

Cyprus Annual Review 2013

How we responded
to the FY13 challenges,
focussing on our clients
and our people.

September 2013



Key performance indicators

Our clients:

68% state that PwC brings in the right experts

65% Inspires confidence

65% offers tailored solutions

63% delivers consistent high quality

PwC Cyprus remains as in previous years the leading brand among professional services firms in Cyprus

Figures based on an independent, blind survey of 50 of the leading businesses in Cyprus carried out between May and June 2013



Awards & Accreditations:

Investors in People (IIP)
Gold accreditation

Maintaining our prestigious "ACCA Approved Platinum Employer" status



Financial Performance:

€77,3m Net Revenues
3,3% Increase of net revenues compared to FY12

€24,6m Total contribution to government revenues

Including PAYE, corporation tax special contribution for defence VAT, social insurance and special contribution



Our people:

Over **900** people including **750** University graduates and more than **400** qualified accountants

3 new Directors, **7** new Senior Managers and **121** promotions to the other grades

76% People engagement score¹

86 New recruits

21 of our People worked on international secondments in other PwC firms around the world

56 ACA and **13** ACCA Newly qualified accountants

3 of our ACA trainees received 4 awards for achieving first worldwide place in individual papers, as well as the 1st and 3rd place overall for the ICAEW Professional stage examinations during the year 2012

¹ Employee feedback obtained through our Global People Survey

Corporate Social Responsibility:

€72.000 worth of pro-bono and discounted services donated to community organisations and charitable institutions

€42.000 donated to non-profit organisations

240 people from our organisation volunteered spending 557 hours for some of our activities



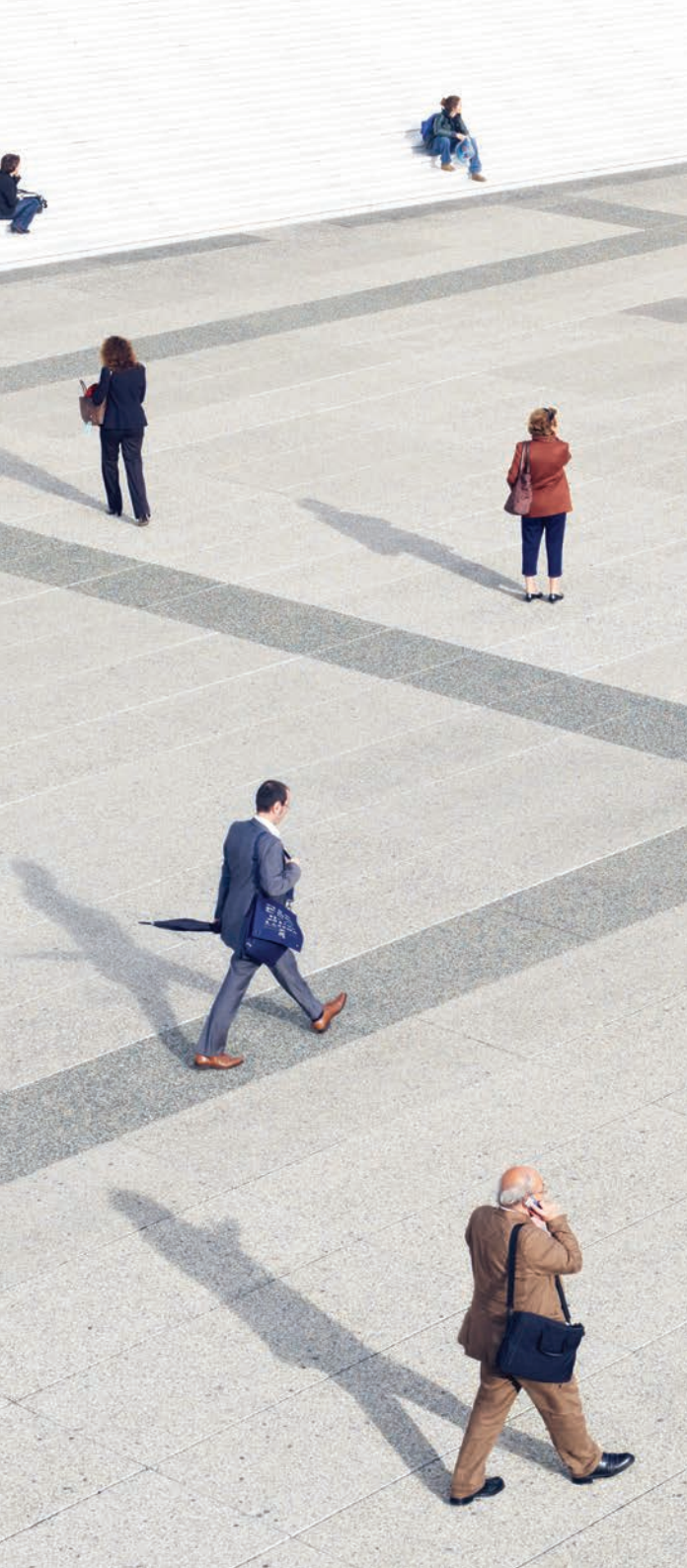


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Evgenios C Evgeniou
CEO
PwC Cyprus

CEO message

Welcome to our Annual Review for the financial year which ended on 30 June 2013 (FY13). The report reflects our strategy, our key achievements over the past 12 months as well as the main challenges we faced.

The economic conditions

Financial Year '13 started with the application of Cyprus for EU and IMF financial support which was concluded 9 months later in March '13. During those 9 months the Cyprus economy was in recession. The uncertainty regarding the final agreement on the financial assistance package had an adverse impact on Cyprus as a business centre.

The financial assistance package

The €10 billion financial assistance package for Cyprus will be used to refinance public debt and recapitalize the Cooperative Banks. The agreement was harsh for the two local banks, with one being wound down and the other recapitalized through depositors bail in. Cyprus has agreed to implement reforms, which will ultimately strengthen the economy. Importantly, the main pillars of the development of Cyprus as a business centre, which have been the tax, legal and regulatory frameworks and the quality of professional services, have proven resilient, and remained fundamentally unchanged.

Our financial performance

Despite the difficult economic and market conditions we have achieved responsible, profitable growth. Our revenues grew by 3.3% to €77,3 million. This reflects the trust of local and international businesses for our services and the professionalism, hard work and commitment of our people. Our total contribution to state revenues, in the form of direct and indirect taxation and other contributions, was €24,6 million.

Our clients

Our financial performance is the result of the strength of our brand and the trust of our clients in delivering value. According to the independent market survey carried out in June '13, PwC remains the clear leading brand amongst professional services firms in Cyprus. Professional services buyers in Cyprus rank PwC first for a number of attributes including, inspiring confidence, helping companies to be successful, bringing the right experts, delivering consistently high quality and offering tailor made solutions. These results are in line with the feedback we receive directly from clients in the context of senior partner review visits and client surveys. Maintaining and strengthening the trust of our clients remains a major challenge with the intention of continuously improving the value we deliver to them.

Our people

Our major asset is our people who enable us to deliver value to local and international clients with a broad range of services across several industries with quality, professionalism and dependability. We continue to invest in the training, development and advancement of our people and this has been recognized with the Investors in People (IIP) GOLD accreditation. The engagement index score amongst our people held up at 76% reflecting their commitment to the firm. In FY13 we had 3 new Directors, 7 new Senior Managers and 121 promotions to other grades. Moreover, we recruited 86 people of whom 61 were university graduates. Our trainees achieved very high exam pass rates and three of our ACA trainees won four global prizes. During the year, 56 of our trainees obtained the ACA and 13 the ACCA qualification bringing the total number of qualified accountants in the firm to 403.

Quality

Quality is the foundation of our work and it is at the core of our culture. Our firm is committed to delivering high quality work for our clients, acting with integrity and demonstrating the high standards of professional behavior that we uphold. We take our public interest responsibilities seriously and we believe that it is important

that the relevant stakeholders understand the scope and limitations of our work. In this context we engage in discussions with regulators with respect to changes that might enhance audit quality, increase investor confidence and generally improve the way our profession works. In the quality, risk management and integrated network review assessments that were carried out during the year by our global network and the monitoring visit by our professions regulatory body we achieved very good results demonstrating our continuous commitment to quality.

Our global network

PwC Cyprus is part of the leading and most complete global professional services network. The PwC network, which employs close to 180,000 people in 158 countries, provides us with the knowledge and expertise to deliver value to our local and international clients and service them across borders. Equally important are the opportunities for our people. During FY13, 21 of our people worked on international secondments in other PwC firms around the world and 6 people came from other PwC firms to work with us in Cyprus.

The financial year ahead

Financial Year '14 promises to be more challenging than the year that has just

ended. Whilst we budget for a decrease in revenues we will continue to invest in the development of our people, in building capabilities for the future, in improving the efficiency of our service delivery and importantly in proactively delivering value to clients.

In the current volatile environment I believe that we are well positioned to provide the value, quality, dependability and cutting edge advice that clients are looking for. The achievements of the past year reflected in this annual review are the result of the hard work and commitment of everyone in our firm for which I would like to sincerely thank them.

Last but not least my gratitude goes to all our clients. Their trust gives us the confidence to continue working towards improving further the value that we deliver to them.



Evgenios C Evgeniou
CEO

September 2013

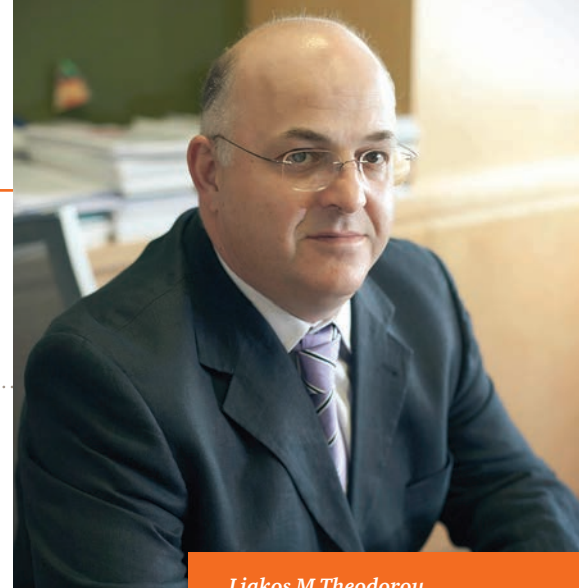
Our services

Message from the Head of the Assurance & Advisory Service Line

“FY13 was a particularly challenging year during which we have seen the implications of the Global and European financial downturn inflicting a real economic crisis in Cyprus which necessitated the request of support from the European Union and the IMF. The decisions and measures that followed had an adverse impact on the Cypriot companies operations, working capital, investment and deposit holdings, valuation of their assets etc. The developments affecting the Cyprus economic conditions and its banking system created new challenges for our Assurance competencies and increased the focus on Auditors. These conditions offer an opportunity to highlight the importance of quality independence and objectivity in an audit so as to restore trust. Attributes that are at the heart of the PwC Audit.

We have maintained a strong focus on quality and leveraging on our technical and industry expertise, I believe we have delivered value to clients and provided confidence to other stakeholders.

Similar to every crisis challenges and problems come also with opportunities and our Risk Assurance, Performance Improvement Consulting and Deals competencies were kept very busy with special assignments especially during the first nine months of the financial year until the Eurogroup decisions in March. We are determined to continue to seek the opportunities which will begin to emerge from the challenging times ahead of us, supporting our domestic clients with our knowledge and expertise, helping them to adopt to the new realities, reorganise and transform their businesses to survive the worst crisis in Cyprus since 1974 and come out stronger in the future.”



Liakos M Theodorou
Head of Assurance & Advisory

The integrated Assurance and Advisory practice with 30 Partners and Directors and 370 staff services local and international clients, public and private companies, bringing together a diverse team of experts that work together to meet the increasingly complex needs of clients in the current market and economic conditions.

Assurance

Quality audits come from a knowledgeable, questioning, imaginative and insightful approach. We are experts in the application of audit methodology and audit techniques and we use our expertise to make our clients' audits efficient and effective. We use our knowledge of our clients, together with our position as trusted advisor, to match our approach and our solutions to their needs. We use the audit to explore and think more widely about our clients' businesses and the potential issues they face. This understanding enables us to offer new solutions to our clients' problems, to help them learn from the past and prepare them for the future.

An example worth mentioning here is the Real Estate Industry where our local technical expertise, including our representation by a partner on the PwC Global Real Estate Industry Accounting Group, and industry knowledge has, in close coordination with PwC Russia, allowed us and the Russian Firm to win various audit engagements in the real estate industry (both the investment property holding and the real estate development).

This year we secured the audit of the one of the largest owners and managers of a portfolio of high quality office properties in Moscow.

In addition our knowledge and experience in the offshore supply vessels and rigs industry has differentiated ourselves in the market (especially in entities with Norwegian interest) and helped us to provide a quality service to our existing clients (Songa Offshore SE; Deep See Supply; SD Standard Drilling; Frigstad; Mosvold; Prospector) and allowed us to have important new wins (Sigma Drilling) in the industry.

Accounting Consulting Services

Our group provides:

- advice to various international and local group's regarding accounting for Group re-organisations in the consolidated and separate stand alone financial statements
- advice on specialised accounting treatments in the foreign exchange trading business (ie welcome bonuses etc)
- secondment of various levels of staff (including partner) to clients assisting them in preparing relevant accounting memos and quality financial statements to enable the client to meet tight deadlines in relation to contemplated IPOs

- provide specialised IFRS training to executives and staff in the financial services and shipping industry; with updates on the current IFRS developments (for financial instruments - IFRS 9; Exposure draft on leases and revenue recognition) and hot issues (impairment of financial and non-financial assets; going concern issues; derecognition of financial assets and liabilities etc)
- advice on accounting for share based payments

Risk Assurance Consulting

We offer solutions that help management make well-informed decisions. The insight and independent assurance we bring provides an invaluable safeguard in today's complex operating environment. We work with our clients to help them to protect and strengthen every aspect of their business from people to performance, systems to strategy, business plans to business resilience. We can add significant value to clients who want to:

- Manage their processes efficiently and effectively as well as mitigate inherent business risks and strengthen internal controls
- Obtain the required licenses to offer regulated services in Cyprus (e.g. Banking, Investment, Insurance, Fiduciary services)
- Set up and operate an Alternative Investment Fund or UCITS in Cyprus

Our services

- Proactively address the requirements of local regulators (Central Bank, CySEC, Superintendent of Insurance)
- Increase the Board's effectiveness and align the way it operates with best practices
- Strengthen the Corporate Governance of the organisation
- Enhance and strengthen the Internal Audit department's capabilities
- Have in place a framework which effectively addresses fraud prevention and detection
- Have insights on the integrity and background of new business partners and prospective employees
- Gain competitive advantage by leveraging Information Technology ("IT") for the benefit of the organisation
- Increase confidence in the quality of the information produced by the IT systems

Performance Improvement Consulting

Through the specialist knowledge and experience that we have consolidated over 15 years of presence and drawing on the expertise of our international PwC network, we can help you address issues under the following areas:

- Strategy and Operational Effectiveness
- People and Change
- Sustainability Business Services
- Project Management

Our team, with a vast experience in all industries, specialises in offering tailor made practical solutions to our clients with an aim to support their response to the recession, market and people challenges. Under the current economic conditions, the need to transform the business model of the organisations is critical. We support our clients by providing services in relation to their strategic re-alignment, re-design of their activities, processes and procedures, achievement of cost savings and re-design of their organisational structure through clarification of the roles and responsibilities.

Increasingly, in today's operational environment of responsible leadership organisations need to address important sustainability issues including climate change. We support such organisations in the areas of quality, environment, occupational health and safety and food safety management and most importantly on Corporate Sustainability Strategy and Reporting.

The major asset of the organisations is their people and especially in this difficult economic environment, the continuous investment in their development is more important than ever. Our team comprises of Specialist Advisers who can support organisations in achieving the Investors in People (IiP) accreditation.

In addition, we can design Management Workshops to align minds and management practices, workshops to enhance team effectiveness and skill building workshops focusing on developing the right skills to support the business.

We can also support our clients through targeting and selecting the right people, advising them on market salary ranges and job responsibilities.

Global mobility lies at the heart of many international companies and our Expatriate Services team aims to help companies harness the value of global mobility by assisting in the effective planning, implementation and management of the expatriate relocation. We also support clients seeking to obtain the Cyprus Citizenship by investment or those expatriates who choose Cyprus as their permanent residence.

Deals & Corporate Finance

Our Deals & Corporate Finance (DCF) provides consulting on:

- Mergers and acquisitions
- Valuations
- Feasibility studies
- Restructuring plans
- Crisis Management

Our team offers complete and effective solutions to companies of the private and public sector. The specialised advice and continuous support we offer to our clients has the ultimate aim of enhancing shareholders' value.

We facilitate the transactions taking place in Cyprus by offering valuation services to our clients, supporting them with the negotiations and assisting them in the structuring of the deal. We assist our clients in the restructuring of their debt facilities and with the securing of new funds, either in the form of equity or loans. We provide support to our clients in assessing their investment options by preparing feasibility plans and assisting them in developing the appropriate business strategies.

During crisis situations, we perform independent viability assessment of troubled businesses and analysis of the recovery options available to the business and its lenders and firm recommendation as to what should be done, in order to achieve a win win result for both sides.

We offer corporate turnaround services by designing and implementing appropriate strategies for each business based on:

- Diagnostic review and assessment of the troubled businesses
- Short-term corrective measures to restore liquidity
- Long-term corrective measures to restore viability and profitability

At Deals and Corporate Finance we can tailor our service offerings according to the needs of our clients and we are prepared to work with them under difficult circumstances and strict deadlines in order for them to achieve the desired outcome.

Capital Markets

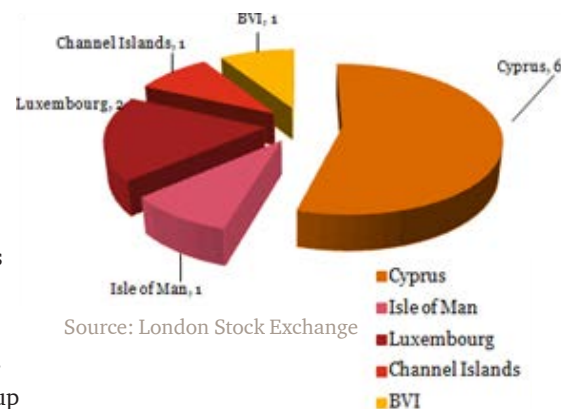
Our Capital Markets Group offers advice in relation to access to the global capital markets and on any relevant transactions such as an Initial Public Offering or Eurobond offering. We focus on the IPO and debt raising process from beginning to end, providing initial advice as well as continuing support to the company and its underwriters up to the point of listing and beyond.

During FY 13, we supported several of our clients, both before and after the Eurogroup decision, in raising \$1,5 bn on cross-border equity and Eurobond transactions. The securities were listed on international stock exchanges including London, Dublin, Moscow and Singapore.

Cyprus as a listing jurisdiction

Cyprus has established itself as a credible jurisdiction for significant cross-border transactions.

The result is an established track record in successful international IPOs. As shown in the chart below, Cyprus as a listing jurisdiction accounted for 6 (about 55%) of Russian and CIS IPOs on the London Stock Exchange for the period from 1 January 2008 to date.



PwC Cyprus acted as reporting accountant in 4 out of these 6 transactions. The total capital raised by our clients through these transactions was \$1,8 bn.

Finally, we continue to support the Cyprus Stock Exchange by offering our advice and expertise both to the issuers and to the exchange itself.

Transactions Support

Our Transactions Support practice helps companies in their acquisitions, divestments and strategic alliances. We assist with operational, financial, tax and legal due diligence for both, buyers and sellers. We can also provide advice for structuring a deal in the most tax efficient manner.

We have been involved in a number of due diligence assignments with companies in several sectors including Financial Services, Hospitality and Leisure, Construction and other sectors.

Privatisations

Privatisations is an area that has become relevant in Cyprus, mainly due to provisions of the Memorandum of Understanding between the Cypriot Government and the Troika. PwC is actively involved in the area of privatisations; we have been in touch with clients for provision of advice with regards to privatisation issues and have secured assignments as regards specific privatisations prospects.

PwC Cyprus was the lead sponsor of the “Debating on Europe’s future” conference which was organised by The Economist in March 2013. Mr Rolf E. Meakin, Global Telecoms Advisory Leader, PwC U.K., and Mr Hansjorg Arnold, PwC Germany Partner, participated in the session, delivering presentations on Telecom and Ports privatisations respectively.

We have actively contributed to the local debate on the privatisation issue, through the issue of our publication ‘A beginner’s guide to privatisations’ as well as articles in the local press.



Conferences

PwC Cyprus sponsored and participated with speakers in the London Stock Exchange Conference held in Moscow in July 2012. Socrates Paschalidis, CMG Director in PwC Cyprus, delivered a presentation on the benefits of Cyprus as a listing jurisdiction for cross-border listings.



Secondments

We believe in secondments as an important way of investing in our people. Our secondees are given the opportunity to sharpen their technical skills as well as strengthen their capital markets network, both of which ultimately add value to our clients. Over the last few years, we had secondments in London, Paris and Moscow.

Publications and Website

A number of publications on topical issues and current developments are regularly released on our website.

Furthermore, our microsite is being continuously updated and is a useful tool for interested parties that wish to keep in touch with developments as regards capital markets/transactions support issues and seek the services of our firm.



Message from the Head of the Tax & Legal Service Line

“The financial year that ended 30 June 2013 was surrounded by uncertainty. It coincided with the application of the Cyprus Government to Troika for financial aid, the resolution/restructuring of the country’s two biggest banks and the introduction of capital controls. All unprecedented events which had a significant impact on the economic activity and on our business. Our efforts from the very beginning have concentrated on helping our clients to continue their activities as unaffected by the events as possible. We have stayed close to our clients throughout and tried to be responsive to their needs. In the process we have managed to protect our client base and have ended the financial year with a modest growth.

We believe that the uncertainty of the last financial year will largely be over with the end of the restructuring process of the two banks and the lifting of the remaining capital controls hopefully by the end of 2013. We take comfort of the fact that our Government is committed to implementing all measures agreed with Troika and to introducing initiatives that will help the economic growth of Cyprus. We are convinced that Cyprus will continue to play a significant role as an international business centre and regional hub and will be devoting our energy and resources to help Cyprus succeed.”



Costas L. Mavrocordatos
Head of Tax & Legal

Our services

During the difficult times of an escalating financial crisis, our 29 Partners and Directors and 348 staff have stood by our clients and supported them through providing sound advice and constructive solutions.

Global Compliance Services

Our Global Compliance Services (“GCS”) comprising the whole spectrum of company administration and corporate statutory compliance services, bookkeeping, accounting and payroll services as well as specialised services such as private client services, advice on establishment and administration of local and international business companies, collective investment schemes, CITS, investment firms and trusts.

Our clients are looking for a comprehensive service for their business that includes in addition to the services offered by GCS, tax, legal, assurance, advisory and other services. PwC with its size and capabilities is in a prime position to provide all these services and GCS operates as a one point of contact within the firm to facilitate an integrated service offering.

Responding to international developments, we are as a firm assisting clients to increase their substance in Cyprus through our specialised service Pathfinder which provides a comprehensive support to companies and their officials when setting-up offices in Cyprus.

During the year we have made presentations of our services to key markets and in particular Russia, Ukraine, China, Poland, Slovakia demonstrating our capabilities and discussing opportunities.

These resulted to some significant wins amongst others a large Russian construction group and a large Chinese group investing in solar energy in Europe.

During the banking crisis we have provided close support to our international clients through regular updates on all developments and we have provided a timely response to their increased enquiries due to the banking crisis in order to ensure that they can continue their business seamlessly. In addition and in collaboration with our Legal and Tax departments we have addressed asset protection issues.

Direct & Indirect Tax services

Through our Direct & Indirect Tax services we can provide assistance and guidance to businesses and individuals in developing tax strategies which both maximise tax benefits and meet all compliance requirements.

Direct Tax Services

Corporate: Advisory Services for tax planning, international tax structuring, mergers, buyouts and other business issues, tax returns administration, agreement with Tax authorities and obtaining tax rulings.

Personal: Tax planning, completion submission and agreement of tax returns, tax services to expatriates, pensioners and other non-Cypriot individuals.

FY13 was a particularly challenging year for Direct Tax given the known economic developments in Cyprus. Its support to the Ministry of Finance in the negotiations with

the Troika was found to be very helpful and was greatly appreciated by the Government. Direct Tax was instrumental in explaining the beneficial nature of the Cypriot tax framework in helping economic growth and has helped to ensure that the tax regime remained largely unaffected. Its quick response post March 2013 in identifying clients’ needs and presenting practical solutions protecting businesses and assets was well received by clients, our PwC international network and the audience in various seminars and presentations abroad and has contributed to the retention of our client base.

Indirect Tax Services

VAT: Advisory services for VAT, VAT recovery and VAT minimisation and tax compliance such as administration of VAT returns, communication with VAT authorities and agreement of disputed assessments.

During this year we have:

- assisted banks and other financial institutions in maximising their VAT recovery positions
- assisted financial institutions in disputing assessments issued by the VAT authorities
- assisted clients in obtaining their refunds from the VAT authorities
- assisted clients in claiming back VAT on bad debts, and
- advised clients on efficient introduction and application of loyalty and sales promotion schemes from a VAT perspective.

Local Compliance Services

Our Local Compliance Services are addressed to all types of businesses that carry out operations in Cyprus. These enterprises cover a wide range of activities and include private and public companies, government and semi-government organisations, foundations, as well as individual entrepreneurs and family enterprises. Our services cover the whole spectrum of accounting, payroll and related employment issues, tax and VAT compliance, business financial advice, statutory compliance services and family estate administration and planning.

Government/Local Authorities

During FY13 we have successfully project managed the endeavours of the Pafos Local Authorities and Business Chamber in their application for the prestigious title of European Capital of Culture for 2017. A process that took two years and involved the selection and setting up of a multifaceted team including urban planners, artistic and cultural institutions, local authorities, business associations, academic institutions, volunteering groups and blending their ideas and visions with that of the promoters namely the local authorities. The process necessitated the preparation of the so called Bid Book accompanied by a comprehensive questions and answers document with supporting financial budgets. The decision of the 11 member Jury appointed by the European Union and the Cyprus Government was that Pafos is the successful city.

Hospitality & Leisure

Some of our other initiatives include assisting a number of potential foreign investors in researching the local industry, performances, economic trends and legalities in their considerations for investment in large multi purpose tourist related projects. Such projects are considered by the government as priority actions and in our efforts to assist both clients and the country we are concurrently making suggestions for incentives that will mutually benefit all.

Health

We have helped two large Medical clinics to merge (possibly the first ones in Cyprus) under the Reorganisation Tax and Corporate scheme. The project involved the studying of both financial and non financial issues, identification of synergies, tax and corporate structural planning, as well as financial planning. We are also assisting them in locating an international affiliation with a reputable medical foreign establishment in line with the endeavours of the Cyprus authorities to establish Cyprus as a reputable Medical centre and promote Medical tourism.



The new business environment under the MoU Prospects and challenges

In the context of providing support to local businesses, PwC Cyprus organised an event with the topic “The new business environment under the MoU. Prospects and challenges” on Wednesday, 29 May 2013 at Aliathon Hotel in Paphos.

The conference which was mainly addressed to owners and executives of businesses operating in the city of Paphos focused on the new business environment after the signing of the MoU as well as on overcoming the current business challenges.

The event was addressed by the Mayor of Paphos, Mr Savvas Vergas and by the President of Paphos Chamber of Commerce and Industry, Mr George Leptos. Pantelis Evangelou, Direct Tax Services Partner at PwC analysed the main provisions of the memorandum and their impact on entrepreneurship, while Mr Elias Dinenis, Rector of the Neapolis University focused on the ways of exiting the economic crisis using examples from other countries.

Particular emphasis was placed on the ways of supporting entrepreneurship both through the presentation of Philippos Soseilos, Advisory Partner and the panel discussion which followed. Participants of the panel discussion included Messrs Elias Dinenis, Pantelis Evangelou, Marios Kedaritis, Hellenic Bank, Polys Polydourou, Piraeus Bank and Matheos Charalambides, Eurobank. The discussion was moderated by Angelos Loizou, Partner, In charge of Local Compliance Services.

Our services

Legal firm

The legal firm, full member of the PwC international network, offers legal services that cover the whole spectrum of corporate and business law, including advising and representing clients in M&A transactions, re-organisations, European Union law and Competition law, setting up and regulating private companies, setting up joint ventures and other forms of businesses and carrying out legal due diligence.



Clients and markets

The depth of our industry knowledge

PwC has developed multi-disciplined teams to work with clients with extensive industry knowledge and experience. The depth of our industry knowledge, like our international perspective, is an attribute that our clients value highly. We invest significant resources in building and sharing such knowledge. We organise around industries to share the latest research and points of view on emerging industry trends, develop industry-

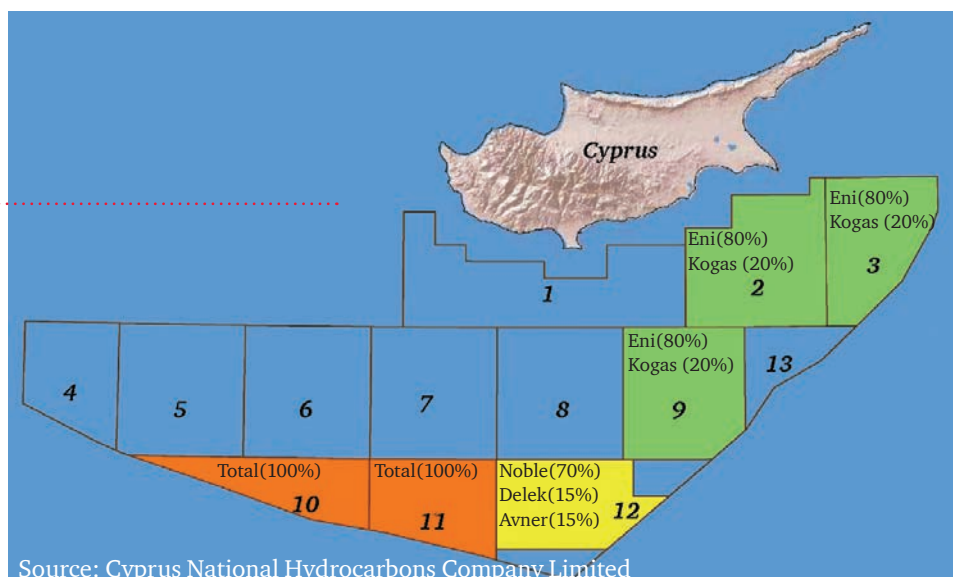
specific performance benchmarks based upon global standard industry practices, and share methodologies and approaches. In addition, our network is available to collaborate on the latest developments unique to a particular industry, especially when the pricing and structuring of potential acquisitions or disposals is at stake.

We list the partners responsible for each of our industries.

- **Banking & Capital Markets**
Stelios C Constantinou
- **Construction & Engineering**
Stephos D Stephanides
- **Energy, Utilities & Mining**
Constantinos Taliotis
- **Entertainment, Media, Communications & Technology**
Nicos A Theodoulou
- **Funds**
Chris Odysseos
- **Hospitality & Leisure**
Angelos M Loizou, Petros C Petrakis
- **Insurance**
Androulla Pittas
- **Investment Management**
George Lambrou
- **Government & Public Sector**
Tassos Procopiou, Philippos C Soseilos
- **Real Estate**
Tasos N Nolas
- **Retail, Consumer & Manufacturing**
Andreas T Constantinides
- **Shipping & Ports**
Yiangos A Kaponides

Energy

Cyprus should be proud of the interest shown by very reputable IOC's in the second licensing round- 5 offshore blocks were awarded during the year to leading oil and gas groups with global operations.



At the beginning of 2013 as part of the second licensing round, the Republic of Cyprus signed production sharing agreements (“PSA’s”) granting exploration licenses for blocks 2, 3 and 9 to the consortium of ENI- Kogas. The exploration licenses for blocks 10 and 11 were awarded to TOTAL.

In February this year, the Cyprus government approved the request of Noble Energy, the operator of block 12, to transfer 30% of the exploration rights to the Israeli companies Delek Drilling and Avner Oil Exploration.

Appraisal drilling in block 12 by Noble Energy and its partners began last June and the results are expected to be announced by coming October. If the estimated quantities of natural gas in the Aphrodite reserve are proven and should the plans of the government of Cyprus for a commercialisation solution in the form of an LNG terminal materialise, this could mark a very important milestone in the ambitions of Cyprus to become an energy producing country.

Cyprus a developing energy hub

Last June a Memorandum of Understanding (“MoU”) was signed between the Cyprus government and the consortium partners of block 12 for the construction of an onshore LNG terminal in Cyprus in the area of Vasilikos. Initial plans have revealed that the project could include up to 3 trains of 5 MTA each as well as a marine jetty and facilities to process the by-products of the liquefaction process.

Given the recent decision in Israel to eventually export up to 40% of its natural gas reserves, Cyprus could become one of Israel’s natural gas export routes to the global markets.

Lebanon’s natural gas reserves have been estimated at 25tcf. The first Lebanese licensing round commenced during the year and despite significant political uncertainty in the country, a large number of IOC’s have expressed interest. An LNG terminal in Cyprus could eventually also service the Lebanese gas reserves as well.

Beyond the planned LNG terminal, the construction of the private oil products terminal of VTTI, also in the Vasilikos area, is proceeding as planned. This is an investment in excess of EUR300million euros. The investment was expanded in April 2013 to include marine bunkers.



Source: Vtti

Enhancing knowledge

Conferences and courses

The “European Mediterranean Oil & Gas Exploration & Production Summit” was organised in September 2012. Our firm was the exclusive gold sponsor of the summit. Michael Hurley, the firm’s Global Energy, Utilities and Mining Advisory Leader delivered a speech on developing integrated gas projects in the new economic environment.



PwC Cyprus was the lead sponsor of “The Cyprus - EU Presidency Summit” entitled “Leadership strategy for stability, progress and prosperity in Europe” organised last October in Nicosia. The summit was co-organised by the Economist, the European Parliament office in Cyprus and the European Commission Representation in Cyprus. Ian Lefebure, a Director from PwC Russia, shared the firm’s experience from global projects for PSA’s and cost recovery which are of particular relevance to the Cypriot emerging energy industry.

PwC Cyprus also hosted a one day seminar in cooperation with PwC Israel in October 2012 in Nicosia. Invitees included CFO’s and other officers of leading energy companies in Israel. Some of the main areas presented were opportunities for investments in Cyprus, cross-border listings through Cyprus and areas for potential cooperation between Cypriot and Israeli businesses.

In April 2013 PwC was one of the sponsors of the 2nd Annual Cypriot-Greek Oil & Gas 2013 Summit. Our Partner In charge of Energy team, Constantinos Taliotis delivered a presentation on developing and supporting energy projects in Cyprus.



An oil & gas training was organised in October 2012 in our offices covering the oil & gas industry value chain and the main accounting issues faced by production and exploration companies. The two days seminar was attended by about 35 colleagues from all lines of service, clients of the firm and other key industry stakeholders. Colleagues from PwC Russia shared their extensive experience during the course.



Secondments

The firm is taking an active interest in securing specialist energy knowledge from the network. As part of that strategy a number of colleagues have been seconded to energy centres of excellence in Aberdeen and Houston. Additional energy secondments are in the pipeline.

Publications and website

The firm's energy publication "Delivering excellence" was released last July with the aim of providing potential energy clients with a clear understanding of the services PwC can offer them, across all lines of service.

The energy microsite continues to be updated regularly and remains a useful tool for interested parties that wish to keep in touch with developments in the industry and who might want to seek the services of the firm.



Scan to visit our website



Business development

The firm secured the cost recovery and statutory audit assignments of Noble Energy during the year. We were also proud to commence cooperation for a wide range of non-audit services with ENI. The firm is also supporting other very important players in the Cyprus and global oil and gas industry, like Ensco, Noble Corporation and others.

A large number of other business development initiatives are currently underway and we believe they will come into fruition in the near future.

The firm's energy team aims, with the support of the network, to become the leading specialist advisor in the energy industry in Cyprus.

PwC Cyprus energy team

From left to right: **Michalis Stephanou** - Senior Manager, Assurance Services, **Lisa Anne Ioannou** - Senior Manager, Assurance Services, **Nicos P Chimarides** - Partner, In charge of Direct Tax Services, **Constantinos Taliotis** - Partner, Assurance, In charge of Energy Team, **Helga Csenki** - Manager, Direct Tax Services, **Andri Hadjikkou** - Senior Manager, Assurance Services



Government & Public Sector

There is a world-wide need for Government and Public Sector organisations to adjust to the new “normal” of “doing more with less” and focus on the outcomes society needs and wants. This new reality is even more profound in Cyprus where, as a result of commitments undertaken under the Memorandum of Understanding, there is a need to implement in a short space of time structural reforms that

would otherwise have taken a great number of years.

The reform vision of the Sector focuses on concepts like citizen-centricity, value for money, strategic prioritisation, public value, results orientation, accountability, transparency, efficiency, agility



Our focus

Central Government / Ministries

In facing up to the great challenge of reform, we focus in supporting Central Government achieve effective implementation. For example, we support efforts around transformation, skills and capacity building and operational efficiencies.

Local Authorities / Municipalities

With increasing constraints on funding combined with ever-increasing citizen demands and pressures on the delivery of public services, challenges for Local Authorities are becoming increasingly important. In PwC we recognise that Municipalities are a key engine of sustainable growth and therefore we are actively involved in various projects aiming at enhancing their operational effectiveness and securing their sustainability.

Privatisations

Privatisations is a dominant feature in the local economic debate and will have significant short and long term consequences on the financial landscape of Cyprus. In PwC we are combining our experience from our global network with our local expertise in order to facilitate the optimisation of benefits for the Cyprus government and the economy at large.

Private Public Partnerships (PPPs)

We stand ready to provide services to the Government and local authorities in potential PPPs projects, as soon as the relevant regulatory framework is approved. We are in a position to offer high standard services drawn from our experience in landmark PPP projects such as the Larnaca and Paphos airports and the Limassol marina and a number of smaller projects.

EU Funds

EU funds are currently one of the most important sources of funding for Cyprus. In PwC we are working closely with the relevant authorities assisting in maximising the absorption of EU funds in the Cyprus economy.

Our specialisations

In order to support the Public Sector in its current challenges we are mobilising a multi disciplinary team combining the following competencies:

- Restructuring and reorganisation
- Transformation
- Operational effectiveness
- Process re-engineering
- People management (including performance appraisal and reward systems)
- Project management
- Sustainability

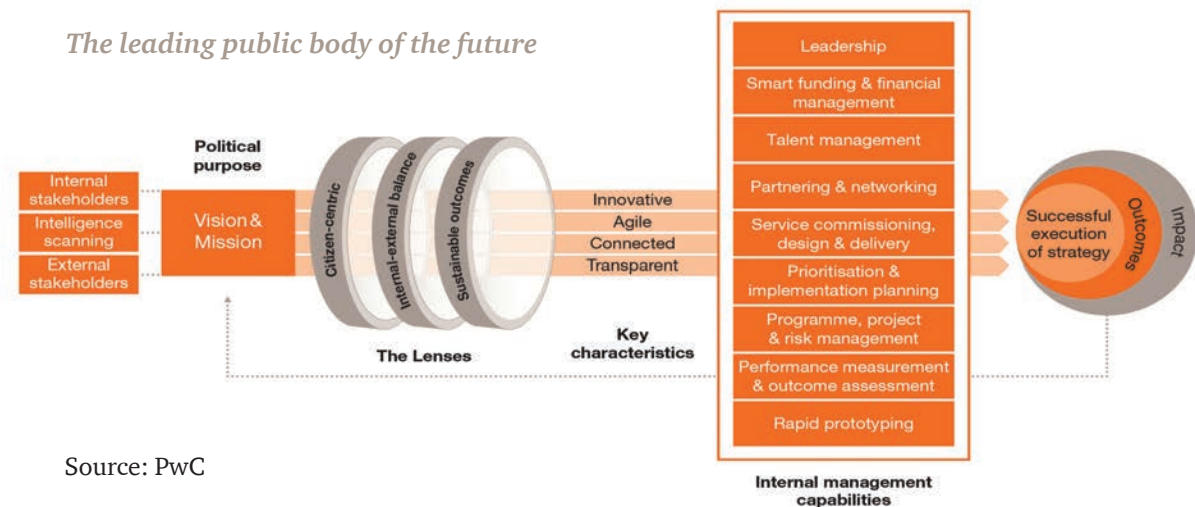


Our recent projects

The skills and capabilities of our team can be demonstrated through the various projects we are undertaking. Below is a list of some of the key projects in FY13:

- **Cyprus Academy of Public Administration (CAPA):**
We are leading a consortium named “Igetikos Palmos” (The Pulse of Leadership) to deliver a training programme with the aim to enhance Strategy, Leadership and Management Development skills in the Cyprus Public Service. The project covers 2,500 managers who attend classroom training and implement work based projects on strategic planning in their organisations.

- **Cyprus Securities and Exchange Commission:**
Preparation of tender documents for the development of a Risk Based Supervision Framework (RBS-F)
- **Municipalities of Nicosia:**
Reorganisation of the garbage collection process in order to identify synergies and achieve maximum efficiency and savings for the Municipalities
- **Public Administration and Personnel Department:**
Business Process reengineering for the Lands and Surveys and Town Planning departments. The main objective of this project is to enhance the quality of the services offered to the public and improve the operational effectiveness of the departments
- **Cyprus Athletic Organisation:**
Internal Audit Services for the organisation and provision of advisory services for the federations subsidised by the organisation
- **Cyprus Ports Authority:**
Internal Audit Services
- **European Patent Office (EPO):**
PwC Cyprus in cooperation with PwC Northern Ireland is delivering a 5 –year Management Development Programme for the population of Aspiring and First Time Managers in 4 different locations (Munich, The Hague, Vienna and Berlin).
- **Cyprus EU Presidency:**
One of our partners supported the EUPAN network activities during the Cyprus EU Presidency.



Banking & capital markets

The Cyprus financial services industry is in turmoil as a result of the unprecedented events of the past year. The banking industry is in crisis and many financial services firms are facing critical strategic decisions and mounting strains as they strive to respond to the recession, regulatory changes and fragile investor confidence. This challenging environment, however, has also created many new opportunities;

our clients draw on the breadth of experience and expertise of Cyprus' most comprehensive financial services advisory, audit and tax practice, supported by our international network. The industry landscape will continue to change and we will be there to provide the insights, advice and support to help our clients respond to the challenges they will face.



Banking industry

The operating environment of Cyprus banks has never been more challenging. We have worked very closely with our banking clients helping them with all aspects of their business, including restructuring planning, data verification and credit reviews, deleveraging initiatives, tax restructuring, regulatory compliance, as well as due diligence work. PwC offers services to 84% of banking institutions in Cyprus by market share and our revenues in FY13 grew by 25% over the last year.

More specifically, during 2012 the two largest Cypriot banks have requested financial support from the Government in order to complete their recapitalisation plans as per the European Central Bank's directives. As part of this process, the Central Bank of Cyprus appointed Pimco in September 2012 to perform a due diligence on the loan portfolios of the major Cypriot banks in order to determine their capital needs. PwC offered assistance to two major Cypriot banks and one Greek bank operating in Cyprus in relation to the

preparatory work that had to be performed for the purposes of the Pimco due diligence. In addition, PwC was appointed by one of the major Cypriot banks to assist with the preparation of their restructuring plan. The restructuring plan was required by the Central Bank of Cyprus and European Commission in order for them to approve the provision of financial support to the Bank. Our work on this assignment was, however, terminated before the restructuring plan was completed as a result of the Eurogroup decisions of March 2013.

We have also worked very closely with the Central Bank of Cyprus and the Ministry of Finance providing specialist support when necessary and organising events with some of the most experienced financial services partners from the PwC network, sharing experiences and making recommendations for actions to be followed.

Finally we have distributed many publications, surveys and other thought leadership material to clients, regulators, government officials and other interested parties informing them of industry trends and challenges, regulatory changes and others. Our most recent publication deals with the implications of FATCA, the Foreign Account Tax Compliance Act, coming into force in January 2014.

Forex industry

Cyprus has established itself as one of the leading CFD (contract for differences) online trading centers in the world, dealing primarily in foreign exchange (forex) but also in shares, futures and commodities. Despite the economic crisis this industry continues to flourish. PwC Cyprus has developed significant expertise in this industry with specialists in audit, regulation, information technology and

tax, bringing together a wealth of technical and practical experience to help our clients create the value they are looking for. PwC Cyprus provides external and internal audit as well as advisory services to more than 40% of all CySEC regulated firms trading in forex, and we have achieved a significant increase in revenues in FY13 over the prior year.

The banking sector has been facing many challenges during the last couple of years. It is expected that the next 12 months will present a lot of challenges to the Cypriot businesses and financial institutions in specific. PwC will continue providing support to the Cypriot banks and businesses in dealing with such challenges (e.g. debt restructuring, liquidity management, deleveraging).

PwC Cyprus



PwC Global



Navigating to tomorrow: serving clients and creating value
Global Private Banking and Wealth Management Survey 2013

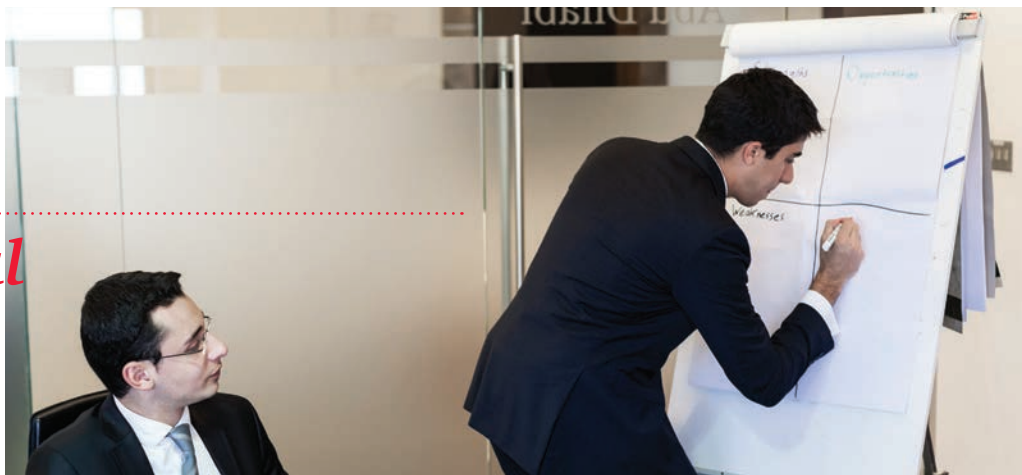


*Banking industry reform
a new equilibrium - Part 1 + 2*

International business

No doubt, March 2013 events have had an impact on our international business.

Although most of our clients and markets - especially those not affected by the "bail-in" - have recognised the events as a Banking crisis, overall there has been relative stagnation in gaining new business during the period March to June 2013. This is a natural consequence as both clients and markets needed to assess the situation and most importantly consider how the events might affect the competitiveness of Cyprus as a business hub.



Staying close to and keeping our clients and markets informed of developments was of primary importance during this period. This was achieved both by our client servicing teams and through participation in various events/conferences both in Cyprus and abroad. New solutions were developed and presented to clients seeking to enhance their structures and provide additional comfort.

New challenges have also surfaced by new Agreements for the Avoidance of Double Taxation that Russia, one of our main markets, has entered into. Although on a strictly technical analysis Cyprus still comes on top overall, the timing of these new Treaties potentially poses further challenges to the Cyprus economy.

What is encouraging is that the great majority of our clients, having considered the possibility of re-domiciling their operations elsewhere and having studied their options, have finally decided to remain

in Cyprus. Indeed a careful analysis of the effects of the banking crisis that has hit Cyprus reveals that the legal and tax regime has in fact escaped unscathed and is expected to strengthen further following the agreed measures to be taken by the Government. Cyprus remains an attractive jurisdiction to be used for international operations and more developments enhancing this role are expected in the immediate future

Pathfinder

During this year, we continued to successfully support international groups setting up operations in Cyprus through our Pathfinder Services. Our experienced team provided personal, proactive and comprehensive support to help companies address all challenges both during the early set up stages and thereafter, helping to minimise time, cost and effort. During 2013 we worked closely with more than 10 large international groups to help them set up their local operations. Our clients originated from various countries including the UK, USA, Russia, Ukraine.'

Russia

We continued our close cooperation with PwC Russia providing a seamless service to our common clients. Russia continues to be our biggest international market. As part of our close cooperation we have extended the secondment of Pambos Sergiou our Tax Senior Manager to PwC Moscow office until September 2013.

Following the March events, we organised and held presentations to clients aimed at explaining the developments, assessing how they would impact their Cypriot operations and proposing solutions to their immediate needs. Together with PwC Russia, we devised a number of ideas to enhance asset protection and mitigate tax exposure under various scenarios.

We attended and spoke at conferences organised by Russian and international firms (either within or outside the PwC network e.g. Baker McKenzie, TMF, etc) putting forward the case for Cyprus in comparison with other structuring alternatives and showing how favourable to Cyprus this comparison continuous to be despite the recent challenges.

As a result of the above efforts our clients have maintained their Cyprus presence despite the adverse events.

Following our decision to explore business prospects in regions other than Moscow, presentations on Cyprus were held in the cities of Yekaterinburg and Novosibirsk, the third most populous city in Russia (after Moscow and St Petersburg) which is also the economic capital of Asian Russia. The events were organised jointly with

the local offices of PwC Russia, they were well attended and they provided useful insights about the similarities as well as some important differences between doing business Moscow and in the Russian regions.

The Senior Partner Reviews of major clients were carried out successfully, with many positive and useful points coming up and being taken forward by the respective engagement teams.

During a difficult period, we succeeded in substantially maintaining our client base as well as generating new business from major client wins (Absolut Group) and securing a number of special assignments.

Wealth Forum Cyprus 2012 Advanced Wealth Planning for Foreign Investors

Organised by IBC Global Conferences on 13 September 2012, the Wealth Forum Cyprus 2012 focused on foreign investments in and out of Cyprus providing high quality lectures from major players in the trust and estate planning world.

The forum which was co-sponsored by PwC Cyprus attracted more than 30 International speakers representing key global markets. Theo Parperis, Partner of Global Compliance Services and Antonis Christodoulides, Partner of Direct Tax Services at PwC Cyprus, provided an update on tax issues.

Cyprus: New Realities and Opportunities Business Breakfast at Baker McKenzie Moscow

On 4 June 2013 a client event with the title 'Cyprus New Realities and Opportunities' was organised by Baker McKenzie at their Moscow offices.

Upon invitation, Theodoros Parperis, Partner, In charge of Global Compliance Services and Stelios Violaris Direct Tax Services Partner at PwC Cyprus presented on the latest Cyprus economic situation, tax regime status and the newly relaxed citizenship criteria. The conference was received very well by all clients in presence and concluded with very positive comments by the Baker Partners themselves, Igor Makarov (Legal) and Sergei Zhestkov (Tax) highlighting that Cyprus remains overall the best package for Russia inbound investments expressing their intention to continue offering Cyprus to their clients as the obvious choice.



Cyprus Business and Real Estate Forum 2013

The Cyprus Business and Real Estate Forum 2013 was organised on 29 March 2013 in Kiev by the Embassy of Cyprus in Ukraine, the Cyprus Chamber of Commerce & Industry, the Cyprus Investment Promotion Agency, the Cyprus Tourism Organisation and MIBS group.

The forum, sponsored by PwC Cyprus, aimed to present Cyprus as an investment destination providing comprehensive knowledge on living and investing in Cyprus. During the conference, Nicos Chimarides, Partner in charge of Direct Tax Services at PwC Cyprus delivered a presentation on the use of Cyprus in real estate structuring.



Ukraine

In FY13 there has been a significant increase in X-LOS fees which reached €3,775K from €3,325K in FY12 representing an increase of 15%.

The growth was mainly driven from new wins and a significant number of other clients. The 15 March events slowed down the growth which otherwise would have been much higher.

During the year we have remained closed to clients and contacts visiting the territory repeatedly and attending various events. The signing of a new treaty with Ukraine presented a challenge in convincing our clients that Cyprus remains a competitive alternative for inbound and outbound investments. Following this development, a very successful event took place in Kiev by our office there, during which we presented the case of Cyprus post – new treaty together with colleagues from The Netherlands, The UK, Switzerland and Ukraine.

The clear message from the event was that Cyprus still remains a very good option despite the new treaty. As a result of our efforts we have not as yet lost any clients, to the contrary we have won quite a few during the year.

China

We pursued the Chinese market actively through our PwC network in the Region, third party contacts as well as through events we participated/sponsored by KEBE. We visited the country once in November 2012. Throughout the year we focused in particular on the Real Estate and Renewable Energy sectors.

We had a major win (Skysolar) as well as a couple of smaller ones. We have just quoted for another major client and are awaiting a reply.

Overall our fee growth for the year amounted to 580% rising to €477K fees from a mere €77K fees in FY12.

Real Estate: The Chinese connection with Cyprus

The real estate conference was organised by the Cyprus Chamber of Commerce and Industry and the Cyprus - China Business Association on 21 March 2013 at the Hilton Cyprus Hotel in Nicosia.

The conference which was sponsored by PwC, focused on global real estate investment opportunities, on the needs of Chinese real estate buyers and risk management in real estate.

The conference was addressed among others by the President of the Cyprus Chamber of Commerce and Industry, the Ambassador of the People's Republic of China and by Panicos Kaouris, Direct Tax Services Partner in PwC Cyprus.



US

Our US sourced business recorded a very significant increase during FY13, averaging a 52% fee growth from FY12 within TLS.

Our investment in that particular market has continued based on the initial business plan set by our firm. The secondment of one of our direct tax directors to New York, the trips of colleagues to a number of PwC offices around the USA and our conscious, continuous efforts to raise awareness on the Cyprus offering through participations in different fora, are starting to give us back good returns.

In FY14 we will actively continue to stay visible as a sound alternative for US outbound investment through featuring and organising physical and electronic presentations, events and postings to targeted industries and on specifically developed products both within and outside the PwC US network.

UK

We stayed close to our clients and PwC UK colleagues from day 1 of the banking crisis in Cyprus and provided regular updates. We had several meetings with clients and PwC UK partners and leadership and attended a number of events. Most notably, our CEO presented successfully the Cyprus case at a major event focusing on the aftermath of the Cyprus crisis. Our efforts helped in retaining our clients. Our secondee to the PwC UK Tax group, Andreas Andronicou, successfully completed his secondment and PwC UK agreed his replacement by another Cyprus secondee, Yianna Maria Loizou. During the year, there were a number of notable wins, despite the adverse market conditions. These include the Camco private equity group and several client referrals generated through our relationship with AbbeyQC.

Domestic Market

The recent developments affecting the banking system and the deepening economic crisis have brought about constraints and financial difficulties on the operations of our domestic clients, which include both Cypriot-owned companies and international companies with a local presence.

Under the current economic conditions and the difficulties faced by the banking sector, companies increasingly face problems and challenges related to cash flow management, financing, cost reduction, supply chain management and human resource management.

Challenges and problems however, are also accompanied by opportunities and prospects. In response to the new economic landscape, PwC is focusing in supporting our domestic clients in the challenging transitional period ahead through the development and provision of specialised crisis-related and transformation advisory services. These services aim at supporting and guiding our clients to build resilience, accept and adapt to the new realities, leverage opportunities and transform their businesses.

In an effort to inform our clients and share with them our expert knowledge, we organised in June 2013 a Business Transformation conference which attracted more than 300 participants. During the conference, subject matter experts from our Advisory team delivered presentations and responded to questions. The topics covered at the conference included, Strategy Realignment, Cost reduction, Employee management, Liquidity and Debt Management, etc.

Additionally, during the year our team of specialists assisted a number of clients in transforming their business model, redefining their strategy to align to the new reality, managing their cost base achieving substantial savings without compromising quality of services, restructuring their operations and effectively managing their human resources. Examples include:

- Strategic re-alignment for an international ship management company
- Re-design of activities and achievement of cost savings for a company in the tourist sector
- Re-design of the organisational structure, roles and responsibilities of an Insurance company and of a non-for-profit organisation
- Transformation of the operational model of a number of local companies through the implementation of the Investors in People (IiP) framework



Cypriot businesses survival conference

The Cypriot businesses survival conference was organised with great success on Wednesday, 26 June 2013 at the Holiday Inn Hotel in Nicosia. The conference aimed at addressing all aspects of the current economic crisis affecting Cypriot companies and the economy in general and to provide useful and practical tools that will support companies in their recovery efforts. The conference which was supported by the Cyprus Chamber of Commerce and Industry and organised in association with IMH, attracted 400 leaders and executives from the local business community.

The conference was addressed by Mr Phidias Pilides, President of the Cyprus Chamber of Commerce and Industry, the CEO of PwC, Evgenios Evgeniou and the Head of Assurance & Advisory Services of PwC, Liakos Theodorou who was also the Chairman of the conference.

Distinguished speakers included Messrs George Vassiliou, former President of the Republic, Stavros Zenios, Professor at the University of Cyprus, Olympios Toumazou, Executive President of RAI Consultants, George Georgiou, Managing Director of Alpha Bank and Ploutarchos Sakellaris, Professor at the Athens University of Economics and Business and Vice President of the European Investment Bank.

Presentations were also delivered by PwC Advisory Partners, Philippos Soseilos and George Lambrou, by Socrates Paschalis, Director and by Michalis Stephanou, Senior Manager in Assurance & Advisory Services.



People and talent

Being a step ahead

At PwC we acknowledge that our continuing success and ability to meet the demands of our clients in an increasingly challenging business environment depends critically on the strength and quality of our People. Therefore, in FY13, despite the very difficult market and economic conditions, we continued to invest in the professional development of our People by taking a long-term view of our business. This section gives an outline of how our performance, transformation, talent and development activities have sparked personal and professional growth.



Performance

Protecting our People during challenging times

In the midst of the very difficult and uncertain economic climate faced during FY13, we worked on a daily basis on many fronts to protect our People. We continuously monitored and assessed the business impact of events so as to proactively work in the People space, in a structured and responsible manner, to adapt to the new emerging reality. To this end, a comprehensive top-down communication plan was implemented, so that the impact

on our business and our planned actions were transparently communicated to all our People by our Territory Senior Partner, Partners and Directors.

An important element of our business culture is to be proactive. To this end, our main effort, especially after the events of 15 March 2013, was to safeguard our People's jobs in the volatile business environment. Being proactive, we took a number of measures which had an impact on everybody in the organization but were responsible and secured our sustainability,

our leadership position and our People's job security. Our People showed their commitment by actively supporting and accepting these responsible decisions, which have helped us be prepared for turbulent times.

Engaging our People

In FY13, we continued to listen to our People's feedback through our Global People Survey (GPS), so as to improve our performance in a number of key areas. We demonstrated commitment to

take all necessary actions to increase our People's engagement, and rolled out People workshops to communicate our strategic goals and discuss our GPS results with all colleagues, in an effort to further improve the quality of our People management practices. As a result of this effort, our people engagement score of 76% was similar to last year's. Impressively enough, our People's engagement was not affected by the challenging economic environment or the responsible decisions taken by our leadership.

Giving our colleagues the opportunity to engage with leadership has helped everyone feel more informed and involved with the direction the firm is taking. Our goal is to continuously engage our People to further improve the way they work, continue our drive for the highest quality in People and in our services so as to ultimately deliver greater value for our clients.

Performance Management

Objectivity is the pillar of our performance management system, and our aim is to continue building a culture, where People are rewarded and progress based on their job performance.

In FY13, we had 3 new Directors, 7 new Senior Managers, and 121 promotions to the other grades. This has been a clear demonstration that in PwC we offer tremendous career opportunities and, even in difficult market conditions, we continue to enhance the value of our People and invest in the future.

Additionally, in FY13, we continued to administer a confidential, anonymous upward feedback programme for all Partners, in order to help them in their personal development journey.

Moreover, all our Assistant Managers, Managers, Senior Managers and Directors received similar confidential and anonymous feedback from their colleagues, to help them develop their managerial and leadership style.

Transformation

Awards and Accreditations

Investing in our People has been a key driver of our business success. In FY13, following a rigorous assessment that included lengthy interviews with a large number of our colleagues from all grades across the firm, we proudly joined the elite top organisations across the world to have achieved the highly prestigious Investors in People GOLD accreditation in Human Capital management.

Being the largest firm in Cyprus to have received the Investors in People (IIP) GOLD accreditation as well as the only one to have received it in the midst of the difficult economic climate our country

is experiencing, was a confirmation of the progress we have been making in our Human Capital management practices and our commitment towards continuous improvement.

This was a fantastic result for PwC, which reflected the quality of our Human Capital management practices and our People's personal commitment to continuous improvement.

People and talent

An exceptional place to work

One of the most exceptional things PwC offers is the chance to work with many of the world's leading companies and organisations. This gives our People a great opportunity to develop their business skills through on-the-job learning.

Additionally, the firm is continuously investing in new ways of improving our workplace, providing our People with flexibility and recognising their contribution at all levels. These are long-term commitments, reflecting awareness that our People make their greatest contribution, when their quality of life is well-balanced with their professional obligations. In FY13, we have maintained the following benefits for our People:

- *Flexible hours for all*
- *Reduced hours for working mothers*
- *Bonus entitlement*
- *Compassionate leave*
- *Unpaid leave*
- *Additional annual leave for long-serving staff members*
- *Life insurance scheme*
- *Medical insurance scheme*
- *Provident fund*
- *Free parking*
- *Subsidised lunch at our canteen restaurants*
- *Friday afternoon off*
- *Casual Fridays*

Talent

Attracting the best People

Every year, we attract and recruit graduates with potential, as well as qualified and experienced professionals with technical expertise, management skills, leadership attributes and personal integrity.

In FY13, we continued to perform strongly against this objective and saw a high level of demand for graduate and professional places. We received a total of 1185 applications for employment, out of which we recruited 86 People. Out of the university graduates recruited, 61 embarked in our September 2012 professional accounting training schemes.

To achieve these numbers, our Human Capital professionals carried out a series of activities, specifically aimed at recruiting high calibre graduates and professionals, such as:

- Dinner in London for Cypriot professionals working in the UK.
- On-campus presentations at top UK universities.
- On-campus presentations to University of Cyprus (UCY) students and teaching UCY accounting classes.

- Recruitment of top Russian and Ukrainian graduates in close cooperation with the respective PwC firms.
- Participation in career fairs at local universities and colleges.
- Participation in local high school career fairs.

Additionally, during the summer of 2012, 27 high-calibre university students secured a place in our competitive "Summer Internship Programme" and took part in a range of opportunities, including attending interesting workshops and shadowing PwC professionals. Upon graduation, 22 of these students secured a position in our 2013 and 2014 trainee intakes.

Mobility

While many People think of mobility as moving across geographies, this is only one aspect of it. There is a wide range of opportunities and business needs, which require our People to be mobile. During FY13, 21 of our People worked on international secondments in other PwC firms around the world, such as Russia, USA, Middle East, Canada and Greece, while 6 People came from PwC USA, UK and Russia to PwC Cyprus on secondment. After 15 March 2013, due to the prevailing





economic conditions in Cyprus, a number of our People decided to utilise the strength of our Global Network and pursue an international transfer or secondment to other PwC firms. The motives for such thoughts ranged from personal/family economic circumstances to aspirations for accelerated careers. Such intentions have been fully facilitated and supported as a matter of responsible leadership.

Moreover, 19 of our People were transferred to a different Service Line department or office within the firm, in order to meet our client needs and provide a diverse work experience.

Talent Management

In FY13, PwC continued to implement a series of Talent Management activities for Managers, Senior Managers and Directors, using certain criteria that have been developed based on the PwC network's guidelines and other PwC firms' best practices, which have been tailored according to local needs.

Additionally, a series of career management conversations were carried out with our Senior Managers, to touch base on their career prospects. In preparation for these meetings, People were asked to self-assess based on the criteria of potential and this

input was used as a starting point for the career management conversation and setting of an action plan. The action plan decided for each individual will be linked to various developmental options.

Our strategic priorities are focused around talent management, engaging and developing our People, making sure that all of our People fulfil their potential.

Diversity

Being a diverse and inclusive employer helps us build better relationships with our clients and gives us a competitive edge. In PwC Cyprus talent has no age, race or gender and we are committed to creating an environment where a multiplicity of ideas and experiences are encouraged and appreciated. In our experience, the most diverse teams are the highest performing teams, hence we work hard to attract, train and develop a diverse gender, ethnic and social group of People. In FY13, our People were from 19 different nationalities, 60% were female and 40% were male.

Development

Learning and Education

During FY13 we continued to invest in the personal and professional development of our people both in terms of technical knowledge and expertise, as well as business and people management skills. Our People's technical learning took place through on-the-job training, formal training programs, both locally and internationally, as well as through the use of blended learning solutions, which included e-learning.

Our business skills program called "About U" was enriched to enable all our People achieve their full potential and develop further their client handling, coaching and leadership skills. The program incorporated even more blended learning solutions and was based on the PwC global curriculum. Over 200 of our People attended at least one of the "About U" programs during FY13.

In addition, 4 Senior Managers participated in international PwC Key Talent Programs. These included "My Way" and "Apollo", which aim to develop Senior Managers into our future leaders, through high-impact developmental interventions, personal coaching and connecting with colleagues from a number of other PwC firms.

Partner and Director Development

In FY13 a 2-day Partner Workshop, namely “Driving Growth - Partners’ Personal Responsibility”, was organised in collaboration with the London Business School (LBS), where all our Partners had the opportunity to reflect on client relationship approaches and skills, as well as consider actions and processes to understand and fulfil our client expectations and needs. The London Business School professors facilitated an interactive workshop which covered, amongst others, topics such as persuasion and influence, account planning practices and developing C-suite relationships. The outcome of the workshop was for each Partner to develop an action plan for driving growth within their business and strengthen further their relationships with clients and other associates. Based on the feedback received, Partners found the workshop very valuable and relevant and look forward for similar opportunities where they can develop their skills and share experiences and best practices.



The Academy

During FY13, The Academy continued to provide tuition and support to our trainee accountants under both the Institute of Chartered Accountants in England and Wales (ICAEW) and the Association of Chartered Certified Accountants (ACCA) schemes. Our trainees’ professional examination results were once again outstanding. The FY13 pass rates were well above the international averages, achieving 100% in some papers.

In addition, 3 of our ACA trainees received 4 awards for achieving first worldwide place in individual papers, as well as the 1st and 3rd place overall for the ICAEW Professional stage examinations during the year 2012. The prizes were presented in London during a special award ceremony organised by the ICAEW.

Moreover, during FY13, tutors of The Academy delivered ACCA courses for clients in the Middle East and Greece, receiving excellent feedback.



The Academy also continued to fulfil its objective to deliver Continuous Professional Development (CPD) courses to professionals and their businesses. These courses were approved by the ICAEW and ACCA for CPD credits, and catered for the needs of professionals. During FY13, 11 such open seminars were delivered, with a total of 543 participants. In addition, The Academy designed 15 in-house seminars, which were delivered to local businesses and organisations with 474 participants. These seminars covered 211 teaching hours.

Finally, anticipating the challenges of the current economic crisis in Cyprus, The Academy designed and started the implementation of a strategic plan in order to address these challenges. The main aspect of the plan is to expand on the provision of ICAEW and ACCA courses.

From left to right: Philippos C Soseilos, Head of Human Capital, Christina Telemachou, Marina Vakana, Nicoletta Neophytou and Evgenios C Evgeniou, CEO.

Firm

Legal and organisational structure

Ownership of PwC Cyprus

PricewaterhouseCoopers Limited (PwC Cyprus) is a private company with limited liability by shares under registration number 143594, having its registered office in Cyprus office at Julia House, 3 Themistocles Dervis Street, CY-1066 Nicosia, Cyprus.

PwC Cyprus is wholly owned by professional practitioners working with the firm who are all members of the board of directors of the company and are commonly referred to as 'partners'.



Subsidiary undertakings

The principal subsidiary undertakings of PwC Cyprus as at 30 June 2012 are:

Subsidiary undertaking	Principal activity
PricewaterhouseCoopers (Marketing and Communications) Limited	Professional services
PricewaterhouseCoopers Associates Limited	Professional services
PricewaterhouseCoopers Professional Training Limited	Professional training programmes

These entities are all member firms of the PwC network by being members of the PricewaterhouseCoopers International Limited (PwCIL). A description of the PwC Network can be found in Section 3: Description of the PwC Network of this Transparency Report.

Other PwC network member firms in Cyprus.

S. A. Evangelou & Co LLC is a member firm of PricewaterhouseCoopers International Limited (PwCIL) and part of the PwC's Tax and Legal Services Network providing Legal Services in Cyprus. It is a private company with limited liability by shares having its registered office at 3 Themistocles

Dervis Str, Julia House Annex, 1st Floor CY-1066 Nicosia, Nicosia, Cyprus and it was registered in Cyprus as a Lawyers' Limited Company under registration number 23348. S.A. Evangelou & Co LLC and its wholly owned subsidiary undertaking, namely PricewaterhouseCoopers Corporate Secretarial Services Limited, are wholly owned by Spyros Evangelou who is also the Head of Practice.

Lines of Service

As of 1 July 2011, PwC Cyprus operates through two Lines of Service. These are Assurance & Advisory and Tax & Legal Services. Support services are provided by Internal Firm Services. For details of our services please visit "Our services" section.

The PwC network

Legal structure of the network

PwC is the brand under which the member firms of PricewaterhouseCoopers International Limited (PwCIL) -an English registered private company limited by guarantee - operate and provide professional services. Together, these firms form the PwC network. 'PwC' is often used to refer either to individual firms within the PwC network or to several or all of them collectively. The PwC network is not a global partnership, a single firm, or a multinational corporation. PwC member firms are not legal partners with each other and do not share financial interest.

Key features of the network

The PwC Network has a set of standards and policies with which all PwC member firms agree to comply. Focusing on key areas such as strategy, brand, and risk and quality, the Network Leadership Team and Board of PwCIL develop and implement policies and initiatives to achieve a common and coordinated approach among individual firms where appropriate. Member firms of PwCIL can draw on the resources and methodologies of the PwC network. Membership in the PwC network depends on a member firm's implementation of common standards.



Governance

The governance structure of PwC Cyprus is made up of three main bodies: the Board of Directors, the Management Board and the Oversight Board.

Board of Directors

The Board of Directors is responsible for undertaking certain statutory duties of the firm.

Management Board

The CEO who is elected by the firm's partners, appoints partners to form the firm's Management Board. The Management Board is responsible for assisting the CEO in the formulation and implementation of strategic priorities and business plans, compliance with all PwC Network obligations and the design, maintenance and operation of an effective quality control system.

Oversight Board

The Oversight Board, which is independent of the Management Board, is elected by the firm's partners every three years. The Oversight Board is made up of five members all of whom are partners and elects its own Chairman. The Oversight Board is responsible for overseeing the activities of the Management Board to hold management accountable to partners, to monitor its decisions and actions and where necessary advise the CEO and the Management Board.



The members of the Management Board who served throughout the year ended 30 June 2013 are seated from left: *Liakos M Theodorou, Evgenios C Evgeniou – CEO, Costas L Mavrocordatos* and standing from left: *Theo C Parperis, Christos M Themistocleous, Philippos C Soseilos, Angelos M Loizou*



The members of the first Oversight Board, who served throughout the year ended 30 June 2013, are starting from the left: *Constantinos H Constantinou, George C Lambrou, Chris K Santis – Chairman, Andreas T Constantinides, Chrysilios K Pelekanos*

Internal Quality Control System

Introduction

PwC network member firms' quality control system for Assurance practice is based on the International Standard on Quality Control 1 (ISQC1) 'Quality control for firms that perform audits and reviews of historical financial information and other assurance and related services engagements (ISQC1)', issued by the International Auditing and Assurance Standard Board (IASSB) of the International Federation of Accountants (IFAC).

ISQC1 applies to firms that perform audits of financial statements and provide other assurance services where they relate to activities that are reported in the public domain and are therefore in the public interest.

The objective of ISQC1 is for the firm to establish and maintain a system of quality control to provide it with reasonable assurance that:

- the firm and its personnel comply with professional standards and applicable legal and regulatory requirements
- the reports issued by the firm/engagement leaders are appropriate in the circumstances.

Elements of our internal quality control system

Our internal control system is based on the six elements of quality control set out in ISQC1, which are:

- Leadership responsibilities for quality within the firm
- Relevant ethical requirements (including Independence)
- Acceptance and continuance of client relationships and specific engagements
- Human resources:
 - Recruitment and hiring
 - Learning and education and career development
 - Performance evaluation and compensation
 - Assignment of teams and resourcing engagements
- Engagement performance:
 - Consistency in quality of engagement performance
 - Consultation
 - Engagement Quality Control Review
 - Resolving differences of opinion
 - Engagement Documentation
- Monitoring

Statement on the effectiveness of the firm's internal quality control system

The effectiveness of our firm's system of internal quality control is evaluated by internal reviews, by independent reviewers from the PwC network and it is also subject to review by the profession's regulator the Institute of Certified Public Accountants of Cyprus (ICPAC). On the basis of these reviews, the Management Board is satisfied that PwC Cyprus' internal quality control system for Assurance is operating effectively. Any matters identified through the various reviews processes are actioned and changes implemented as appropriate.

Ethics & Independence

Ethical requirements

All partners and members of staff are required to comply with the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (“IESBA”), (an independent standard-setting body within the International Federation of Accountants (IFAC)), that has been endorsed by the profession’s local regulator. Additionally, our firm is required to comply with the relevant PwC network standard on Data Protection and Privacy and Anti-bribery and the obligations arising from the relevant local legislation and contractual terms govern the use and disclosure of information and anti-bribery.

Conflicts of interest

Relevant relationships, potential conflicts of interest and other sensitive situations are identified before accepting a new client or engagement. The Independence team performs checks via internal and PwC network databases and websites and provides a report to the engagement team with the results. Where conflicts of interest are identified the appointment is either declined or safeguards are applied to make sure that potential conflicts of interest are appropriately managed.

Independence

Our firm follows the independence policy of the PwC network which incorporates the independence requirements of the International Ethics Standard Board for Accountants (IESBA) Code of Ethics for Professional Accountants in relation to personal financial interests, scope of services and business relationships. The independence policy of the PwC network also outlines the independence rules of the US Securities and Exchange Commission (US SEC) and those of the Public Company Accounting Oversight Board of the US (PCAOB) which in general are more restrictive and should be complied with where they apply. In some instances, our firm has also developed supplementary policy based on local business and regulatory environment.

All partners and staff receive mandatory computer-based and instructor led training on the firm’s independence policies and related topics on an annual basis.

Upon joining the firm and at least annually thereafter, all partners and staff are required to confirm their compliance with all aspects of the firm’s independence policy, including their own personal independence.

Violation of independence policy will trigger the firm’s disciplinary process and may lead to disciplinary action including dismissal.

Our independence procedures and practices are subject to internal, Network and external regulatory review on an ongoing basis.



Continuous professional development

Our firm is committed to providing its Partners and People with the relevant opportunities to continuously develop as professionals, reaching the maximum of their potential at every role they are assigned within the Firm.

Over and above our Performance Management and Upward & Peer Feedback processes, our People's professional development is guided through a combination of on-the-job training (expected to account for 70% of development), coaching (20%) and formal training programmes (10%).

Formal training programmes ensure that our people meet their Continuous Professional Development (CPD) requirements. For this reason, we continued to follow the "Approved Employer - Professional Development stream" awarded by the Association of Chartered Certified Accountants (ACCA) and the Institute of Certified Public Accountants of Cyprus (ICPAC).

More specifically, our training curriculum includes internal and external training courses, seminars and e-learns, which are industry-specific, grade-specific and cover both technical and soft-skills.

In addition to the formal training programmes, the Firm encourages each professional to take ownership for their own continuous professional development, by looking into opportunities for secondment to the PwC network and also by making sure that all the activities they follow are aligned to their role and grade.

PwC's Academy also ensures that our trainee accountants, under both the Institute of Chartered Accountants in England and Wales (ICAEW) and the Association of Chartered Certified Accountants (ACCA) schemes, are provided with the highest quality education and support. As a result our trainees' professional examination results were once again outstanding. The FY13 pass rates were well above the international averages, achieving 100% in some papers. In addition, 3 of our ACA trainees received 4 awards for achieving first worldwide place in individual papers, as well as the 1st and 3rd place overall for the ICAEW Professional stage examinations during the year 2012.

Partner remuneration

The partners' remuneration is based on three interrelated components:

- Responsibility income – reflecting the partners' sustained contribution and responsibilities
- Performance income – reflecting how a partner has performed
- Equity unit income – reflecting the overall profitability of the firm

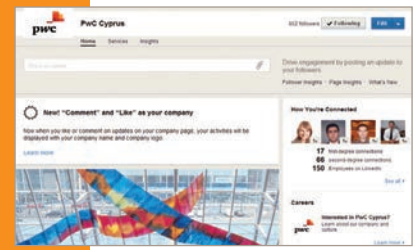
Details of the financial information of our firm can be found in Financials section.



Leveraging the power of social media

Social media is flourishing. Leading organisations embraced the fact that having a presence on social media is not an option. Networking through social platforms is no longer an emerging trend, but it has arrived and it is here to stay, thus changing the way people communicate and make decisions. To ensure success, entry in social media must be a strategic decision. We, at PwC Cyprus, by acknowledging that fact we have embedded the use of social media in our overall marketing strategy. Our social media strategic goal is to exploit and leverage the power of social media by connecting and deepening relationships with followers and therefore increasing our brand equity and creating actionable knowledge (Thought Leadership). We achieve these goals by taking the below actions:

- *Communicating our service offerings, corporate events and thought leadership through our LinkedIn Company page. Creating discussions on our LinkedIn Group page*
- *Tweeting our latest corporate activities, publications, service offerings and the latest financial news from leading financial media organisations through Twitter*
- *Communicating our Corporate Social Responsibility initiatives through our Facebook page*
- *Publishing corporate videos and event presentations through our Youtube channel*



The numbers

PwC_Cy_Press: **1106 followers**

Facebook page: **531 fans**

LinkedIn Company Page: **652 followers**

LinkedIn Group page: **526 members**

Connect with us:

Twitter: twitter.com/PwC_Cy_Press

LinkedIn Company page: linkedin.com/company/pwc-cyprus

LinkedIn Group: linkedin.com/groups/PwC-Cyprus

Facebook page: facebook.com/PwC.Cyprus

Youtube channel: youtube.com/pwccyprus



Global technology solutions

The firm listening to the ever increasing needs of its customers and employees, the new way of thinking and working enforced upon us by the evolution of the technology, has implemented various initiatives to align technology with business objectives and transform its IT environment to meet these needs.

Some of these initiatives taken to accomplish this transformation are in the areas of security, web collaboration and social media.

Security as one of the most important aspect of our business and it is always improved and monitored for compliance with PwC Information Security controls that are compliant and conform with the ISO/IEC 27002:2005.

Virtual meeting and web collaboration is a necessity these days. Using these tools and facilities not only we have improved productivity across our teams but we have also improved our communication with our clients, creating a more personal one-to-one relationships. Obviously these technologies are supporting our environmental initiatives and efforts to “go green”. By reducing the need to travel we mitigate energy use. Our firm had built in every city office video conferencing facilities based on

IP technology for interoffice and client, video conferencing communication. We have also made available to our people a web collaboration tool, the WebEx which through their computer can initiate effective team meetings, trainings and presentations.



PwC Cyprus events and activities

PwC Cyprus events

Professional Services Driving jobs and growth in Cyprus

The “Professional Services: Driving jobs and growth in Cyprus” report which was commissioned by our firm, provides a basis for a constructive dialogue leading to the recovery and growth of the Cypriot economy.

The report was carried out by Ms Fiona Mullen, Director of Sapienta Economics Ltd, and Ms Marina Theodotou, Founder and Managing Director of Curveball Ltd, and was reviewed by Dr. Stavros Zenios, Professor at the Department of Public and Business Administration at the University of Cyprus.

The report was launched on Tuesday, 11 December 2012 during an event that was attended by industry professionals, private sector representatives and policy makers.

The report findings demonstrate that the professional services sector has become the main driver of jobs and growth in Cyprus, especially during the economic

crisis and compares Cyprus with its peer group for business services - Ireland, Malta, Luxembourg and Singapore. The report concludes with ten, strategic and actionable recommendations for policy makers, the sector and the sector representatives (voice of the industry) that could lead to the creation of 9,700 new jobs in 5 years, bringing in extra tax and social insurance revenue to the government of €13 million per year.



16th Annual Global CEO Survey Key findings in Cyprus

In the context of the annual global survey, PwC Cyprus carried out for the second consecutive year, a local study based on the views of 32 Cypriot CEOs. The results of the survey were presented during an event organised on Wednesday, 30 January 2013 that was attended by a number of high caliber individuals from the business community.

The launch event included the presentation of the results by Philippos Soseilos, Advisory Partner at PwC Cyprus and a panel discussion with Messrs Makis Keravnos, Chief Executive Officer of Hellenic Bank Group, Manthos Mavrommatis, Former President of the Cyprus Chamber of Commerce and Industry, George Papanastasiou, Managing Director of VTT Vasiliko Ltd and Professor Haridimos Tsoukas, Dean of the Faculty of Economics and Management at the University of Cyprus.



Sponsored events

Annual Russian and CIS conference

This conference was organised on 2 July 2012 by the London Stock Exchange Group and was mainly targeted at Russian/ CIS companies which are considering a listing on the London Stock Exchange.

The conference was addressed by the Lord Mayor of the City of London. Participants included a number of companies as well as advisors involved in listings such as investments bankers, lawyers and accountants. The conference, which was held at the National Hotel in Moscow, examined latest trends as regards international capital markets in general and Russian/ CIS IPOs in particular, and facilitated an in-depth discussion on a number of issues such as investor expectations and foreign investment access to Russia, IPO preparation, tax and legal issues, corporate governance, and many more.

PwC Cyprus sponsored “The Cyprus way to the London stock exchange: regulatory and tax aspects” session where Socrates Paschalis, Director of Assurance & Advisory Services at PwC Cyprus, provided an overview of the features and benefits of Cyprus as a jurisdiction for cross-border listings on the London Stock Exchange.

CSR: Awareness and Transparency

The “CSR: Awareness and Transparency” conference was organised on Friday, 19 October 2012 in Limassol by the Planning Bureau of the Republic of Cyprus, the Cyprus University of Technology, the Cyprus Chamber of Commerce and Industry and the Cyprus CSR Network.

The European Union, for more than a decade has been trying to make CSR an indispensable tool in achieving its growth agenda, by encouraging enterprises to contribute to the attainment of the overall goal of more growth and more jobs. The purpose of this conference was to enhance stakeholders’ awareness on CSR and encourage transparency and reporting.

During the conference, which was sponsored by PwC Cyprus, George Ioannou, Director in Advisory Services delivered a presentation on “Best Practices in CSR Strategy and Reporting”. During his presentation, he outlined the PwC methodology on CSR strategy development, a holistic approach that provides a structured step by step process from an organisation’s stakeholder analysis, to gap analysis, to strategy development, to reporting and back to stakeholder engagement.

The 11th Management & HC conference

The 11th Management & Human Capital Conference, organised by IMH and PwC Cyprus on 21 November in Nicosia, focused on managing people and companies in times of crisis. The main speaker of the conference was Damian Hughes, an international speaker, best-selling author and HR consultant who takes the insights, methods and lessons by business, sports and history’s greatest achievers and shares them through his speaking, training and books to help others enjoy similar success.

The panel discussion which was coordinated by Philippos Soseilos, Advisory Partner at PwC Cyprus focused on the financial crisis and the need to reduce payroll. During the discussion, CEOs and Human Capital managers of Cypriot companies shared their concerns and experiences of the past two years with the audience.



Sponsored events

Cyprus Hotels Association 35th Annual conference

PwC Cyprus was the official sponsor of the 35th Annual Conference of the Cyprus Hotels Association (CHA) which was organised on Wednesday, 13 February 2013.

The conference attracted high profile speakers such as the Director of the World Tourism Organisation, Mr Martin Brackenbury, representatives of the Russian and Ukrainian tourism industries as well as top officials from the Cyprus Investment Promotion Agency and Hermes Airports.

The conference was addressed by the then Minister of Commerce, Industry and Tourism, Mr Neoklis Sylikiotis, the CEO of PwC Cyprus, Evgenios Evgeniou and the President of CHA, Mr Haris Loizides.

Through their presentations, speakers analysed the ways for “building our future with sustainable strategic alliances capitalising on our proven strengths” which was the overall theme of the conference.

Speakers also participated in a panel discussion which was coordinated by Angelos Loizou, Partner in charge of Hospitality and Leisure Services at PwC Cyprus. An Exhibition of Products and Services was also held during the day of the conference.



SAP Enterprise Risk & Solvency Management Meeting

The **SAP Enterprise Risk & Solvency Management Meeting** was held on Thursday, 20 September 2012 at Hilton Hotel in Nicosia. The meeting focused on how SAP for insurance solutions can help companies gain compliance and increase profitability.

Nikos Chostelides, Assistant Manager in Financial Services Consulting, PwC Greece delivered a presentation with the title **“Entering the final countdown towards Solvency II”**. During his presentation Nikos Chostelides analysed the regulatory uncertainty which remains a key challenge for the insurance industry, the implications on strategy, products and capital needs of insurance companies as well as the challenges associated with the new operating model.



Quality conference

The 2012 Quality conference was organised by the Cyprus Association for Quality on Wednesday, 7 November 2012 at the Bank of Cyprus Training Centre.

The conference which was co-sponsored by PwC, discussed recent management systems, best practices as well as the benefits organisations can obtain in order to survive and achieve growth in times of economic crisis.

Dr Adrian Ioannou, Health & Safety Officer of PwC Cyprus coordinated one of the sessions of the conference which focused on the social aspect of quality. During the same session George Ioannou, Director in Advisory Services delivered a presentation on 25 years of ISO 9000 and its importance to the Cypriot environment.



Activities

London Dinner

On 25 October 2012, our Human Capital Department organised a dinner for young Cypriot professionals who are currently working in accounting and other professional services firms in London. During the event PwC Cyprus CEO, Evgenios Evgeniou, delivered an interesting presentation on the subject “Macro trends and the ‘new normal’”.

The dinner, which was attended by 50 professionals, was held at the premises of the Institute of Chartered Accountants in England and Wales (ICAEW). Based on the feedback received, the professionals enjoyed the event and highly appreciated the fact that our organisation is the only Cypriot firm which communicates and networks with them regularly. Overall, the event was a great success.

Global Russia Business Meeting

The Global Russia Business Meeting is the leading annual gathering of Russian business leaders outside Russia. Our firm was a Knowledge Partner of the 4th Global Russia Business Meeting which gathered more than 300 senior leaders from business and government in Limassol, from 14 to 15 April 2013.

Nicos Anastasiades, President of the Republic of Cyprus, addressed participants during the opening dinner. Our CEO, Evgenios Evgeniou and our Partner, Theo Parperis, President of the Institute of Certified Public Accountants of Cyprus participated in a boardroom dialogue session which focused on Cyprus as an international business and investment hub.



Corporate Social Responsibility

Being a catalyst for change



Corporate Social responsibility is an integral element of our business and a priority for the global PwC network of firms. At PwC we believe in being 'part of it': part of the global conversation and movement towards responsible business practices that create positive change in the world. However, we want to go further.

Corporate Social Responsibility

We in PwC Cyprus aspire to be a great corporate citizen by playing a leading role in the community. Our Corporate Social Responsibility (CSR) activity is all about abiding with our Code of Conduct and our main values in our relationships with all our stakeholders, clients and staff. Our program has 5 pillars:

- Volunteering, Environment,
- Professional Services, Giving
- Corporate Community Leadership

Soon our pillars will change so as to focus on the areas where we believe that we can make relevant and significant contributions. At PwC Cyprus we want to do the right thing for our clients, our people and our community. This is a core element of our vision and a part of our everyday work. It is encouraging to see that our people are enthusiastically getting involved not only in local projects but also in initiatives driven globally by the Global Communities of the PwC Network, understanding how they can positively make a difference. It worth mentioning that 81% (Source: Global People Survey 2013) of our people in Cyprus are satisfied with the actions we take to be socially responsible

Volunteering

Employee volunteering is widely acknowledged as an integral component of a company's CSR activity.

A total of 240 people from our organisation volunteered spending 557 hours for some of our activities such as the "You can talk the talk, but can you walk the walk", Blood Donation, Cervical Cancer Lectures, Let's Do it Cyprus, Bring your child to work and TELETHON.

Giving

Giving is an opportunity to demonstrate our social commitment to the broader community. It is part of our culture and it worth mentioning that PwC this year donated around €42.000 to non-profit organisations, to support charitable causes. PwC Cyprus supports the Cyprus Anti - Cancer Society, Europa Donna, the Cyprus Radiomathon, the Centre for Preventive Paediatrics and the "Association for the Welfare of people with Mental Handicap". Other charitable organisations we have supported this year were the "Make a wish", "Unicef" and many others.

Corporate community leadership

Corporate community leadership is about sharing knowledge, experiences and skills with our stakeholders. During FY13 our main focus under this pillar was on the following activities:

- The issue and distribution of publications and other material in an effort to share our knowledge and experiences with society.
- The participation of our people in community and/or business organisations.
- The introduction of surveys in an effort to bring to the surface topical issues and new perspectives, which we can share with our society.
- The granting of awards to top university and college students focusing on supporting talented people, the future business leaders.



Universities awards



Some of our projects

We have carried out a research for the tourism industry, in cooperation with the Business Research department at the University of Nicosia, aiming to record and understand the perceptions of Cypriots working in the industry of tourism.

Moreover, PwC Cyprus has signed along with 18 another Cypriot organisations the European Road Safety Charter and committed to improve road user behavior of our members and their dependents on road safety issues like speed, alcohol use and driving, seat belts and vehicles safety.

In addition to the above projects it is worth mentioning that we support steadily the past years the “Association for the welfare of people with mental handicap” not only with donations but helping them in various projects like the building of their website.

We continued for a 5th consecutive year the sponsoring of our Olympic Sailing athlete Andreas Cariolou who represented Cyprus at the 2012 Olympic Games in London.

On the occasion of International Women’s day, on 8 March, our Women in PwC committee organised a sponsored walk event that gathered more than 120 participants in an effort to collect money for ‘Paidiki Stegi’ in Nicosia and Limassol. Through this initiative we managed to collect more than €7.500 for this cause.

The PwC Classic & Sports Car Club has actively supported this initiative by offering free transportation to participants from Nicosia to Limassol in classic cars, generously provided and driven by members and friends of the club.



Cervical Cancer Lectures

The Human Capital department in collaboration with the “Women in PwC Committee” organised 2 lectures on the subject of “Awareness on Cervical Cancer” on 17 and 19 September 2012 in our Nicosia and Limassol training centres respectively.

During these lectures, 2 obstetricians and gynaecologists, namely Dr Dinos Mavromoustakis and Dr Marios Liasides, talked about the HPV virus, statistics, consequences and prevention of cervical cancer.

From the feedback received from the 80



colleagues who attended the lectures, the information provided was very interesting and useful.

In the context of its corporate social responsibility towards its people, PwC aims to continue providing training programmes and informative seminars of general interest.

Corporate Social Responsibility

Bring your child to work

The Women in PwC Committee organised an event especially for the children of the staff on Friday, 23 November 2012. The event which took place simultaneously at our offices in Nicosia and Limassol was titled "Bring your child to work".

The main purpose of this initiative is for the children to become familiar with the working environment of their parents. Both the children and the parents enjoyed a number of Christmas related activities such as receiving gifts from Santa Clause, paintings, making Christmas ornaments, animal balloons and many more!



High School presentations

As part of our Corporate Social Responsibility (CSR) activities, Human Capital professionals of PwC Cyprus delivered presentations regarding the "Accounting Profession" to 1st year lyceum students, as part of the ministry of education's career week.

More than 150 students from local lyceums, such as Apostolos Varnavas in Nicosia, Lanitio B and Agia Phyla in Limassol, attended our informative presentations, where they had the opportunity to gain information and advice regarding the career opportunities the accounting profession can offer following the completion of their studies.

Activities

Let's Do it Cyprus

Let's Do it Cyprus is part of the Let's Do it World campaign that aims to clean the world from rubbish outside the cities. The project which is implemented in 94 countries all over the world, took place for the first time in Cyprus on Saturday 29 September 2012.

Let's Do it Cyprus is based on volunteer work and aims at cleaning up all the waste recorded in the island in a single day.

Our firm which strongly supports initiatives focusing on environmental preservation and conservation, organised two teams of volunteers who joined the cause. A total of 22 colleagues participated in cleaning up campaigns in Nicosia and Limassol.



48-Hour Cyprus Rally

As part of our corporate social responsibility activities, PwC sponsored the 48-Hour Cyprus Rally charity event, which took place between 5-7 October 2012 and was open to all classic vehicles over 20 years of age.

This event was organised for the 10th consecutive year by the Cyprus Federation of Classic Vehicles and the Bank of Cyprus, in an effort to raise funds for the Cyprus Anticancer Society.

More specifically, PwC sponsored 5 classic

vehicles for this year's rally (i.e. Mercedes Benz 220 - 1960, Mercedes Benz 230 - 1969, Volkswagen Beetle - 1970, MGB Roaster Cabrio - 1977 and Rolls Royce Silver Wraith II - 1979), driven by members and friends of the firm who joined the team.



Environment

We in PwC Cyprus are working to develop more environmentally-efficient business practices for our own operations. Due to the nature of our organisation we have a relatively low impact on the environment. However, our aim is to achieve minimum environmental impact.

Our environmental friendly policy includes a series of activities like the minimise use of electricity, water and paper, the black and white printing, the introduction of paper recycling and the implementation of our Recycling Collection Scheme in all of our buildings. In addition we have reduced CO2 emissions by replacing some travelling for meetings with electronic video conferences. Our building management system uses

environmental friendly cleaning products. The environmental plan of our organisation is communicated to our people through our CSR policy.

Providing professional services-Pro-bono

During FY13, 37 staff members were involved in the provision of pro-bono and discounted services to a number of community organisations and charitable institutions worth about €72.000. In total, more than 476 hours were charged by our staff under this pillar.

Financials

€77,3m
FY13

€74,8m
FY12

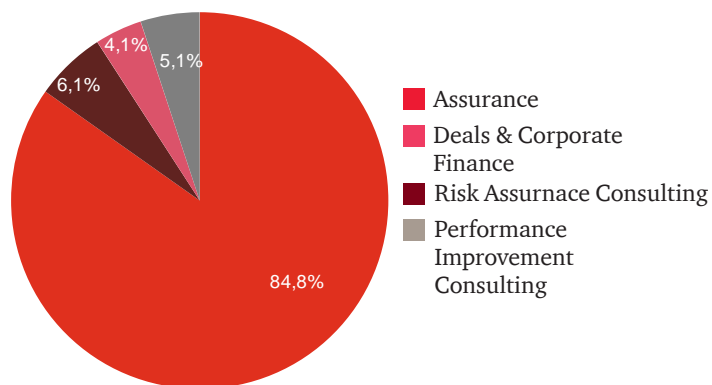


Revenue

The firm has achieved net revenues of €77,3m, an increase of 3,3% compared to FY12.

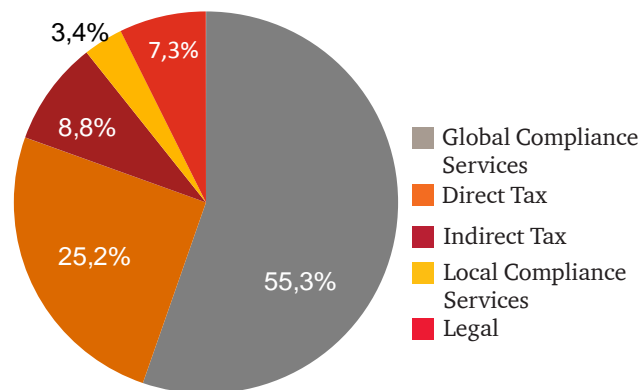
Assurance & Advisory

The Assurance & Advisory practice net revenue increased by **0,7%** to **€29,6** from **€29,4** in FY12.



Tax & Legal Services

The Tax & Legal Services practice net revenue increased by **5,1%** to **€47,7** from **€45,4** in FY12.



Assurance

The Assurance practice revenue increased by **1,5%** to **€26,9m** from **€26,5m** in FY12.

Global Compliance Services

GCS achieved net revenues of **€28m** being an increase of **8,1%** compared to FY12 of **€25,9m**.

Tax

Our Tax practice achieved same net revenues compared to FY12 of **€16,2m**

Legal and Corporate Support

Our legal and corporate support services achieved net revenues **€3,5m** being an increase of **9,4%** compared to FY12 of **€3,2m**.

Deals & Consulting

Deals & Consulting revenues were **€2,7m**, being a decrease of **6,8%** compared to FY12 of **€2,9m**. The Deals & Consulting practice comprises Deals & Corporate Finance and Performance Improvement Consulting.

Operating costs

Total cost have been decreased by **3,5%** with the staff costs recording a **3,7%** decrease over the prior year. Other operating costs have been decreased by **3%**

Staff Provident Fund Costs

The firm maintains a staff provident fund with 885 members (FY12: 911). The fund, which is a defined contribution scheme had €5.035.000 in contributions during FY13 (FY12: €5.643.000) and at 30 June 2013 its net assets stood at €37m (30 June 2012: €38m).

Total tax contribution

State revenues from the firm emanate from payments of direct and indirect taxes as well as Social Insurance and Special contributions.

The firm's Partners and staff paid €10,3m (FY12: €11,9m). Further to this the firm paid €11m in VAT (FY12: €7,7m) and some €3,3m in Social Insurance and Special Contributions (FY12: €3,2m).

Capital Expenditure

As part of the continuous effort of maintaining the best working facilities and keeping abreast with the latest state of technology an amount of €0,6m (FY12: €0,5m) was expended mostly on furniture, equipment and infrastructure.

Working capital policy

Debtors and work in progress

The average number of credit days outstanding for the year was 67 (FY12: 67). We also try to reduce the number of days between the time work is carried out and the time of billing it. The average number of days of work in progress for the year was 7 days (FY12: 12 days).

Creditors

Creditors are paid promptly with the average number of days between receiving and settling and invoice standing for FY13 at 31 days (FY12: 31 days).

Financing

The firm's financing emanates from Partners' capital, retained profits coupled with long term and short term external financing.

The firm did not utilise any of the bank facilities at year end (FY12: €7,6m) as compared to the bank facilities available of €26,6m (FY12: €19,6m).

PwC Cyprus offices

Nicosia

Address:	Julia House, 3 Themistocles Dervis Street, CY-1066 Nicosia, Cyprus P O Box 21612, CY-1591 Nicosia, Cyprus Tel. +357 - 22555000 , Fax +357 - 22555001
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Limassol

Address:	City House, 6 Karaiskakis Street, CY-3032 Limassol, Cyprus P O Box 53034, CY-3300 Limassol, Cyprus Tel. +357 - 25555000, Fax +357 - 25555001
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Larnaca

Address:	Artemidos Tower, 7 th & 8 th Floors, 3 Artemidos Avenue, CY-6020 Larnaca Cyprus P O Box 40450, CY-6304 Larnaca, Cyprus Tel. +357 - 24555000, Fax +357 - 24555001
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Paphos

Address:	City House, 58 Grivas Dighenis Avenue , CY-8047 Paphos, Cyprus P O Box 60479, CY-8103 Paphos, Cyprus Tel.+357 - 26555000, Fax +357 - 26555001
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