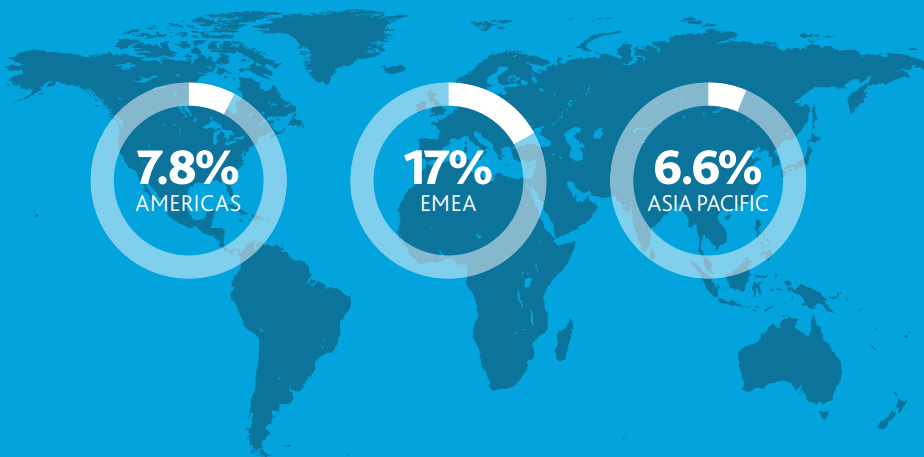
10.7%

INCREASE IN GLOBAL REVENUE

\$9bn

TOTAL REVENUES

REVENUE GROWTH AT CONSTANT RATE



OVER
40
MERGERS
NETWORK-WIDE

GLOBAL HEADCOUNT

73,854 2017
80,087 2018

8.4% INCREASE YEAR ON YEAR

NUMBER OF

OFFICES
1,591

GLOBAL AVERAGE
PROFESSIONAL STAFF TO

PARTNER RATIO OF 10 TO 1



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MISSION STATEMENT

OUR VISION IS TO BE THE LEADERS IN ACCELERATING BUSINESS GROWTH THROUGH EXCEPTIONAL CLIENT SERVICE. CONSISTENT EXCELLENCE IN QUALITY, EMPOWERED PEOPLE AND OUR VALUES ARE THE FOUNDATIONS ON WHICH THIS IS BUILT.

This means offering a tailored service, believing in the importance of close personal relationships, listening carefully and working with our clients to determine what exceptional client service means to them.

OUR CORE PURPOSE

Everything we do at BDO is driven by our core purpose – ‘Helping you Succeed’. It governs what we do. It’s why we do what we do. It’s why we come into work each morning.

Our purpose reflects how we work with our clients to achieve their business goals and be successful, it underpins the ‘Achieving My Potential’ learning and development framework that supports our people, and it is a key ingredient of our entrepreneurial and innovative culture.

OUR BRAND VALUES

Our firm is distinctive, we want to preserve and build on the strengths of our culture and the characteristics that make us both successful and different. Our culture is built on a strong belief in our core values.

HONESTY & INTEGRITY

Be transparent, genuine and fair. Operate with the highest degree of personal and professional integrity. We need and want our clients to trust us. This can only happen if we act with honesty and integrity.

MUTUAL SUPPORT & RESPECT

Value and support each other. Maintain an inclusive working environment where teamwork and relationships matter. This allows us to work better together and to deliver better services to our clients as a result.

PROFESSIONAL & PERSONAL CLIENT RELATIONSHIPS

Understand the person as well as the business. Build relationships based on respect, trust and exceptional service. This reflects our commitment to understanding our clients and their businesses and markets.

EMPOWERMENT & PERSONAL RESPONSIBILITY

Work with confidence, flexibility and freedom. Understand that trust and responsibility go hand-in-hand. There can be no one-size fits all approach and we empower our people to have the flexibility and freedom to deliver what our clients need.

INTRODUCTION

FROM THE SENIOR MANAGING PARTNER

Maintaining exceptionally high ethical and professional standards is a fundamental part of BDO's ethos, as is producing this Transparency Report each year.

I believe that we have a duty to our clients, our partners, our talented employees, and the BDO brand, to ensure that our audit quality remains as an absolute priority. Dedicated to meeting and surpassing the expectations of all stakeholders, the creation and publication of this report is designed to give readers an insight into how we manage our firm whilst upholding the principles of good corporate governance.

2018 was a very successful year, and I am honoured to see BDO Malta celebrate its 40 years of operations. We relocated to a new state-of-the-art premises which were inaugurated in the presence of Prime Minister Dr Joseph Muscat, Hon. Silvio Schembri, Parliamentary Secretary for Financial Services, Digital Economy and Innovation, and the BDO EMEA Region CEO, Trond-Morten Lindberg.

Situated in a prime location in the heart of the island, the new offices provide high-end facilities for our 75 strong members of staff, as well as our corporate guests, and employees of our clients and partners.

We believe that by demonstrating the strength and quality of our audit processes and practices, we will contribute positively to a high level of confidence and public trust.



JOHN J. ATTARD
SENIOR MANAGING PARTNER

INTRODUCTION

FROM THE CHIEF EXECUTIVE OFFICER

As Malta continues to experience positive economic momentum across multiple sectors, we felt the need to expand our service portfolio to meet the expectations of our clients.

That is why we proudly launched two new service lines: Fintech Advisory and Technology Advisory and Assurance. These two new service lines represent our investment in providing the best and most comprehensive service possible to our clients. We're genuinely committed to becoming the leaders in exceptional client service and known for being an end-to-end business and corporate services provider.

In addition to this, we gained an "in principle" license as Virtual Financial Assets (VFA) Agents, from the Malta Financial Services Authority (MFSA) which I'm absolutely delighted about since it's a major milestone in our Firm's history. One of the first entities in the country to receive the license, this means that we're able to offer advice and guidance to businesses offering Virtual Financial Assets as per the VFA Act.

2018 also saw us go through a rigorous application process to become recognised Systems Auditors by the newly established, Malta Digital Innovation Authority (MDIA). We expect to complete the process in 2019.

At BDO, we fully believe that exceptional service to our clients begins, and ends, with exceptional regard for our people and talent. Because at its core, our business is not about numbers or spreadsheets, euros or cryptocurrencies, but about people working with, for, and in service of others. As a testament to this, we promoted a new Director, Luke Attard and brought on new leaders to inspire our talent, grow new service lines and provide additional senior leadership to our team including Head of Corporate Development, Chris Scicluna, and Head of Technology Advisory, Ivan Spiteri.

Our vision is to be recognised for assisting both local and international companies in accelerating business growth through exceptional client service. I fully believe that a combination of excellence in quality and empowered people are the foundations on which this is built.

This means offering a tailored service, believing in the importance of close personal relationships and listening carefully to our clients to determine what exceptional client service means to them.

MARK ATTARD
CHIEF EXECUTIVE OFFICER



TRANSPARENCY REPORT

2018



This Transparency Report has been drawn up in terms of Directive 2006/43/EC of the European Parliament and of the Council, of 17th May 2006, together with the Accountancy Profession Act (Chapter 281 of the Laws of Malta).

LEGAL STRUCTURE AND OWNERSHIP

BDO Malta is a civil partnership consisting of two equity partners. It is managed by two equity partners and two non-equity partners. Details of the partners are available at www.bdo.com.mt.

The firm provides audit and assurance services, tax and other non-assurance services. It holds a licence to practice as an audit firm in terms of the Accountancy Profession Act.

Other services to clients are provided principally through BDO Consult Limited, BDO Fintech Advisory Ltd, BDO Technology Advisory Ltd and BDO Services Limited.

BDO Malta can trace its origins back to 1978. It became a correspondent of the BDO network in 1988 and a member firm in 1990.

Besides being a professional firm of auditors, accountants, tax consultants and advisers, BDO Malta aspires to gain a reputation as a true “relationship people” firm. It strives to establish durable and loyal ties between partners, staff and clients, while at the same time achieving a balance between the interests of all concerned.

After all, what better way is there for a service provider to build a strategy around “sustainability” than on the basis of relationships?

BDO is doing just that.

BDO Malta operates from offices in Msida, Malta.



BDO INTERNATIONAL

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BDO Malta is a Member Firm of BDO International.

DESCRIPTION OF THE NETWORK

The BDO network is an international network of independent public accounting, tax and advisory firms which are members of BDO International Limited and perform professional services under the name and style of BDO (hereafter: 'BDO Member Firms'). BDO is the brand name for the BDO network and all BDO Member Firms.

LEGAL AND STRUCTURAL ARRANGEMENTS IN THE NETWORK

Each BDO Member Firm is a member of BDO International Limited, a UK company limited by guarantee, as either a voting member (one per country) or a non-voting member. BDO International Limited is the governing entity of the BDO network and sets the membership obligations of the BDO Member Firms in the Regulations.

The BDO network is governed by the Council, the Global Board and the Global Leadership Team of BDO International Limited.

The Council comprises one representative from each voting member and comprises the members of BDO International Limited in general meeting.

The Council approves the network's central budget, appoints the Global Board and approves any changes in the Articles and Regulations of BDO International Limited.

The Global Board, which is the Board of Directors of BDO International Limited, comprises a representative of the BDO network's seven largest member firms, whose appointment, each for a three year term, is approved by the Council. The Global Board sets priorities for the BDO network and oversees the work of the Global Leadership Team. The Global Board meets at least four times a year.

The Global Leadership Team is tasked with coordinating the activities of the BDO network. It is headed by the CEO and comprises the COO (currently also acting as Global Head of Advisory), Global Heads of Audit & Assurance, Tax, HR & Development, Business Development & Marketing, IT, Transformation, the CEO EMEA, the CEO Americas, the CEO Asia Pacific and the International Secretary.

The Global Leadership Team is supported by the Global Office at Brussels Worldwide Services BVBA. Brussels Worldwide Services BVBA, a Belgian limited liability company, provides services to assist in the coordination of the BDO network.

BDO International Limited and Brussels Worldwide Services BVBA do not provide any professional services to clients. This is the sole preserve of the BDO Member Firms.

Each of BDO International Limited, Brussels Worldwide Services BVBA and the BDO Member Firms is a separate

legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of BDO shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide services BVBA and/or the BDO Member Firms.

The global aggregated turnover for BDO member firms (including their exclusive Alliances) in 162 countries for the year ended 30 September 2018 was in excess of \$9bn. Partner and staff numbers at 30 September 2018 were some 80,087.

This tangible growth in revenues can be attributed to:

- ▶ The network's successful mergers and acquisitions strategy, aided by the continuing consolidation of the accountancy profession
- ▶ New firms expanding the network's global footprint and bolstering performance in existing key territories
- ▶ Sustained organic growth across all regions
- ▶ The drive to adapt and transform the delivery of exceptional client service through the application of powerful new technologies.

Appendix 1 sets out a list of BDO EU/EEA audit Member Firms and the countries they are located in.

BDO MALTA



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BDO Malta is a Member Firm of BDO International, one of the world's largest professional services firms. BDO provides accounting and auditing, tax and consultancy services on a globally integrated basis with over 1,500 offices in more than 160 countries. Combining our international capabilities and local market knowledge with an extensive range of skills and industry expertise, we are able to provide a one-stop shop for all your accounting, audit, legal, management consulting and corporate finance needs. Licensed by the Malta Financial Services Authority to act as trustee, fiduciary and Company Service Provider, BDO Consult Limited's team of well-trained individuals work with integrity and commitment to providing an excellent service tailored to meet specific requirements.

The services we provide are as follows:

- ▶ Tax Consultancy
- ▶ Tax and VAT Compliance
- ▶ Incorporation / Formation of Companies
- ▶ Finance and Accounting Outsourcing
- ▶ Banking
- ▶ Legal and Consultancy Services
- ▶ Licensing
- ▶ Correspondence and Administrative Services
- ▶ Company Secretary
- ▶ Directorship
- ▶ Audit
- ▶ Payroll
- ▶ Trusts and Foundations
- ▶ Securitisation Vehicle and Funds Setup
- ▶ Individual Investor Programme
- ▶ Malta Residence and Visa Programme
- ▶ iGaming
- ▶ Key Official
- ▶ AML/CFT Advisory
- ▶ VFA Agents
- ▶ IT Assurance
- ▶ IT Managed Solutions
- ▶ IT Compliance and Regulatory Advisory
- ▶ Citizenship & Residency Programmes

BDO Malta is an end-to-end corporate services provider assisting international and Maltese companies in transactions, tax, licensing for regulated businesses, Fintech and ICOs, company administration, advisory and consulting as well as other corporate requirements. Our team evolved in its present form through the engagement of specialists who have excelled in their various fields. Our exceptional service delivery is built on five key components: clear understanding of client needs, effective communication, commitment to our clients, the best available professionals and strong ethical values.

GOVERNANCE STRUCTURE & INTERNAL QUALITY CONTROL

GOVERNANCE STRUCTURE

At BDO Malta, the management function is carried out by the partners. John J. Attard is the Senior Managing Partner.

The partners of the firm are John J. Attard, Mark Attard, Sam Spiridonov and Josef Mercieca.

Mark Attard is the Chief Executive Officer and International Liaison Partner. All salaried partners receive an agreed remuneration package that is commensurate to their position and responsibilities.

The equity partners do not receive a fixed salary. They share profits on an annual basis in proportion to their equity.

INTERNAL QUALITY CONTROL

The firm continually strives to achieve high quality standards in the services provided. In achieving this it is the firm's policy:

- ▶ to ensure quality in all assignments performed;
- ▶ to ensure that commercial considerations never override the quality of performance;
- ▶ to ensure that sufficient resources are devoted to the development and support of the firm's quality control policies and procedures; and
- ▶ to ensure that all audit work is controlled and signed off by the partners.

The firm's system of internal quality control is designed to provide reasonable assurance that the firm, its partners and staff comply with professional standards and regulatory and legal requirements, work is performed to a consistently high standard and that reports issued by the firm are appropriate.

The firm's system of internal quality control can be split into the following elements:

- ▶ leadership responsibilities for quality within the firm;
- ▶ ethical requirements;
- ▶ acceptance and continuance of client relationships and specific engagements;
- ▶ human resources;
- ▶ engagement performance; and
- ▶ monitoring.

LEADERSHIP RESPONSIBILITIES FOR QUALITY WITHIN THE FIRM

Quality control is dependent upon an organisational structure which is inherently sound and which clearly defines the responsibilities of the various levels of management.

The partner in charge of compliance and ethics is John J. Attard.

The partners have ultimate responsibility in respect of audit quality within the firm. Any changes in the firm's audit procedures can only be made after authorisation has been given by one of the partners.

The partners are responsible for:

- ▶ developing assurance methodology and guidance to ensure compliance with auditing standards;
- ▶ maintaining the firm's technical manuals and communicating developments to the firm's partners and staff;
- ▶ helping maintain the firm's assurance practice at the highest standards prevailing in the profession, including the supervision of the firm's auditing work;
- ▶ consulting with local office partners and other professionals seeking technical advice; and
- ▶ overseeing the firm's technical continuing professional education programmes.

The compliance partner is responsible for:

- ▶ monitoring of independence;

- ▶ monitoring the firm's auditing work;
- ▶ coordinating the professional performance staff and achieving standards that measure up to the firm's professional objectives; and
- ▶ evaluating the firm's quality controls policies and procedures.

ETHICAL REQUIREMENTS

The firm adheres to the provisions of the Code of Ethics issued by the Accountancy Board.

In instances where the firm's independence is threatened (other than those where we are not specifically allowed to act), an independent review is carried out by a partner other than the engagement partner in order to safeguard the firm. If this is not possible, other safeguards are adopted and if these are found to be inadequate the firm will resign from the post of auditor. All safeguards are agreed with the Ethics Partner.

Audit staff are encouraged to notify the Audit Engagement Partner of any potential threats to independence. It is the responsibility of the Audit Engagement Partner to notify the Ethics Partner of any breaches or potential problem areas.

The firm will only provide non-audit services to an audit client if the principles contained in the Code of Ethics are not breached. Furthermore all partners other than the Engagement Partner who intend carrying out non-audit work for an audit client must notify the Audit Engagement Partner before any work

commences so that they can assess the overall impact of ethical requirements on the audit engagement.

Annual declarations are made by all partners and staff to ensure compliance with relevant ethical requirements.

ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS

Robust client and engagement acceptance procedures play a pivotal role in the firm's ability to deliver a professional and quality service.

Prior to the acceptance of any new client, certain procedures to assess the risks associated with that client must be carried out. These will include:

- ▶ consideration of the client's business including its geographical spread and the industry it operates in;
- ▶ evaluation of information concerning the client, its management and its owners including obtaining evidence of the identity of the owners and officers of the business;
- ▶ considering information regarding the character and reputation of the prospective client and key personnel;
- ▶ assessment of potential independence risks and potential conflicts of interest;
- ▶ if relevant, inquiry of the previous auditor regarding the reasons for the change in auditor and if there is any reason why we should not accept the appointment;
- ▶ assessment of our ability to serve the prospective client; and

- ▶ reviewing filings of the company, including prior year financial statements.

The acceptance of all clients requires an approval process that is appropriate to the perceived risk. "High risk" assurance clients require prior approval by not less than two partners.

The firm has in force appropriate safeguards to ensure that any familiarity threat arising from a long association with a client by either a partner or key staff member is reduced to an acceptable minimum level. The firm only accepts or continues an assignment when it is certain that the client concerned does not lack integrity, and that it is competent to perform the required services and that it can comply with ethical standards and the Code of Ethics.

The Audit Engagement Partner completes the firm's client acceptance or re-appointment documentation before the start of every assignment. The relevant section of the firm's standard audit procedures are completed during the planning stage of the assignment.

The Audit Engagement Partner must consider on an on-going basis any information which arises in respect of an assignment and which would have had an impact on the decision to accept re-appointment.

CONFERENCES

CONFERENCES

Our business development team retained a high level of activity throughout 2018, ensuring the BDO brand is present at several high profile conferences attending as speakers and exhibitors.



ICE LONDON

Chris Scicluna (Head of Corporate Development), Mark Attard (CEO) and Luke Attard (Director), attended the ICE London (an annual conference focused on the international gaming industry) which took place in London in February.



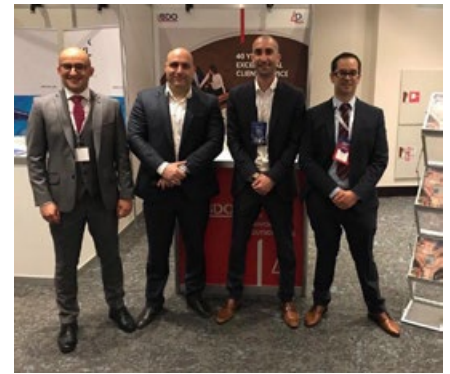
AML CONFERENCE

Our Risk and Compliance Manager Dr Rakele Cini delivering her session on recent updates in due diligence processes and moderating a discussion panel made up of Dr Manfred Galdes, Dr Robert Attard, Ms Juanita Bencini, Assistant Police Commissioner Ian Abdilla and Ms Ruth Aisthorpe Gauci at the full-day Anti-Money Laundering Conference organised by the The Malta Institute of Accountants which took place on 20th February at Xara Lodge, Rabat.



MIM TAXATION CONFERENCE

Our Tax Partner Josef Mercieca sat on a panel discussing Cryptocurrency during the day-long conference which took place on Friday 6th April at the Radisson Blu, St Julians.



FINANCEMALTA

FinanceMalta's 11th Annual Conference was organised between the 17th and 18th of May at the Hilton, St Julians. Entitled "Finance Without Frontiers", the conference featured a number of local and international financial services experts who addressed delegates on contemporary topics affecting the financial services industry including sessions on business start-ups, GDPR, cyber security, MiFiD II and MiFiR. The conference also dealt with crypto currency and blockchain technology, an area of key interest for BDO Malta and its recently set up Blockchain and Fintech Advisory team as a response to the strong market demands in this space.

As one of the gold sponsors of the conference the BDO Malta team was present at the networking events as well as the BDO Malta stand during the one day conference.



INTAX UKRAINE AND RUSSIA

The photo above shows BDO's Audit Partner Sam Spiridonov addressing a Tax Conference in Ukraine. The photo to the right shows BDO Malta CEO Mark Attard and Sam Spiridonov participating at the INTAX Conference. BDO Malta was actively engaged in Ukraine at the 8th INTAX Ukraine Conference which was held on the 21st and 22nd May. The event is regarded as the largest and most professional platform for communications between top managers of companies working in global markets and professionals servicing international deals and operations. Delegates from more than 20 countries were present to discuss the latest matters in corporate finance, individual and corporate structuring, local and international taxation, investments, and trans-border trading.

BDO Malta sponsored and delivered a presentation on the Individual Investor Programme and Malta's attractive tax framework.



CHAINGES

Our Tax Partner and Blockchain Champion Josef Mercieca attended Chainges, the world-class Blockchain & cryptocurrency conference shaped by the community, based in Amsterdam, May 4-5. The conference was for anyone with a vested interest in Blockchain technology and cryptocurrencies. The event catered for a range of demographics that are looking to hone their skills, meet new connections, source new technology, gain inspiration and celebrate this ever-emerging corner of distributed ledger technology (DLT) as it takes flight.

CONFERENCES



INTRAEDGE

In October, BDO Malta hosted a panel discussion at the GDPR and Privacy Summit in Malta as part of a worldwide roadshow spanning across continents.

Moderated by Dr Rakele Cini (second from the left in the image above), Risk & Compliance Manager at BDO Malta, the panel included Mr Allen Mamo (third from the left in the image above), Technology Advisory Consultant at BDO Malta, Dr Nicholas Borg, Legal and Regulatory Affairs Manager as well as Privacy Officer at Vodafone Malta, Ms Cristina Cojocaru, the DPO of VGW Group (Virtual Gaming Worlds) and keynote speaker, Mr. Saviour Cachia, Malta's Information and Data Protection Commissioner. Mr Cachia provided statistics, insights and experiences reported to his office in the first few months after the Regulation came into force.

The Summit was jointly presented by Intel, Microsoft, BDO Malta, TrustArc,

DLA Piper, Allbound and GDPR Edge, and it included a content-rich afternoon followed by a five-star dinner and wine tasting event.

The event attracted a group of information security and data protection executives, together with business executives, who had the opportunity to share best practices, and explore challenges, opportunities, and innovations in data privacy and compliance.

The discussion focused on best practices, surprises, anecdotes, and metrics from real companies following the GDPR deadline in May, privacy in an era of globetrotting data, important implications of recent regulations on US-based companies, applications for blockchain in data privacy and compliance, and how compliance may be operationalised.



BDO BLOCKCHAIN MASTERCLASS

BDO Malta hosted its very own masterclass at the highly anticipated Malta Blockchain Summit for all those within the DLT space and for those who wish to learn more about the ways in which the firm is servicing the industry. The masterclass took place on the 1st November at the Intercontinental Hotel.

The masterclass consisted of three active presentations by our in-house professionals whereby the audience interacted with the presenters, debated on hot topics and asked burning questions.

Josef Mercieca, BDO Malta's Tax Partner, kicked off the masterclass by identifying the potential Tax and VAT benefits enjoyed by Blockchain companies that base their operations out of Malta. This was followed by a discussion on Malta's newly established regulatory framework, paying close attention to the different aspects that make up the VFA Act which came into force that very same day. His presentation also delved into how such frameworks may be utilised by those investors who are looking for the ideal jurisdiction to set up in.



After this Sam Spiridonov, BDO Malta's Audit Partner, discussed differing viewpoints on blockchain technology. He identified the applicability and disruptiveness of DLT on the Accounting and Audit industry, followed by the issues faced within industry with regards to the regulation and accounting of such practices. Sam was then joined on stage by David Butcher, BDO UK's Technology and Media Partner (who also forms part of the London Audit Group within the firm), to discuss the ways in which BDO handles the auditing of clients within the DLT space.

Following this, BDO Malta's Dr Rakele Cini discussed the dangers of money laundering, funding of terrorism and what founders behind DLT Assets should be looking out for when carrying out a risk assessment. She then looked into where we are at locally and at EU legislation in terms of the prevention of money laundering and funding of terrorism within the DLT space.



BLOCKWALKS

Josef Mercieca, BDO Malta's Tax Partner, delivered a speech at Blockwalks - European Conference on all one needs to know on Malta's tax and regulatory advantages. The very first conference of its kind the event connected top level governmental officials and advanced technology speakers from around the world.



SIGMA

For the fourth year running, we participated at the SIGMA (Summit of iGaming Malta) event which took place.

SIGMA has established itself as one of the fastest growing and leading iGaming expos in the industry by bringing together affiliates, operators, B2B solution providers and regulators over the 3-day conference

The event was held at the MFCC in Ta' Qali where several conferences took place over the 3 days as well as a large exhibition area was set up where all the exhibitors were situated.

Our team was present on our stand and available to talk to all delegates throughout the conference.





INAUGURATION OF NEW BDO MALTA OFFICES



From left to right: Hon. Silvio Schembri, Parliamentary Secretary for Financial Services, Digital Economy and Innovation, BDO Malta Senior Managing Partner Mr John Attard, the Prime Minister of Malta, Hon. Joseph Muscat, BDO EMEA Region CEO Mr Trond-Morten Lindberg and BDO Malta CEO Mr Mark Attard.

Prime Minister Dr Joseph Muscat paid a visit to the Partners and staff members at BDO Malta as the Firm ramped up its operations at its new, state-of-the-art head office in Msida.

The new BDO office block is located in a prime position, enjoying very wide frontage overlooking the busy Msida-St Venera by-pass. The project was completed towards the end of August and is now offering a new business address and corporate lifestyle for approximately 75 staff members and clients' employees.

Spread over a floor area of 2,200m² on 6 floors, the new BDO Malta office includes modern and comfortable workspaces, spacious meeting rooms and fully-equipped boardrooms, a social space for staff, chill-out areas and sun-washed terraces for team activities and open-air meeting spaces. The building is designed in line with the highest

environmental and technology standards and provides office spaces for the Firm's clients who are strengthening their presence in Malta in close proximity to their business advisors of choice.

The Prime Minister of Malta, Hon. Joseph Muscat was welcomed at BDO by Senior Managing Partner and Founder John Attard, Chief Executive Officer Mark Attard, Tax and Audit Partners Josef Mercieca and Sam Spiridinov respectively, who were also joined for the occasion by the BDO EMEA CEO Trond-Morten Lindberg.

The Partners thanked Dr Joseph Muscat for his visit and said, "The Firm has invested its own funds to develop a new head office, underlining its commitment

to the BDO brand, staff, clients and to our country. We believe that Malta will continue to experience positive economic momentum, which will lead to further growth and prosperity in the near future. We recognise that in order to leverage this positive economic momentum, our Firm needs to invest in its brand, attract and retain the best professionals in the industry, and continue to deliver the highest level of service to our clients. The new office block is an important step in achieving these objectives. While the Firm sets its sights on further expansion in Malta, this investment is helping the BDO brand to position itself at the frontline of corporate service providers and advisors in Malta."



BDO IN THE COMMUNITY



PUTTINU FOOTBALL MARATHON

A team from the firm participated in the Puttinu Cares Football Marathon 2018. We proudly donated to the Puttinu Cares Foundation €500 at the start of the game.



REVERSE ADVENT CALENDAR

For the second year in a row, we participated in the Reverse Advent Calendar organised by the Foodbank Lifeline Foundation. Members of the firm donated long lasting food stuff to the organisation that steps in when an individual, couple or family find themselves in a crisis, arising from situations like benefit delays, low income, homelessness, sickness or housing issues.

PRESIDENT'S SOLIDARITY FUN RUN

For the fourth year in a row, a team from the firm participated in the President's Solidarity Fun Run. This activity will continue to boost the Community Chest Fund Foundation, which last year disbursed €7.7 million to help some 11,000 persons experiencing problems in their lives.



HUMAN RESOURCES

HUMAN RESOURCES

Human Resources is critical for the success of our firm. To ensure that the firm upkeeps ethical and high standards, in accordance with professional and legal requirements, the HR function continuously works on refining the following areas:

- ▶ clear and consistent policies
- ▶ recruitment
- ▶ training and development
- ▶ compensation and benefits

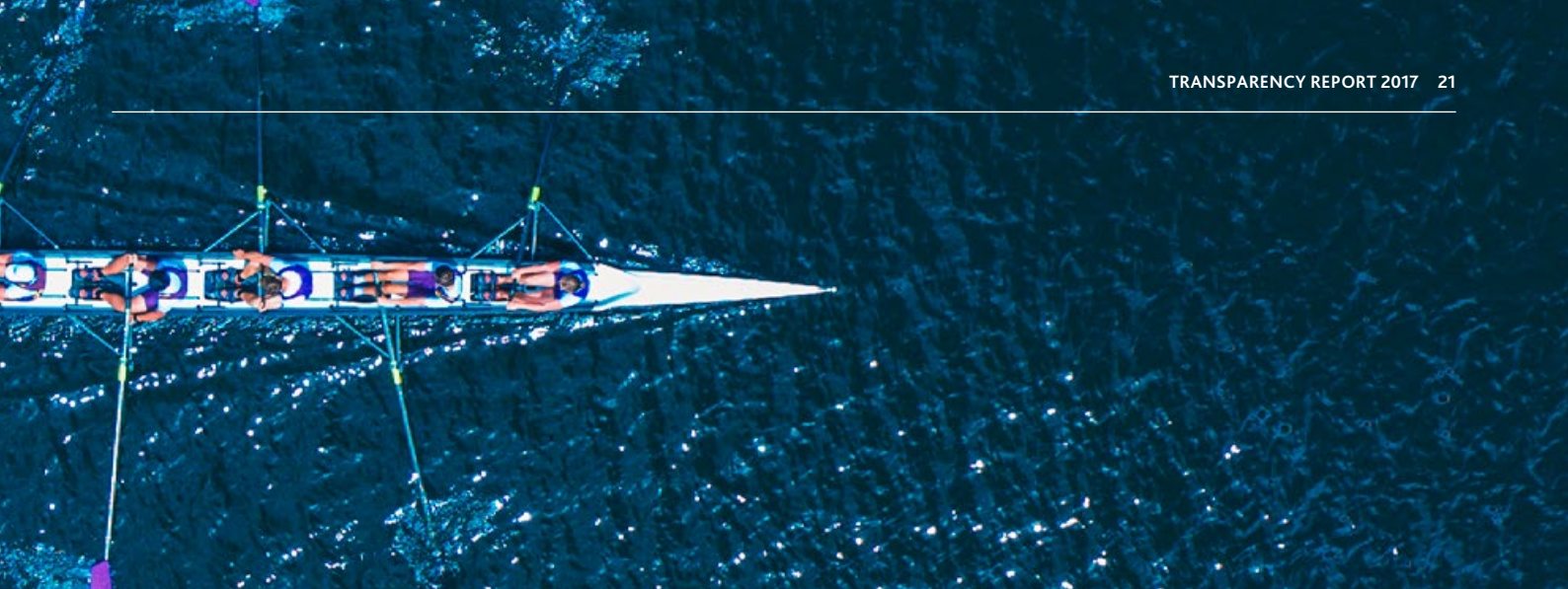
CLEAR AND CONSISTENT POLICIES

Our BDO Policies and Procedures Manual was updated last year to enhance and update the firm's policies and procedures in relation to our new office. The manual is continuously monitored by our team who ensure that the contents are up to date and consistent with the guidelines set by the company. These guidelines are formed by taking into consideration Maltese legislation as well as regulations set out by BDO International and the latest best practices in cyber security, AML and other areas.

The BDO Policies and Procedure Manual provides clarity and coherence on company goals, structures and vision to enable employees to align with them. Every employee has access to the manual and they are expected to make themselves familiar with its contents and any updates which may happen from time to time.

Non-compliance with the firm's policies and procedures by employees, is considered an obstruction of the professional and ethical standards set by the firm and may lead to various consequences.





RECRUITMENT

One of the leading functions overseen by our HR team is recruitment, who work actively to find and attract professional as well as talented personnel. We work actively to promote diversity and inclusiveness within the firm's culture which is equally projected in the recruitment process where we do not discriminate depending on age, disability, ethnicity, gender, nationality, race and religion.

7
DIFFERENT
NATIONALITIES

13
NON-MALTESE

56%
FEMALE

34%
PARENTS

35
YRS
AVERAGE AGE

TRAINING AND DEVELOPMENT

The firm believes in the continuous development of employees as it warrants up to date knowledge which can be implemented in their day to day tasks. In fact, the firm has put in place certain processes such as, yearly performance appraisals, reviews for employees under probation, identifying conferences / seminars which could prove beneficial to employees and educational support for employees who are interested or are already undertaking educational courses.

COMPENSATION AND BENEFITS

As a firm we believe that success can only be channelled through our employees and the service that they provide to our clients. In return we invest in our employees by providing compensation and benefits to ensure that they are motivated and driven towards their daily responsibilities.

A list of benefits which BDO Malta provides are:

- ▶ Performance based salary reviews
- ▶ Support programs for professional and academic development
- ▶ Health Insurance scheme
- ▶ A wide social and team building events calendar
- ▶ Casual Fridays
- ▶ Free underground Parking
- ▶ Reduced Summer Hours
- ▶ Quarterly social events
- ▶ Various benefits from selected preferred partners



STAFF EVENTS

Our quarterly social events are an opportunity for partners and staff to interact outside working hours. Our Social Committee organised many key functions for staff throughout the year which provided them with the opportunity to socialise outside our normal working environment. In 2018, our Social Committee organised 4 successful events.



INTERNATIONAL WOMEN'S DAY 2018

Happy Women's Day to all the incredible women out there!

We celebrated this day by handing out a Mimosa flower to all the women in the BDO office.



TEAM BUILDING EVENT

The BDO team enjoyed a great afternoon at Battlemaxx to celebrate the end of the first quarter. The afternoon was followed by dinner and drinks for all staff at Vecchia Napoli.



MR JOHN ATTARD'S 70TH BIRTHDAY

We held a reception at our offices to celebrate the 70th birthday of John Attard, the Founding Partner of BDO Malta. This prestigious milestone also coincided with the 40th anniversary of when the firm was officially founded.



CHRISTMAS LUNCH

This year our Annual Christmas Lunch was held at Capo Crudo in Valletta.

ENGAGEMENT PERFORMANCE

COMMON METHODOLOGY

Our policies and procedures are designed to ensure that audits meet all applicable professional standards and regulatory requirements and that the firm issues reports that are appropriate in the circumstances. To achieve this and to ensure consistency in the approach to auditing and related fundamental application of professional scepticism throughout the BDO network, BDO International has developed the common BDO Audit Methodology, related software tools and other standard forms of documentation. This methodology is fully compliant with International Auditing Standards and where appropriate these common processes are used by BDO International member firms.

APT, BDO International's in-house state of the art audit software, remains the single largest global project of its kind and its evolution continues. With further substantial audit methodology and IT investment, the next generation of APT is already under development to be deployed in 2019 throughout the network. By designing APT to take advantage of recent technological advances, we will be able to:

- ▶ safeguard the structural integrity of the tool for the future;

- ▶ provide us with a fully-integrated tool that reflects the latest interpretations of the auditing standards; and
- ▶ enable teams to work efficiently on both large and small engagements.

SUPERVISION AND REVIEW

We require all professional work to be supervised by staff members who have appropriate knowledge and experience. It is the responsibility of the relevant partner to ensure that related risks are identified and that decisions are taken by those with an appropriate level of authority.

The relevant partner must also ensure that professional work is carried out efficiently and that it meets the firm's standards in all respects.

Our review procedures are designed to ensure efficient control of the audit as it progresses. At a granular level these are designed to ensure that:

- ▶ the work is performed in accordance with applicable standards and regulations;
- ▶ significant matters have been raised for further consideration and appropriately addressed;
- ▶ appropriate consultations have taken place;

- ▶ the planned work has where necessary been reviewed and that the objective of all planned work has been achieved;
- ▶ the work performed and evidence obtained supports the conclusions reached; and
- ▶ the documentation present on the audit file enables an experienced auditor to understand the significant matters arising on the audit as well as the nature, timing and extent of the procedure undertaken, the results of those procedures and the evidence obtained.

A concurring partner review is performed for audits of public interest and other high risk engagements. The concurring partner review will be familiar with the auditing and reporting practices used during the engagement, and be knowledgeable and familiar with the client's industry. The reviewer will be an experienced professional who is not likely to be influenced by the views of a particular engagement partner. The engagement quality control reviewer will not be actively involved in making ongoing decisions relating to the engagement and will not be involved in performing the engagement. Engagement quality control reviewers



are selected from a list of approved reviewers, as determined by the Head of Audit.

CONSULTATION

The firm encourages consultation with experienced partners and other specialists where appropriate. The firm has a process in place for audit partners and teams to follow when consulting and seeking the firm's opinion, support on a client issue, judgement or risk.

MONITORING

Our policies and procedures concerning monitoring activities are designed to give the firm reasonable assurance that the firm's internal quality control system is operating efficiently and is complied with in practice.

Our quality control system includes an annual cold review of audit files to monitor compliance with the firm's policies, procedures and standards and

to ensure that the work done to arrive at an opinion, or to support advice that has been given, is both adequate and properly documented.

The review consists of reviewing, on a sample basis, the working papers and reports of selected assurance engagements and documentation of compliance with our quality control policies and procedures. The sample is selected to ensure that at least one audit carried out by each audit partner is selected every year.

The Compliance partner is responsible for carrying out these reviews, and monitoring and documenting the implementation of, and compliance with, any corrective action.

BDO AUDIT APPROACH

All BDO audit projects are managed in APT (Audit Process Tool). The software connected to Caseware Working Papers for lead schedules and other financial information, and uses templates of audit procedures that can be tuned for every client. The APT brings significant benefits to our audit practices throughout the network: timely and more efficient multi-location and cross border audits, a more intuitive audit methodology compliant with the clarified International Standards on Auditing (ISAs), teamwork on a real-time basis, consistent worldwide audit performance, scalability, and expected efficiency improvements after the first year.

QUALITY ASSURANCE

The firm had a Quality Assurance Monitoring Visit from the Quality Assurance Unit (Accountancy Board) between 25th April and 7th November 2017. The scope of the visit was to review the quality control system of the firm together with the compliance testing of procedures and the files to assess its adequate functioning. The firm received the final copy of the quality assurance review report on the 9th January 2018.

BDO Malta confirmed its high standards of internal quality control.

PUBLIC INTEREST ENTITIES AUDITED BY THE FIRM

During 2018 the firm carried out a statutory audit of:

- ▶ Sparkasse Bank Malta p.l.c.

The firm also audits a number of companies that may be considered of significance in view of their size, operations or ownership, but not public interest entities in terms of regulatory requirements.

AUDIT FIRM'S INDEPENDENCE

As already stated above, the firm has in place policies aimed at ensuring that it is compliant with acceptable independent standards and good practice. These policies cover the firm, the partners and administrative staff.

It is the firm's policy to encourage and support the continued professional education of all professional staff, including staff members engaged in auditing. It is through continued professional education that the firm can ensure that high standards are maintained in the quality of work produced.

These policies and procedures adopted by the firm meet, and in many instances exceed, those that are promulgated by the Accountancy Board and the Malta Institute of Accountants. These include:

- ▶ an annual declaration undertaken by all partners and staff;
- ▶ audit file quality control reviews examining a selection of audit files covering all Responsible Individuals on an annual basis; and
- ▶ other monitoring activities targeting specific aspects of audit independence.

All these monitoring and review activities were operational during the past financial year.



We have a designated Independence Champion, an experienced partner, who monitors compliance with the applicable independence policies and procedures, provides consultations regarding independence matters, and oversees independence training and maintenance of a restricted entity database.

We also maintain a database of all our firm's restricted entities, including listed companies and other public interest entities. This is available on our intranet and its objective is to prevent the performance of prohibited non-assurance services or investment in these entities. The database is continuously updated.

Prior to accepting any new client or assurance engagement, our engagement teams must perform specific procedures to identify potential conflicts of interest and threats to our independence. Procedures include a custom-made web-based tool to facilitate international conflict of interest and independence checks throughout the BDO network.

PREVENTION OF MONEY LAUNDERING AND FUNDING OF TERRORISM

BDO Malta has included in its Policies and Procedures Manual an extensive section covering Prevention of Money Laundering and Funding of Terrorism.

Our partners and directors have the highest regard for the protection of BDO Malta against any risks of money laundering and funding of terrorism. BDO Malta strives to have policies and procedures, systems and controls to help deter and detect money laundering and funding of terrorism.

Employees are required to confirm on an annual basis that:

- ▶ they are familiar with these procedures;
- ▶ they have complied with them;
- ▶ they are aware of who the firm's MLRO is.

IT STRUCTURE

Our IT infrastructure is regarded to be the backbone of the firm's business. The firm has collaborated with the best IT suppliers for the latest hardware technology and has gone to great lengths to be able to provide the best possible software solutions to our clients with speedy and secure systems. Our resources are also available on various platforms and accessible from anywhere and at any point in time. Our teams are also equipped with high-end mobile solutions with secured access to the company's document management structures, sensitive client data and other facilities as expected from modern mobile offices.



CONTINUED PROFESSIONAL EDUCATION

The firm has a policy of facilitating and encouraging continued education as an important means of developing knowledge and maintaining and improving the quality of its services and of motivating and retaining its personnel.

The continuing education program is comprised of training sessions organised by the firm specifically designed to meet its needs, by the BDO International network as well as external training by relevant professional bodies. Certain courses are mandatory and others are optional. The CPE requirements for professional auditors in Malta are also factored in to the programme. It is the policy within BDO Malta to support and finance the CPE activities undertaken by staff members, both locally and internationally through the network.

Hands-on training is given to all new recruits on the BDO audit methodologies, tools and processes. As already stated above, a high-level of training was given to all staff with the introduction of the new BDO Audit Process Tool.

More experienced personnel and partners are encouraged to constantly update and deepen their technical knowledge. Developing management and interpersonal skills are also very important for this group.

Continued professional education is also a factor taken into account for the yearly evaluation of audit staff and the assessment of their career potential within the firm. We are committed to developing and maintaining the highest possible standards of technical competence through our own development programmes.

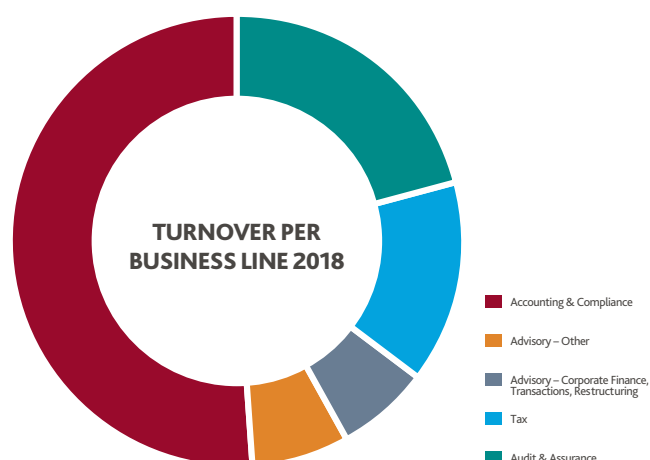
FIRM'S ROTATION POLICY

The firm's policies with respect to rotation of key audit partners and staff (i.e., those other than the engagement partner and Engagement Quality Control Reviewer, who are specifically covered by statute/regulation) is principles-based, depending on the facts and circumstances of the engagement. Typically, such 'key audit partners and staff' include audit partners and senior managers/ managers performing a significant portion of the work, as well as specialist partners and senior managers/ managers (e.g., tax, valuation).

As regard to the key audit partners responsible for carrying out a statutory audit of a public interest entity, these cease their participation in the statutory audit of the audited entity not later than seven years from the date of their appointment; they will not participate again in the statutory audit of that public interest entity before three years have elapsed following that cessation.

FINANCIAL INFORMATION

The financial statements of BDO Malta for the year ended 31 December 2018 are still in the process of being finalised. The turnover figures presented below are preliminary and may be subject to change.



BDO MALTA			
Turnover per Business Line 2018	'000 €	Revenues 2018	'000 €
Audit & Assurance	1,098	Public interest entities (PIEs) & entities whose parent is a PIE	80
		Other entities	1,018
Tax	751		
Advisory – Corporate Finance, Transactions, Restructuring	346	Permitted non-audit services to entities audited by the firm	175
Advisory - Other	365	Non-audit services to other entities	3,762
Accounting & Compliance	2,475		
Total	5,035	Total	5,035

The combined turnover from statutory audits of the BDO EU/EEA audit firms for the period 2017/18 was €631,912,414.

Please note that Member Firms of the BDO network have different year ends. Therefore, the total number provided is a combination of the statutory audit turnovers of EU/EEA member firms for their latest financial year. For each firm using another currency than EUR, the average exchange rate for the period they reported has been used.

John J. Attard

Compliance Partner

PARTNERS AND DIRECTORS



JOHN J. ATTARD
SENIOR MANAGING PARTNER

John has over 45 years' experience working in the Audit and Accounting sector and in that time he has built up a deep knowledge and understanding of the issues and challenges faced by the market. His role is to identify opportunities and contribute to the growth and the development of the practice and is also responsible for delivering high quality services while adhering to compliance standards and ensuring that the Company receives an excellent service from the team.

He is an expert on:

- ▶ Audit
- ▶ Trust and Corporate Services
- ▶ International Taxation
- ▶ Investigations



MARK ATTARD
CEO

Mark Attard is the CEO and International Liaison Partner at BDO Malta and is responsible for the development of business strategies and plans which are in line with short term and long term objectives of the firm. He oversees all operations and business activities to ensure they produce the desired results which are consistent with the overall strategy. Mark is responsible for making high-quality investment decisions which are in line with the firm's growth strategy.

Mark has led a number of client projects across different industries helping clients to start-up or relocate their business to Malta. He also leads the iGaming advisory and licensing service line.

Mark is a Certified Public Accountant with more than 16 years post-qualification experience in finance, company restructuring and turn-around, business development and advisory.

He has worked on major assignments with public entities, Groups of Companies and multi-nationals.



JOSEF MERCIECA
TAX PARTNER

Josef Mercieca heads the tax team as Tax Partner for the Firm and co-leads the Firm's blockchain advisory team.

Josef holds a first degree in Accounting and is a member of the Malta Institute of Accountants (MIA) and the Malta Institute of Management (MIM) and has delivered several presentations and training courses on topics relating to VAT, tax and corporate restructuring, both in Malta and abroad. Josef was one of the contributing authors in "Principles of VAT Law" the first ever publication on VAT in Malta and regularly authors articles on taxation. He is also a frequent speaker at conferences dealing with blockchain and taxation of crypto currency transactions and has authored various articles on the subject matter.



SAM SPIRIDONOV
AUDIT PARTNER

Sam Spiridonov has developed more than 16 years of professional experience in accounting, audit and finance. His technical qualifications include accounting and financial control of industrial and constructing companies. His professional experience includes financial statements transformation, combination and consolidation of financial statements.

Sam has particular qualifications in audits of financial entities, including leasing companies, fund administrators, and other financial institutions.

As Audit partner he is also responsible for internal quality control of the audit process in BDO Malta, reporting to the Managing Partner. Within BDO network, Sam represents BDO Malta as IFRS Champion and Regulatory partner.



LUKE ATTARD
DIRECTOR

Luke is a Director at BDO and forms part of the Business Development Department.

He is the first point of contact with all clients seeking relocation services to Malta and assists such clients with most of the services offered by BDO Malta, mainly Corporate, iGaming, Trust and Fiduciary, Yacht and Shipping Registration and Financial Services.

Together with the other directors, Luke is also responsible for promoting the well-being of the firm through the successful leadership and management of the company according to the strategic direction set by the Board of Directors.

APPENDIX I

COUNTRY	TERRITORY	NAME OF THE AUDIT FIRMS IN YOUR TERRITORY
AUSTRIA	Austria	BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Audit Styria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Salzburg GmbH Wirtschaftsprüfungsgesellschaft
	Austria	BDO Oberösterreich GmbH Wirtschaftsprüfungs - und Steuerberatungsgesellschaft
BELGIUM	Belgium	BDO Bedrijfsrevisoren - Réviseurs d'Entreprises CVBA
BULGARIA	Bulgaria	BDO Bulgaria OOD
CROATIA	Croatia	BDO Croatia D.O.O.
	Croatia	BDO Savjetovanje d.o.o.
CYPRUS	Cyprus	BDO Limited
CZECH REPUBLIC	Czech Republic	BDO Audit s.r.o
	Czech Republic	BDO CA s.r.o.
	Czech Republic	BDO CB s.r.o.
	Czech Republic	BDO Plzen s.r.o.
DENMARK	Denmark	BDO Statsautoriseret revisionsaktieselskab
ESTONIA	Estonia	BDO Eesti AS
FINLAND	Finland	BDO Oy
	Finland	BDO Auditor Oy
FRANCE	France	BDO France Léger & Associés SARL
	France	BDO IDF SARL
	France	BDO PACA SAS
	France	BDO Atlantique SA
	France	BDO Rhone - Alpes SAS
	France	BDO ZAS SAS
	France	BDO Les HERBIERS SA
	France	BDO FONTENAY LE COMTE SAS
	France	BDO SAINT GILLES CROIX DE VIE SARL
	France	BDO NANTES SAS
	France	Vincent Rusé Conseil SAS
GERMANY	Germany	BDO AG Wirtschaftsprüfungsgesellschaft
	Germany	BDO Arbicon GmbH & Co. KG Wirtschaftsprüfungsgesellschaft
	Germany	BeGeKo GmbH Wirtschaftsprüfungsgesellschaft
GIBRALTAR	Gibraltar	BDO Limited
GREECE	Greece	BDO CERTIFIED PUBLIC ACCOUNTANTS S.A.
HUNGARY	Hungary	BDO Hungary Audit Ltd
ICELAND	Iceland	BDO ehf.
IRELAND	Ireland	BDO

COUNTRY	TERRITORY	NAME OF THE AUDIT FIRMS IN YOUR TERRITORY
ITALY	Italy	"BDO Italia S.p.A."
LATVIA	Latvia	AS BDO Latvia
LIECHTENSTEIN	Liechtenstein	BDO (Liechtenstein) AG
LITHUANIA	Lithuania	BDO Auditas ir Apskaita, UAB
LUXEMBOURG	Luxembourg	BDO Audit
MALTA	Malta	BDO Malta CPAs
NETHERLANDS	Netherlands	BDO Audit & Assurance B.V.
NORWAY	Norway	BDO AS
POLAND	Poland	BDO Spółka z ograniczoną odpowiedzialnością Sp. K.
PORTUGAL	Portugal	BDO & Associados, SROC, Lda
ROMANIA	Romania	BDO Audit SRL
	Romania	BDO Auditors & Accountants SRL
	Romania	BDO Auditors and Business Advisors SRL
SLOVAK REPUBLIC	Slovak Republic	BDO Audit, spol. s r.o.
SLOVENIA	Slovenia	BDO Revizija d.o.o.
SPAIN	Spain	BDO Auditores, S.L.P.
	Spain	BDO Audiberia Abogados y Asesores Tributarios, S.L.P.
SWEDEN	Sweden	BDO AB
	Sweden	BDO Göteborg AB
	Sweden	BDO Göteborg Intressenter AB
	Sweden	BDO Göteborg KB
	Sweden	BDO Linköping AB
	Sweden	BDO Mälardalen AB
	Sweden	BDO Mälardalen Intressenter AB
	Sweden	BDO Norr AB
	Sweden	BDO Norr Intressenter AB
	Sweden	BDO Stockholm AB
	Sweden	BDO Sweden AB
	Sweden	BDO Syd AB
	Sweden	BDO Syd Intressenter AB
	Sweden	BDO Syd KB
	Sweden	GO Bolagssupport AB
	Sweden	Wahlberg & Co AB
UNITED KINGDOM	United Kingdom of Great Britain and Northern Ireland/ Isle of Man	BDO LLP
	Northern Ireland	BDO Northern Ireland
	Guernsey	BDO Limited

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