

# Cyprus Annual Review 2010

*How we responded  
to the FY10 challenges,  
focussing on our clients  
and our people.*

*October 2010*







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## *Collaborating for growth*

The new brand of PwC reflects the timeless philosophy of our organisation. What we aim to offer to our clients is the value they are looking for. Value based on knowledge that our teams of 161.000 PwC specialists in 154 countries share. And also value based on the experience, tailored to local needs. Working closely with our clients, we understand their needs. Where they want to go. Of all our international knowledge we share that piece that is more relevant for them. And so we support them in how to achieve their own goals. With integrity and reliability we build strong relationships with our clients, the government and the society. All the above are incorporated in the new brand identity of PwC. They are our brand commitment: Building relationships that help our clients and people create the value they look for.

## Message from Phidias Pilides

### CEO, PwC Cyprus

As a result of the global economic recession, 2010 brought with it significant challenges which had an effect on all of us, on a social, political and economic level. Business life became more difficult and more unstable across the world and a whole new approach of managing volatility was adopted by businesses and economies.

The strong pillars of the Cypriot economy are tourism, financial services, construction and real estate industries. All these sectors have been significantly affected by the economic downturn, and it is in this challenging environment that Cypriot companies must now operate. In order to pave their way forward, Cypriot companies must focus on planning a clear outward strategy, through which not only to overcome any looming threats but to create the appropriate conditions for strong competitiveness. Only by taking such a path can an organisation ensure both its survival and its development.

With a clear strategy which focuses on the development of new services and products,

implementation of new methodologies and tools and on effective management of human resources, we support our clients in order to successfully address new business challenges. During the years we have used creativity, expertise, experience and intellectual curiosity to find better and more motivating ways of doing things.

Despite the force of the crisis, we have been able to respond to external stimuli by focusing on three areas: **collaborating for growth**, **exploiting opportunities** arising from the economic downturn, and **reinvigorating our organisation** so as to place even greater focus on the needs of our clients and our people. During the period 2005 – 2009 we had a rapid growth which led to doubling our growth rates. Under the difficult economic conditions of 2010, we had an expected decrease of 4.2% compared to 2009. The turnover of our organisation in Cyprus for FY10 is 72,2 million Euro and our human capital has reached almost 1000 people. The solid structure, our culture and professionalism of our people as well as the trust of our clients have supported us in our growth. These are the qualifications which, over the years, helped to create a dynamic image for PwC and contributed immensely so that our organisation can respond successfully to the business challenges supporting the economic growth of our country and our business and social community.

Despite the difficult economic environment, our commitment to doing business responsibly and supporting our social environment has not only remained intact, but has strengthened in the past year, through the efforts of the firm as a whole, and each one of us as individuals. Such efforts have included volunteer work in protecting the environment, offering pro-bono professional services, promoting corporate community leadership and inspiring an environment of giving. Fulfilling our ultimate goal to give something back to the community within which we operate and to work for a sustainable future.

One of our firm's top priorities is recruiting, developing and retaining people with great talent who can work with our client teams to protect and enhance the confidence they have shown in us. The power of our people is what secures our own progress and our clients' success. Recently we welcomed two new partners to the firm. The past year has also opened new career paths to many of our people, who we hope will continue to show the same degree of energy and commitment to their own development

and that of the firm as a whole as a result of continuous personal development and progress.

Succession planning is also a very important parameter in these demanding times. To be able to respond to the great challenges that we face in the business environment we need to plan well ahead. For this reason as leadership of a big organisation we have decided that this is the appropriate time to choose our future CEO, Evgenios Evgeniou, who will undertake to lead our organisation as from 1 January 2012. This will give us enough time for an efficient leadership transition.

As a leading professional organisation, the quality of our services is under the microscope every day, every minute. This year we have gone through the Quality Check Assurance programme carried out by ACCA on behalf of the Institute of Certified Public Accountants of Cyprus. This includes all member firms holding a practicing certificate and aims at improving quality controls and introducing best practice procedures. We have been awarded the Quality Check Certificate.

We have been also honored by the Financial and Business Excellence Award which was given to us by the Cyprus Employers and Industrialists Federation. This is a new, annual institution established by this body aiming to encourage and support Cypriot businesses in the areas of innovation and business development.

In a world of extreme specialisation, materialising our brand commitment is our ability to consistently build relationships that help clients and people create the value they're looking for. That is our aspiration that strengthens our leadership position and creates dynamic prospects for all of us.



Phidias Pilides  
Chief Executive Officer

October 2010

*Getting closer to our clients, understanding their business needs, working with them efficiently and supporting them to effectively address the challenges.*



# ***Clients***

*Enhancing value*



# Assurance

As the economic crisis in Cyprus continues to unfold, the events in Greece act a pertinent reminder that we are continuing to experience the after-shocks of the credit crisis, which will persist in impacting the economy of Cyprus and its trading partners around the world for several years yet.



In response to the crisis we have continued investing considerable time in supporting our clients and have focused on how to contribute our expertise in all sectors. Given the complexity of the issues (e.g. fair value of assets and liabilities, impairment, guarantees and loan commitments, subsequent events and going concern), we have assembled teams consisting of colleagues from the Advisory, Tax and Legal service lines to bring together diverse skill sets to help address our clients' challenges. Furthermore, we have exercised strict cost controls, wise spending on resources and very close management of our working capital.

## *Commitment to quality*

We have a long term commitment to delivering excellent client service and as such the relationship with our clients is of paramount importance, as is our belief that client satisfaction is critical. In April 2010, we were awarded with the Quality Checked Certificate of the Institute of Certified Public Accountants of Cyprus (ICPAC) for achieving the standard of excellence in the external quality assurance review performed by the ICPAC and the Association of Chartered Certified Accountants.

We believe that our leading position in the Cyprus market has been achieved through a high performance culture based on three quality pillars – quality people, quality clients, quality services – forming the foundations of our success. Being awarded the ICPAC Quality Checked Certificate strengthens even further our commitment to offer services of the highest quality. It paves the way for new goals and reinforces our resolution in addressing major challenges concerning the progress of our economy, our business and our society.

## *Our financial performance*

The Assurance revenue for the year ended 30 June 2010 reached €24,8 million compared to the budget of €24,2 million and higher than the actual of €24,0 million in the year ended 30 June 2009.

This was achieved in an economic climate leading to:

- Fee pressure for lower fees from existing clients and fee competition from competitors.
- Lower actual recoverability of 63,3% compared to 68,8% last year.

Even in these difficult economic conditions, the Assurance budgeted revenues for the coming year ending 30 June 2011 are estimated to be about €25,5 million.

## *New audit methodology*

This year a number of our audit teams will join the Audit Transformation Program (ATP) and pilot its new technology platform (Aura), which we consider a significant strategic investment for the future. Full implementation is planned for the audits in respect of the year ending 31 December 2011 and is expected to improve the audit efficiency and effectiveness thus bringing greater value to our clients and people. The new technology platform will maximise our capabilities in areas such as collaboration, sharing industry trends and risks, focus on the audit risks that really matter, management issues, project management and real time learning.

- ATP considers the end-to-end audit process and rethinks all aspects of the audit. Collectively the three elements of ATP (tools, behaviours and delivery model) address the fundamental elements of our audit business and what that business does. The three elements are equally important and inter-linked – no single aspect alone will transform the audit. Together, they facilitate the delivery of PwC Experience and will help us achieve our vision of providing a differentiated, value – adding and high quality audit that will benefit our clients, our people and our business.

# Advisory

The current economic climate and market conditions continue to present Advisory with new challenges while businesses are faced with increasingly complex decisions in relation to strategic, financing, technological and people issues.

We continue to support our clients in building operational resilience and maximising strategic advantages. Focusing on relationship building and through a multi-faceted and wide range of skills and expertise we continue to offer tailored solutions and commercial advice to support our clients. In these challenging times, we have managed to sustain our Advisory business throughout FY10 achieving a revenue of €3,9 million.

A number of complex technical projects were delivered during the year by the Governance and Operational Effectiveness team. Large-scale assignments on the assessment of banks' organisational structures, internal governance and internal control systems were concluded at



a number of top-tier financial institutions. In parallel, we continued to deliver to the banking and investment management community customised services with respect to regulatory requirements, such as the preparation of Capital Requirements Directive (CRD) disclosures and Internal Capital Adequacy Assessment Processes (ICAAP). With a number of global initiatives on financial reform soon to be adopted across the EU, our team remained vigilant of all such developments in anticipation of clients' growing needs from the heavier regulatory burden that will be imposed. Our consultants were the first to organise and deliver a workshop on the implications of the new proposals of the Basel Committee on Banking Supervision to strengthen the resilience of the banking sector ("Basel III"). Our specialised professionals remain dedicated in delivering tailored service across all clients, whether newcomers to Cyprus, assisting them with registration and licensing requirements, or well-established practitioners in their field, seeking advisory services on the increasingly important functions of internal audit, corporate governance and operational effectiveness.

Advisory has continued to offer Technology Advisory services to help organisations transform their IT department into a

leaner and more agile function, which strategically enables the business and assists it to withstand the current economic volatility and constant shifts in competitive markets. In the area of process compliance, the services offered focused in addressing important business sustainability issues concerning the environment, occupational health and safety, food safety, corporate social responsibility as well as process improvement.

Organisations in Cyprus and abroad continue to invest in people and key talent even though budgets are downsized due to the current economic conditions. They recognise that a different set of skills and smart deployment of talent will be critical to their ability to address future business needs. Our experience with the public sector and local authorities is continually growing with ongoing projects with the Cyprus Academy of Public Administration and the Electricity Authority of Cyprus. Our co-operation with the European Patent Office and other EU institutions is continuing with on-going leadership development assignments which include management development skill building workshops and coaching.

*This year the recruitment market continued to be in contraction. Nonetheless, we managed to sustain our leadership market position. We expect that as the economy recovers, our recruitment business will increase significantly as organisations start to invest more actively in new talent.*

Our international assignment service has also been affected throughout most of last year due to the economic conditions. Business has picked up in the last months as international companies have commenced to relocate expatriate staff to Cyprus. This is expected to continue as more companies choose to set up offices in Cyprus. We support clients with immigration compliance and relocation of their expatriates.

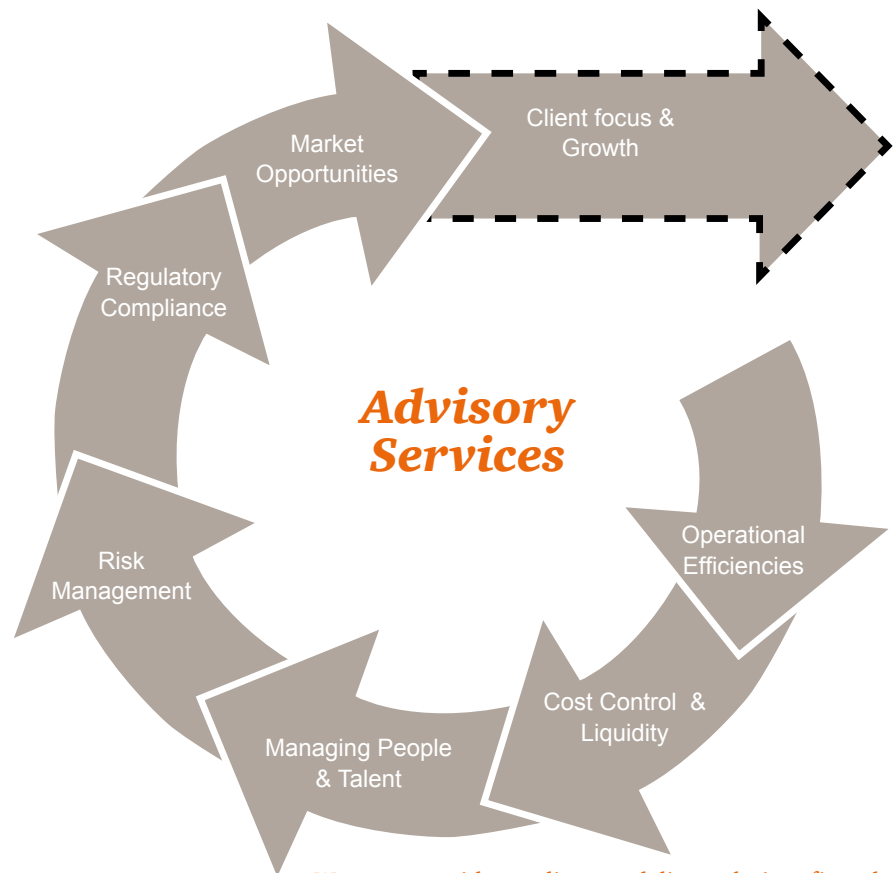
The current economic conditions lead organisations to focus in the implementation of target setting systems to measure performance and align the rewards of their employees. This provided the opportunity for the generation of bonus scheme design projects on specific performance goals for major organisations including the Cyprus Telecommunications Authority.

Our presence in the Greek market is becoming stronger, following an initiative and an agreement with PwC Greece to join forces and go to the market together regarding People & Change Services. The agreement will have the form of a joint venture and is expected that many opportunities will emerge for our People & Change team in both countries.

In the context of the current economic conditions, both in the domestic and international markets, Financial Advisory maintained a relatively steady business compared to FY09. Although there was a decrease in activity in transactions related work, new service offerings were developed in the areas of non-performing loans, business monitoring and corporate turnarounds. Such new service offerings aimed to counter-balance the impact of the economic conditions and adapt to current client expectations and needs. Corporate Finance activity has been maintained at the levels of FY09, mainly due to the need of businesses to reconsider their strategy and corporate capital structures. Transaction Support (TS) work also maintained a steady level. Despite a slow start, TS picked up during the year with major engagements being won, given the fact that strategic acquisitions under the current economic conditions involved major organisations, looking to either strategically expand, or restructure their activities. Similarly,

Capital Markets work saw an increase in engagements being won in the second half of FY10 with more engagements expected to materialise in FY11. Audit Support work remained stable as expected due to its recurring nature, while Business Recovery Services experienced a decrease due to the fact that a major receivership work was substantially completed in FY09.

The FY11 strategy will aim to sustain current Advisory business and facilitate growth as current market conditions gradually improve. Our Advisory team will continue to focus in coming even closer to our clients to enable growth through continuous collaboration and capitalise on development opportunities arising out of the current volatile environment.



We team up with our clients to deliver solutions fit to their needs and the prevailing market conditions.

# Tax

During FY10 we had to face tough challenges arising from the economic stagnation internationally and the downturn in the local market. Our clients in all business sectors but especially in the Financial Services had to reorganise and downsize in order to survive. Our clients' needs reflected the economic environment they were operating in.

*Our aim throughout the year was to remain close to our clients anticipating their changing needs and providing them with innovative solutions. At the same time, we strived to improve our mode of operation in order to increase efficiencies and reduce costs. We stayed close to our people, sustaining morale and improving our skills through targeted training.*



Our team became stronger with the promotions to Director from 1 July 2010 of Florentia Kyriakidou Teloni in VAT, Ioanna Stylianidou in Direct Tax and Christos Charalambides in Tax Accounting Services. Their promotion emphasises our firm commitment to our people, irrespective of the prevailing market conditions.

## **Financial performance**

Despite the adverse market conditions, our Tax service line has managed to increase its revenues by 5% rising from €14.6m last year to €15.3m. By the end of the year our people numbered 150 with the number of trainees increasing significantly reflecting our efforts to invest in the future to ensure that we will have adequate human resources of the highest calibre to meet the increased demand once the global economy picks up.

The VAT division of our service line deserves a special mention having recorded a tremendous growth in fees of 19% reaching €3.5m from €2.9m of last year. The changes in the VAT legislation during the year, the creation of a dedicated VAT team in the regions and the innovative technical excellence of the division contributed to its success. During the past five years the

division has managed to grow five-fold in both terms of fees and people currently numbering 30 people.

Thus VAT has joined the Direct Tax division of our service line in being the undisputed market leaders in terms of both size, quality and range of services.

## **Markets**

The Russian market remains the biggest source of work. During the year the flow of work has remained stable with encouraging signs of upturn experienced towards the end of the year in terms of both inward and outward investments.

The UK market has once more proved to be a very important source of work with referred projects increasing substantially especially during the first half of the year.

The US market produced a lower level of work in new clients, however, the ever increasing number of US corporations using Cyprus as a holding company location ensures a substantial level of recurring work.

The ascendance of Greece as a particularly important market for us was curtailed during the year due to the unprecedented

adverse economic conditions experienced by the country and the ensuing legislation introduced there. However, these changes still present an opportunity for ourselves due to our proximity and affinity towards the country and during the next year we will be focusing more on our efforts there.

The other significant markets in Eastern Europe, China, India and Canada continued to stagnate with Ukraine and Poland starting to show some promising signs of recovery.

The local market was particularly hit by the downturn of our economy and our key clients in financial services, tourism and real estate were especially challenged.

Our aim was to keep close to these clients and ensure that we provide them with innovative solutions to cater for their needs.

During the year our Tax service line has continued to contribute constructively to the Priority Client Workshops that took place, the purpose of which were to keep close to our clients, rendering our support in these difficult times and meeting their ever-changing needs.

Our local and international clients emanate from all industry sectors and in particular from banking and insurance, real estate, investment managements, oil and gas, hotel and tourism and shipping.



## ***Operations***

During the year concerted efforts continued to be made in order to improve our efficiency and effectiveness and covered all areas of our operations. More specifically:

- A dedicated VAT team was set up in Limassol covering the needs of all our regional clients. This has contributed significantly to increasing our reach to our clients. The first results of this team have shown the strong potential that exists in this area.
- The TAS has established firmly itself in the area of tax reviews and the preparation and submission of returns submitted to the authorities. TAS has thus helped substantially towards the improvement of the quality and efficiency of our deliverables in this crucial area.
- The Direct Tax division has strived to extend its range of products appropriate to the conditions of the market by collaborating closely with our colleagues from other service lines. Several practice development trips were made to emerging new markets giving presentations and meeting with existing and potential clients.
- A Cyprus/Russia Desk team was set up with reciprocal secondments in Moscow, Nicosia and Limassol. A Russian partner was seconded to Limassol office, a Cypriot tax manager to Moscow and a Russian senior to Nicosia. The secondments will last for 15 months to June 2011 and their aim is to bring our two firms closer, developing common products in response to the global changes and the Russian legislation better servicing our existing clients and undertaking joint-practice development initiatives.

- The Small and Medium Enterprises (SME) team was successfully established in Nicosia. It consists of 12 people and it provides a comprehensive range of services to small and medium sized clients covering accounting, taxation, company secretarial, payroll and administration. It emulates the operational efficiencies created from the one-stop shop principle and it is already creating a new dynamic in this area with clients expressing the full satisfaction from this development.
- Throughout the year, in collaboration with our colleagues from other services lines we have continued to review critically and revise our operational mode in order to achieve more efficiencies, lower our costs and increase our competitiveness.
- As always our firm and our Tax service line in particular continued to be thought leaders in the market and contributed significantly to the promotion of Cyprus as an international financial centre. During the year we have prepared a comparative study between Cyprus and competitive jurisdictions and presented suggestions of changes in our legislation which would make Cyprus more attractive to international investors. At the same time we have assisted the efforts of the Government to negotiate and conclude more double taxation agreements.

## *Going the extra mile*

During the year, our Tax service line had its second Away Day. The theme of the Away Day was “Going The Extra Mile” and focused on the practical application of the PwC Experience principles.

In a relaxed and cheerful atmosphere our people exchanged ideas about this subject and realised the importance of making an extra effort i.e. “Going The Extra Mile” in order to emerge stronger and more successful out of the prevailing economic crisis.

The fun part of the event included team games which gave the opportunity to all of us to get to know each other better.

## Looking forward

FY11 may prove to be even more challenging than FY10. In Tax we have prepared a comprehensive business plan which covers all aspects of our operations. The main objectives for FY11 are:

- To contribute substantially to the development and implementation of the business plans of the firm for both local and international markets.
  - Lobby and assist the Government for amendments in our Tax legislation in order to make Cyprus a more competitive financial centre and also assist in the negotiation of double tax treaties.
  - To further develop country, industry and networks specialisations across all levels of our people.
  - Adopt an even more proactive front office approach with our clients collaborating effectively with our colleagues from other service lines in servicing them and regularly updating them on technical markets.
- Implement the firm's policy on people by achieving further empowerment, promotions, further secondments and training, whilst establishing better communication across services lines.
  - Focus on operational efficiencies by the further development of TAS and VAT reviews, the creation of a SME unit in Paphos, strengthen our VAT regions and our technical support in Direct Tax and utilise more information technology.

*Despite the challenges we expect to experience further growth in our fees, strengthening our client relationships and creating growth opportunities for our people and maintaining and enhancing our leading position in the market.*

# *Global Compliance Services (GCS)*

The vision of our team is to remain the distinctive and preferred provider of global compliance and company administration services in Cyprus. By focusing and building on our strengths, we have maintained this position during a difficult year filled with the challenges of the global economic crisis.



What differentiates us is:

- our integrated service delivery, which brings together expertise covering company administration, tax, VAT, accounting, legal and advisory, enabling us to offer to our clients a complete solution
- our strong international network
- the personalised service that we offer
- having dedicated teams of highly specialised professionals
- extensive use of technology, providing quality support with speed at competitive prices
- the safety and integrity associated with dealing with PwC

Having recognised that **the crisis is an opportunity to strengthen even further**, we have dedicated time and resources on fine-tuning our service delivery, building on our close ties with the PwC network, enhancing our systems and technology used and ensuring our people receive the professional and personal development and support they need to fulfil their potential. We have also reviewed our business plan and set priorities for the short term and the long term.

**Most importantly**, we have continued to invest in our relationships with our clients, staying close to them, supporting them and encouraging a two-way open, honest communication which has been mutually beneficial during these difficult times.

The deteriorating international environment, having had a significant impact on our clients, inevitably resulted in a decrease in turnover in FY10. The 12% decrease brought our total net revenue to €26,2m compared to €29,9m in FY09.

Significant contributors to our turnover continue to be the Central and Eastern European countries and various EU countries, such as the UK, as well as emerging markets such as India.

With the economy projected to bottom out in 2010 and give way to a mild recovery in 2011, we aim to devote our energy to remaining resilient in the face of another challenging year ahead.

# *Corporate Support Services (CSS)*

Our Corporate Support Services (CSS), which employs among others, accountants and other qualified staff and engages selected lawyers with extensive and specialised knowledge in corporate law and other business related matters, aims at delivering full support and solutions that combine the required experience with commercial insight thus adding value to the clients' business.



*CSS is the newest Service Line within our organisation and enjoys high growth rates.*

Annual revenues in FY10 have reached €2,1m. Statutory compliance support is of utmost importance to clients throughout their business dealings. We are able to help enterprises respond to these challenges allowing them to focus on the areas of their business which are key to profitable growth. We aim at understanding our clients' business and the various factors that affect it, as well as keeping ourselves updated with local and international statutory and business developments. In this way, we can help our clients attain an excellent understanding of the implications of such issues on their business. Towards the same end, we constantly seek to develop our connections and knowledge.

Our services include corporate statutory compliance, mergers, acquisitions and re-organisations planning support, due diligence reports, contract drafting, support and assistance in respect of sale and purchase agreements of immovable properties, assistance to international tax experts on company structures, guidance on money laundering issues, support and assistance in relation to trusts and wills and the administration and execution thereof, employment services and immigration issues, guidance and assistance on incorporations in Cyprus and other jurisdictions and tax and VAT legal

compliance. For the offering of a number of these services there is close co-operation with Landwell, the associated legal firm of PricewaterhouseCoopers, which has recently set up offices in Cyprus. In providing our services, we apply stringent risk management procedures and at the same time facilitate full adherence to auditor independence requirements.

Our highly professional methodology incorporates/offers the engagement of lawyers as part of an integrated team of professionals, and applies specialised knowledge on business related law matters. Tailor-made support and assistance founded on commercial and legal experience provides assurance as to the quality of the service provided. We strive to offer cost effective and innovative solutions to our clients. Cooperating closely with the firm's other departments, CSS provides legal support as required. We work with our clients to implement new projects, coordinating advice across multiple jurisdictions and obtaining regulatory approvals for the establishment of new businesses, products and procedures.

During the last year we have been very successful in extending our services to non-assurance clients (Channel II clients)

increasing at the same time our client base from various countries that have established business in Cyprus. We aim to continue our efforts in order to increase our client base from these territories as well as from new ones.

Our clients include some of the largest multinational companies in the world and we service many different industries including wholesale and retail trading, financial services, consulting firms, engineering, pharmaceutical, construction and hospitality. The CSS team in Cyprus works together with the global GCS and Tax teams which enables us to provide a rapid and efficient service to our multinational clients.

Despite the set back from the present global economic crisis we expect the CSS team and revenues to continue growing, given the ever-increasing regulations in the corporate environment and the expanding local economy.

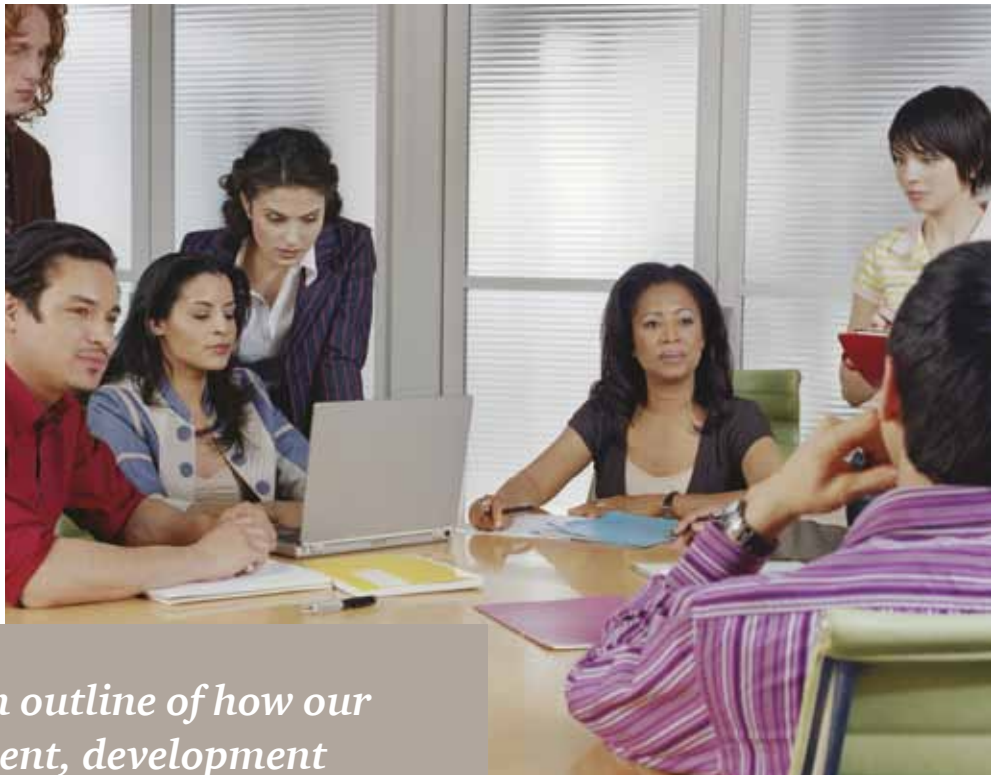
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***People***

***Experience the difference***



We are in a business in which people are the key drivers of success. Under the difficult market conditions in FY10, we continue to enhance the value of our people and to invest in their development, so as to position the firm to capture the growth as recovery gains momentum.



*This section gives an outline of how our transformation, talent, development and performance activities have sparked personal and professional growth.*

## *Transformation*

### *High performance culture*

During FY10, we continued on the path of creating a high-performance culture by pursuing our people strategy. We implemented specific actions, in order to meet the challenge of the global financial crisis and to enhance further our leadership position.

### *Accreditation in Human Capital Management*

In FY10, we were awarded with the “Social Excellence Award” for Innovative Practices, by the Cyprus Employers and Industrialists Federation. The accreditation recognises our ongoing efforts to use friendly employment policies.



## *Talent*

### *Recruitment*

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

In FY10, we continued to perform strongly against this objective. We received a total of 1153 applications for employment, out of which we recruited 24 experienced hires, and 121 university graduates. Out of the graduates recruited, 84 embarked in our September 2009 professional accounting training schemes and 60 graduates will join our September 2010 intake of accounting trainees.

To achieve these numbers, our Human Capital professionals carried out a series of activities, specifically aimed at attracting high calibre graduates and professionals and enhancing our employer brand:

- On-campus presentations at top UK universities.
- On-campus presentations to University of Cyprus students and teaching University of Cyprus accounting classes.
- Recruitment of top Russian and Ukrainian graduates in close cooperation with PwC Russia and PwC Ukraine, respectively.
- Participation in career fairs at local universities and colleges
- Administration of a “Summer Internship Programme” for top university students.

- Sponsorship of top University of Cyprus students to take part in the “International Insights” programme, and work for PwC UK for three weeks.
- Sponsorship of “Welcome Parties” for top UK universities.
- Dinner in London for Cypriot professionals, who are currently working in the UK.

## *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 FY10, seven of our people worked on international secondments in other PwC territories around the world, such as Russia, UK, USA and Greece, while four people from PwC Russia and UK came to Cyprus on secondment.

Moreover, 77 of our people were transferred to a different line of service within the organisation, department or office, in order to meet our business needs and to provide them with developmental and career enhancing opportunities.

## *A diverse environment*

We are committed to creating an environment where a multiplicity of ideas and experiences are encouraged and appreciated. With the relentless globalisation of the marketplace, diversity has become critical to our long-term success. We are more likely to provide better solutions to our clients when our teams reflect a wide range of perspectives. We also see diversity and inclusiveness as being at the very heart of effective talent management. In FY10, our people came from 26 different nationalities.

## *Development*

### *Learning and education*

Our ongoing goal is to enhance the value of our people, by investing in their personal and professional development. Therefore, learning and development remained at the top of our agenda in FY10.

A recognition of our comprehensive technical training and development curriculum, has been our accreditation as a Continuous Professional Development (CPD) Employer by both the Institute of Chartered Accountants in England and Wales (ICAEW) and the Association of Chartered Certified Accountants (ACCA). Our people's technical learning took place through a number of ways: on-the-job, through formal training programs, locally and internationally, and through the use of e-learning trainings.

Our focus is not only on technical skills. In order to help all our people achieve their full potential, and develop further their client and people management skills, we have continued to successfully run our management development program "About U". Over 300 of our people attended at least one of the "About U" management courses during FY10.

In addition, our 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 PwC territories.

### *Partner and Director development*

Our Partners and Directors continued to participate in PwC's international programs, with a clear focus on enhancing client relationship skills and dealing with leadership challenges. More specifically, in FY10, eight of our Partners and Directors attended courses on topics such as "Developing high value client relationships" and "Understanding client strategic agenda".

## *PwC Academy*

By introducing PwC Academy in FY10, we demonstrated our long-standing commitment towards knowledge and continuous professional training.

Three of our trainee accountants achieved worldwide awards in the ICAEW Professional Stage exams, in December 2009. Their awards were presented by Mr Michael Izza, ICAEW Chief Executive, in a ceremony which took place in Cyprus. This exceptional performance made us proud, and proved that through dedication and hard work, the PwC Academy can achieve great results.

Additionally, PwC Academy's objective has been to support outside professionals and businesses that believe in the value of CPD. Consequently, a relevant training programme was designed to cater for the needs of today's professionals, with courses certified and approved by the professional bodies of ICAEW and ACCA for CPD credits.



## *Performance*

### *Performance Coaching and Development*

Our aim is to continue building a culture, where people are rewarded and progress based on their job performance and potential and where they receive developmental feedback and coaching.

In FY10 we had two new Partners, two new Directors, eight new Senior Managers, and 162 promotions to the other grades. This has been a clear demonstration that PwC offers tremendous career opportunities and, even in the difficult market conditions, continues to enhance the value of our people and invest in the future.

### *Upward feedback*

In FY10, our Managers, Senior Managers and Directors received upward feedback. The aim was for these professionals to get confidential and anonymous feedback from their colleagues, to help them develop their managerial and leadership style.

## *Investing in a better workplace*

We are 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 FY10, we have maintained the following benefits for our people:

- Flexible working hours for all
- Reduced hours for working mothers
- Bonus entitlement for Assistant Managers, Managers and Senior Managers
- Payment of overtime
- Unpaid leave
- Additional annual leave for long-serving staff members
- Life insurance scheme
- Medical insurance scheme
- Provident fund
- Free parking
- Subsidised lunch meals at our canteen restaurants
- Friday afternoon off
- Casual Fridays



*Experience the  
difference*

*Investing in people*

***Firm***

***Responsible leadership***





## *Collaborating for growth*

Our firm is founded on a culture of partnership with a strong commercial focus. This is reflected in our vision:

‘One firm – a powerhouse of a commercial enterprise that does the right thing for our clients, our people and our communities’.

Our goal is to build the iconic professional services firm, always at the forefront of people’s minds, because we aim to be the best. We set the standard and we drive the agenda for our profession. We value our past but look to invest in our future to leave the firm even stronger than when we inherited it.

With nearly 1000 partners and staff in offices around the island we are able to draw on the knowledge and skills of our people and of colleagues in our global network of firms.

*We stick to a simple winning strategy: leading in the markets we choose to serve based on quality and being a great place to work for all our people.*

## *Time of turbulences*

We do not take a pessimistic stance here at PwC Cyprus, being firmly convinced that crisis also creates opportunities. Looking back at the events that have shaped 2010 for our clients and the market, it has been a turbulent year.

The crisis deepened to the extent that we witnessed the near collapse of a number of European countries’ economies.

Some financial and non-financial sector companies in Cyprus and Europe in general had to launch plans to reduce their headcounts and some well known names have been forced to close their industrial operations altogether as in substantially all developed countries.

Although we have seen some clients suspend or even cancel certain projects, we have also seen an increase in the number of our audit clients as companies search for the combination of quality and a strong brand during these troubled times. We have also taken on many consultancy assignments where strategic repositioning has been the key objective as companies seek guidance in adapting to, and planning for, the realities of the economic situation.

Similarly, our corporate finance expertise has been called upon to assist groups in optimising costs and opportunities.



*The current members of the Executive Board all of whom have served throughout the period from 1 July 2007 are:*

*Phidias Pilides (CEO)  
 Dinos Papadopoulos (Deputy CEO)  
 Panikos Tsiaïlis  
 Chris Santis  
 Stephos Stephanides  
 Costas Mavrocordatos  
 Vasilis Hadjivassiliou  
 George Loizou  
 Pantelis Evangelou  
 Evgenios Evgeniou  
 Philippos Soseilos*

## **Managing the firm**

PricewaterhouseCoopers Ltd is a limited liability company, which is wholly owned by its members/shareholders who, in professional firms, are commonly referred to as partners.

The Executive Board is responsible for developing and implementing the policies, strategy, direction and management of the firm. It is chaired by the CEO, Phidias Pilides, whose second term of office runs for five years from January 2007. The Chairman appoints five Executive Board members and the other five are elected. All the Executive Board members are partners in the firm and have the same term as the CEO.

The Executive Board holds one main monthly meeting, but also conducts formal business at additional meetings as necessary.

Assisting the CEO in the day to day operational management of the firm is the Management Team which has also been enlarged to four persons comprising the CEO, the Deputy CEO, Dinos Papadopoulos as well as Panikos Tsiaïlis and Chris Santis. The management team meets on a need basis to discuss and resolve matters arising.



## *Service line leaders*

Our client facing activities are managed through a lines of service structure and the firm operates under five separate service lines.

Service line	Leader
Assurance	Chris Santis
Advisory	Stephos Stephanides
Tax	Panicos Kaouris
Global Compliance Services	Costas Mavrocordatos
Corporate Support Services	Angelos Loizou

## *Corporate governance*

Sound governance and transparency form the bedrock of leadership. At PwC, we are committed to serving as a force for integrity, good sense and wise solutions to the problems facing businesses and the capital markets today.

Transparency and good standards of corporate governance – both in our clients' businesses and in our own – are central to our ability to achieve those objectives. We aim to continue to achieve them from a position of strength as a leader in our profession.

## *New partners and directors*

We focus on recruiting and retaining top talented people and developing them to be the next generation leaders. On 1 July 2010 George Kazamias, ACA and Loizos Markides, ACA both in Assurance Services were admitted to partnership and appointed members of the Board of Directors of the company. Also Stelios Anastasiou, ACA – Global Compliance Services and Christos Charalambides, ACA, Ioanna Stylianidou, ACA and Florentia Kyriakidou Teloni, ACCA all in Tax Services were appointed Directors of Operations.

## *Global knowledge local expertise*

161.000 people in 154 countries working together to offer solutions that build public trust and enhance value for clients and stakeholders.

At PwC Cyprus, we utilise the knowledge and experience of our international network to help our local clients solve complicated business problems and manage risk in an extremely competitive environment. In a global network like PwC, people from different countries and cultures have the opportunity to exchange knowledge, ideas and experience that result in new ways to support our clients.

But PwC is not only a recipient of the global network's benefits. We have also contributed with some of our own talented people holding positions in the network.

## *Ethics and business conduct*

PwC is one of the world's pre-eminent professional services organisations. As professional advisers we help our clients solve complex business problems and aim to enhance their ability to build value, manage risk and improve performance. As business advisors we play a significant role in the operation of the world's capital markets. We take pride in the fact that our services add value by helping to improve transparency, trust and consistency of business processes. In order to succeed, we must grow and develop, both as individuals and as a business. Our core values of excellence, teamwork and leadership help us to achieve this growth.

While we conduct our business within the framework of applicable professional standards, laws, regulations and internal policies, we also acknowledge that these standards, laws, regulations and policies do not cover all types of behaviour.



As a result, we also have a code of conduct for all PwC people and firms. This code is based on our values and it takes them to the next level demonstrating our values in action. The code also provides a frame of reference for PwC firms to establish more specific supplements to address territorial issues.

## *Awards and accreditations*

The numerous accreditations and awards, which we have received throughout the years, are a recognition that our firm excels in providing quality services to our clients, as well as in managing our people. These independent third-party, local and international awards and accreditations, make us proud of the quality of our work and innovative Human Capital Management practices.

Our goal is to continuously improve our working environment and facilitate the provision of high quality services to our clients.

- 2010 – ICPAC Quality Checked certificate – a quality assurance programme carried out by ACCA on behalf of the Institute of Certified Public Accountants of Cyprus (ICPAC) to all member firms holding a practising certificate.
- 2009 – Market Share Award – awarded to PwC during the ‘2009 Financial and Business Excellence Awards’ organised by the Cyprus Employers’ and Industrialists’ Federation.

## *Transparency*

In 2005, the European Council adopted the 8th Directive which has been enacted in Cyprus in April 2009. The legislation requires that audit firms must prepare a transparency report and post it on their website within 3 months of the end of their financial year. In our case, that means before 30 September of each year.

We, at PwC, being at the leading edge of what is happening in our profession have introduced this reporting a couple of years ago with a view to give the reader an impression of the design of the quality control system of PricewaterhouseCoopers Limited (the audit firm in the meaning of the 8th Directive), as well as of the effectiveness of its operation in the past financial year. Within this framework, the present report looks at the following aspects:

## *Legal and organisational structure*

PricewaterhouseCoopers Limited, the audit firm, is owned 100% by the Partners of the Cyprus firm who are professional practitioners working with the firm, either directly or through PricewaterhouseCoopers, a partnership registered in Cyprus.

The CEO, together with the Executive Board, is responsible for the design, maintenance and operation of an effective quality control system. They are therefore designated as policymakers in the meaning of the 8th Directive.

### *External auditors*

The policy within the audit firm is that only experienced professionals at partner and director level can be designated as external auditors in the meaning of the 8th Directive. All other employees operate under the responsibility of, and report to, the external auditor in charge of the engagement and have no authority to sign opinions.

### Business units

The audit line of service is divided into business units (BUs). The tasks of the Assurance Line of Service Leader (ALSL) include the following:

- implement relevant regulations in the field of quality, risk management and Code of Conduct
- pursue objectives in terms of revenue, productivity and profitability
- develop and manage an effective infrastructure (required staffing and resources, industry knowledge)
- manage staffing with a focus on client service and also monitor the development, experience and behaviour of our people. The ALSL is assisted in this respect by the Assurance Human Capital partner.

In addition to the Human Capital partner, the ALSL is also supported by the Assurance Risk Management Partner who ensures compliance with the set quality and risk management standards. Among other things, these relate to the acceptance, continuation and implementation of statutory audits.

### Independence Office

Our organisation has been strengthened with an Independence Officer 'conflict checking' independence and monitoring. This supervision concerns assessing the effectiveness of our internal quality assurance and control system. The assessment comprises both the organisation and its procedures as well as the quality guidelines to be applied per individual engagement.

We have developed various systems to secure our independence. Apart from meeting the personal independence requirements, it is also extremely important to meet the requirements applicable to the other services (other assurance services).

## Organisational structure of the international network

PwC member firms operate locally in countries around the world. But by working together, member firms also comprise a vigorous global network. This structure provides PwC firms with the flexibility to operate simultaneously as the most local and the most global of businesses. As a direct result, we are able to serve a broad range of clients: large, publicly-listed multinationals; small, private, domestic companies; and almost everything in between.

In most parts of the world, the right to practise accountancy is granted only to national firms in which locally qualified professionals have majority or full ownership. Consequently, PwC member firms are locally owned and managed which confers two additional strengths: a deep understanding of local markets; and the sense of individual responsibility and initiative that comes from having a stake in the practice.

The member firms are linked together through membership in PricewaterhouseCoopers International

Limited (PwCIL), a UK membership-based company. PwCIL does not provide services to clients. Its primary activities are to: identify broad market opportunities and develop associated strategies; strengthen PwC's internal product, skill, and knowledge networks; promote the PwC brand; and develop and work for the consistent application of common risk and quality standards by member firms, including compliance with independence processes.

Member firms are also part of regional groups that promote cooperation and application of common strategies, risk, and quality standards.

The unit of organisation most critical to our success is also its smallest and most fluid: the client engagement team. Much of the decision-making authority relating to how client needs are met rests with engagement teams. The team also has primary responsibility for building and expanding client relationships. And the team is where much of our people's professional development occurs and PwC's culture is passed to younger professionals. As a consequence, each piece of the PwC network shares a single, overriding aim: to help engagement teams connect with clients, win work, and mentor the next generation of leaders.

## Commitment to quality

Quality assurance is a constant concern at PwC Cyprus. We very much appreciate the confidence our clients and the Cyprus market continue to show in us and are aware of the fact that our unrestricted commitment when it comes to quality assurance greatly contributes to our success.

Therefore, at PwC Cyprus we are committed to assuring the highest standards of quality at all times from our client acceptance process right through to the execution and completion of our audit work. Prior to accepting a client mandate we carry out a rigorous vetting procedure to ensure that we only work with reputable companies, be they large multinationals, SMEs (Small and Medium sized Enterprises) or family businesses. This process asks questions about how the business is run and looks into topics like beneficial ownership and compliance with anti money-laundering legislation.



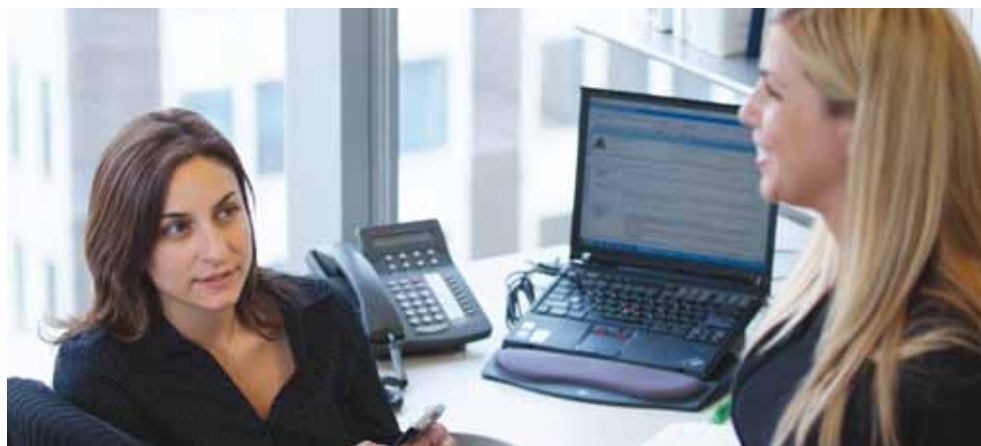
The work of PwC Cyprus itself is subject to regular reviews. In our case these come from several sources: the PwC global network's quality review, our own internal review, the local Cyprus Institute of Accountants and finally our compliance with the ISQC1 standard.

Via the PwC global network's quality review, one third of audit partners' work is reviewed every year by other audit practices in the PwC international network. In addition to this, at PwC Cyprus we also perform internal reviews each year of the audit work of those partners who have fallen outside the scope of the global network's quality review.

## Public Interest Entities

The term Public Interest Entities is defined in the 8th Directive. In short, the definition includes listed companies, credit institutions and insurance companies whose registered office is in Cyprus.

The appendix contains the names of the Public Interest Entities where PwC Cyprus performed statutory audits in the current reporting year.



Amathus Public Ltd

Apollo Investment Fund Plc

Astarti Development Plc

Claridge Public Ltd

CLR Investment Fund Public Ltd

Constantinou Bros Hotels Public Co Ltd

Cytrustees Investment Public Company Ltd – Cyprus Shares

D.H. Cyprotels Plc

Ermes Department Stores Plc

Europrofit Capital Investors Public Ltd

G.A.P. Vassilopoulos Public Ltd

Interfund Investments Plc

K & G Complex Public Company Limited

Kanika Hotels Plc

L.P. Transbeton Public Ltd

Leptos Calypso Hotels Public Ltd

Libra Holidays Group Plc

Mallouppas & Papacostas Public Co Ltd

Marfin CLR Public Co Ltd

Marfin Popular Bank Public Co Ltd

Mitsides Public Company Ltd

Pandora (Investments) Public Ltd

Philoktimatiki Public Ltd

The Cyprus Cement Public Company Ltd

Unifast Finance & Investments Public Co Ltd

Unigrowth Investments Public Ltd

Woolworth (Cyprus) Properties Plc

## Staff expertise policy

To meet our stringent professional standards, PwC can rely on the services of competent professionals. By means of a good organisational and technical infrastructure, our professionals are encouraged to maintain and expand their professional expertise. The basis of this infrastructure is formed by our professional policy. Part of this infrastructure consists of the quality assurance system where our professionals can access all professional rules and regulations (both external and internal PwC rules) through a single portal. The Assurance Risk Management Manual is particularly important in this connection.

Modern audit practice demands the use of a broad range of specialists. Our training programme is especially geared to meeting these needs. The PwC audit methodology is highly advanced and client-focused. Our people receive regular training in the application of this functionality, according to the level of their work.

## Revenue

The total revenue for the financial year ended 30 June 2010 amounted to €72,2m (2008/2009: €75,4m).

The revenue of the audit line of service breaks down as follows:

(X € 1m)	2009/2010	2008/2009
Statutory audits	23,2	21,9
Other Assurance services	1,3	1,7
Services for non-audit clients	0,3	0,4
<b>Total</b>	<b>24,8</b>	<b>24,0</b>

The other Assurance services include the voluntary annual audits and work relating to e.g. capital market transactions. Other services concern administrative support, among other things.



## *Partners remuneration*

The firm has implemented a remuneration system for partners which reflects three elements, responsibility, equity and performance of each individual partner.

*The responsibility* component is paid in the form of monthly salary and is based on what work a partner is asked to do and the degree of complexity and responsibility of this work.

*The equity* component is paid by way of dividend to all equity holding partners on the basis of the ordinary shares held by each partner in PricewaterhouseCoopers Ltd.

*The performance* component is paid to partners in the form of dividends based on the preference shares of PricewaterhouseCoopers Ltd held through a trust for the partners. The preference shares are paid incentive achievement dividends.

## *Sanctions policy*

We consider compliance with regulations, directions and instructions in the field of quality policy a matter of the utmost importance. Non-compliance not only jeopardises the good reputation and financial position of PwC, but also that of others. A sanctions policy is in place as part of our overall quality assurance and control system in order to implement the applicable quality policy. Action is therefore taken in the event of any instance of non-compliance with the (external and internal) rules. This may eventually result in a sanction varying from a written warning or reprimand to, in extreme cases, actual dismissal of the employee or termination of the affiliation agreement.

The sanctions policy contains an overview of possible sanctions and the manner in which certain regulatory infringements are referred to relevant bodies. The latter takes place in conformity with the carefully prepared procedures and, depending on the nature of the infringement and the phase of the process in question, to bodies such as the Complaints Committee, the Business Conduct Committee, the Independence Sanctions Committee or other administrative and supervisory bodies.

## *We plan(t) for the future: Experience for life*

The challenge for every responsible organisation is not only to ensure business success but also to contribute and have impact on the society. In this period, under the global financial crisis, businesses more than ever are putting even greater weight on operating in those ways that serve society's best interest.

Since its creation, PwC is playing a vital role in the country's economic development and has also acquired an important role as a corporate citizen.

At PwC we believe that we have a significant share of responsibility for the social prosperity and progress. Employees, stakeholders, clients, suppliers and the society are the recipients of a series of activities and behaviors that are integrated into our organisation's program which has five pillars: *Volunteering, Environment, Professional Services, Giving and Corporate Community Leadership*.

Our CSR activities are led by Androulla Aristidou, Director of Operations (Marketing & Communications) with a committee chaired by Stelios Anastasiou, Director of Operations (Global Compliance Services).

Our mission is reflected in our Corporate Social Responsibility (CSR) Motto: *We plan(t) for the future: Experience for life*

*We: Working together, our capacity for supporting our community is far greater than the sum of its parts. Our aim is to involve as many people as possible in ...*

*plan(t) for: "Planting seeds". Planning and acting responsibly to our society and our stakeholders in order to safeguard ...*

*the future:  
a sustainable  
future*

*Experience for: Commit our values and our PwC Experience to bring our mission to ...*

*life: Life, in an effort to enhance and preserve the quality of life.*

## Our strategy

Our CSR strategy comes to life through a multidimensional CSR Program that aims at addressing the social, financial and environmental requirements that respond to Cyprus society's real needs. More specifically:

Our organisation supports and promotes the ideal of **volunteering** and supports the community **giving** through donations and sponsorships. Moreover, PwC focuses on **Corporate community leadership**, sharing knowledge, experiences and skills with society. In addition, concerned about the **environment's** well being, our organisation adopts and motivates its people to adopt an eco-friendly behavior. Last but not least PwC is providing **pro bono services** to a number of community organisations and charitable institutions.



*Our people are enthusiastically getting involved not only in local projects but also in initiatives driven globally by the Global Communities of PwC, understanding how they can positively make a difference. It is encouraging to see that 85% (Source : Global People Survey 2010) of our people in Cyprus are satisfied with the actions we take to be socially responsible and that 67% (2010) are interested in volunteering to participate in CSR activities. Moreover, 80% of our people are satisfied that PwC is responding appropriately to address the impact of our business activities on the environment.*

## Volunteering

Our people are ambassadors of a common vision and culture and contribute to the organisation's progress with their specialised knowledge, their valuable experience and their personal efforts. Realising that its success is due to its people, PwC creates an environment that aims at developing their skills, utilising their talents and inspiring them.

A total of 116 people from our organisation volunteered spending 365 hours for some of our activities such as Blood Donation, visit at the Makarios Hospital and giving presents to the children during Christmas, raising funds for Telethon etc. Moreover our volunteers have delivered workshops for children and siblings of our people for career, counseling and IT.

On the occasion of the World Hypertension Day, PwC organised an event at the Larnaca office during which the volunteers were educated on the causes of high blood pressure and had their blood pressure checked.

## Giving

Always aiming at the protection and welfare of children and the underserved people, PwC is supporting the community, following its CSR strategy.

This year PwC donated hospital equipment worth €26.000 for the Intensive Care Unit of the New Born at Makarios Hospital. The donation marked the fact that PwC exceeded 1000 members. Moreover the firm donated the proceeds (€3.000) from the performance of the "Gronholm Method" play given by our colleagues from PwC Greece to the Anti-cancer Society. In addition during the year we have supported a number of other charitable organisations such as the Make a Wish Foundation, Telethon, the Red Cross and the Young Volunteers as well as Unicef by supporting their bazaars.

## Corporate community leadership

Corporate Community Leadership is about sharing knowledge, experiences and skills with our stakeholders through surveys, publications, seminars and through participation of our people in the boards of business associations, specialised agencies and educational institutions.

During FY10 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.
- Support of our Olympic athlete Andreas Cariolou, member of the Cyprus Olympics sailing team

We support the Cyprus economy and stand next to the Cypriot businesses with professional dedication of our people by tapping into the knowledge and expertise of our international network. During this year either through our own CSR programmes or working with the government, industry, business and professional and charitable organisations we have supported our society.

Leading the owner-managed family business to the next stage of growth was the focus of a conference organised by CIIM Business School and PwC in May 2010, in Nicosia. The conference was geared to founders, owners/managers, directors of family businesses and their advisors, (solicitors, accounts, bankers and consultants), and highlighted best practices on how to strategically plan for continuity in family businesses.

### *Some of our projects*

During the year PwC Cyprus with our Chair in Business Research at the University of Nicosia carried out a qualitative and quantitative survey on employers' perception for graduates of private universities in Cyprus with impressive results.

More than 70 of our people were involved in different projects spending around 500 hours. In addition, more than 120 of our people serve as members of the boards of business and social associations.

On 12 February 2009 PwC Cyprus has signed along with another 18 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. We strongly support this initiative by introducing road safety sessions in the induction seminars of our new colleagues.

### *Environment*

Our objective as an organisation is to protect the environment we live and operate in and make sure that we work towards minimising the negative effect of our operations on the environment.

Moreover, we believe that we can make a difference on the environment's preservation and for that reason we have undertaken a number of activities.

First of all we have implemented an environmental policy, according to which we minimise the use of electricity, water, and paper. We have introduced paper recycling and we have tried to reduce CO2 emissions by encouraging our people to replace actual internal meetings were unnecessary with conference calls. Our building management system uses environmental friendly cleaning products. The environmental plan of our organisation is communicated to our people through our CSR policy.

Under the framework of protecting the environment, PwC Cyprus supported the earth hour initiative. Hundreds of millions of people around the world turned off their lights to demand action on climate change on Saturday 27 March 2010 and PwC

participated in this worldwide initiative by turning off all the lights in its offices, in all towns, for one hour. In addition our people were encouraged to do the same at their houses. During the World Environmental Day we organised an event which included a speech by a representative of the forestry department as well as a painting competition for our staff's children in an effort to raise the environmental consciousness of our staff and their children.

### *Providing professional services - Pro-bono*

During FY10, 54 partners and staff were involved in the provision of pro-bono and discounted services to a number of community organisations and charitable institutions worth about €45.500. In total, more than 623 hours were charged by partners and staff under this pillar.

We will continue our efforts to strengthen our responsibility in ensuring that our activities support a strong and thriving community. In PwC we believe that CSR excels the "corporate responsibility". It is a truism demand of our people to participate in a better tomorrow.

***Financial***

***Delivering sustainable growth***



*In a difficult year the firm has achieved net revenues of €72,2m, experiencing a decrease of 4% compared to FY09.*

## ***Assurance***

The Assurance practice revenue grew by 3% to €24,8m from €24,0m in FY09, exhibiting resilience in a difficult year and creating further critical mass for more effective industry specialisation.

## ***Global Compliance Services***

GCS was hit hard by the global financial crisis but still achieved net revenues of €26,2m, a decrease of 12% vs FY09 of €29,9m.



## **Tax**

Our Tax practice exhibited, once again, sound growth. It generated revenues of €15,3m representing an increase of 5% over the previous year.

## **Legal and corporate support**

Our legal and corporate support services achieved net revenues €2,1m.

## **Advisory**

Advisory revenues were €3,9m, experiencing a drop of €0.4m compared to FY09. The Advisory practice comprises, Performance Improvement Consulting Corporate Finance/Crisis Management and Human Resources Advisory Services.

## **Operating costs**

We managed to reduce our total operating costs by 10% with the staff costs recording a 3% increase over the prior year.

## **Staff provident fund costs**

The firm maintains a staff provident fund with 930 members (2009: 943). The fund, which is a defined contribution scheme had €5.550.000 in contributions during FY10 (€5.310.000 in FY09) and at 30 June 2010 its net assets stood at €37m (30 June 2009: €31m).

## **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 €1.2m (FY09: €1,6m) was expended mostly on furniture, equipment and infrastructure.

## **Total tax contribution**

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

The firm's partners and staff paid €6,5m (FY09 €6,0m). Further to this the firm paid €10,7m in VAT (FY09 €9,0m) and some €4,8m in Social Insurance Contributions (FY09 €4,5m)

## **Working capital policy**

### **Debtors and work in progress.**

The average number of credit days outstanding for the year was 74 (FY09: 72). 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 20 days (FY09: 23 days).

### **Creditors**

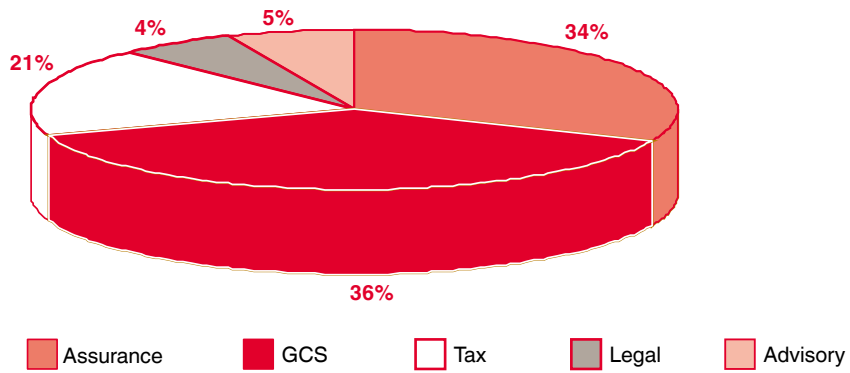
Creditors are paid promptly with the average number of days between receiving and settling and invoice standing for FY10 at 31 days (FY09: 31 days).

## **Financing**

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

The firm's bank lending at year end stood at €12,5m (FY09: €12,3m) as compared to the bank facilities available of €19,9m (FY09: €17,9m).

## *Fee Base – Revenue*



# PwC in Cyprus

We are striving to offer our clients the value they are looking for. Value that is based on the knowledge that our teams draw from 161.000 experts in 154 countries. But also on experience adapted to local needs. We focus on three main areas of assurance, advisory and tax services. We work closely with our clients. We ask questions. We listen. We learn what they want to do. Where they want to go. From all our international knowledge we share with them the piece that is more suitable for them. And so we support them on how to achieve their goals.

In the operation of the world's capital markets we play an important role and as business advisors we help our clients solve complex business problems. We aim to improve their ability to manage risk and improve performance. And at the same time we take pride in our quality services which help to improve transparency, trust and consistency of business processes.

Our position is strengthened with our almost 1.000 professionals and our offices throughout Cyprus. We all share our knowledge and experience in order to best service our clients and help them create the value they are looking for.

Some of our services are:

## **Assurance Services**

Statutory and regulatory audit services, which include evaluation of information systems and advisory services for accounting and regulatory issues for all types of businesses through specialist industry divisions: Financial Services (FS), Consumer and Industrial Products and Services (CIPS) and Technology, Information, Communications, Entertainment and Media (TICE). Expertise on corporate reporting, performance measurement as well as compliance and review of security and information technology systems by our Systems and Process Assurance (SPA) team which is fully integrated into the overall audit.

## **Advisory Services**

Governance, Risk Management and Compliance, Strategy and Operational Effectiveness, Security and Technology, Process Improvement, Corporate Finance, Transactions Support, Crisis Management, People and Change, as well as general advisory services.

## **Tax Services**

**Corporate:** Tax planning on structuring, mergers and buyouts and other business issues, tax returns administration, agreement with Tax Authorities and obtaining tax rulings. **VAT:** Advisory services for tax planning, VAT recovery and VAT minimisation and tax compliance (administration of tax returns, communication with VAT authorities, agreement of disputed assessments etc). **Personal:** Tax planning, completion submission and agreement of tax returns, tax services to expatriates, pensioners and other non-Cypriot individuals.

## **Global Compliance Services**

Accounting, company administration and corporate statutory compliance services including advice on establishment and administration of local and international business companies, collective investment schemes, UCITS investment firms and trusts.

## **Corporate Support Services**

Our Corporate Support Services, which employs among others, accountants, lawyers and other qualified staff and engages selected lawyers with extensive and specialised knowledge in corporate law and other business related matters, aims at delivering full support and solutions that combine the required expertise with commercial insight thus adding value to our clients' business.

# PwC offices in Cyprus

<b>Nicosia</b>	
Mailing address:	P O Box 21612, CY-1591 Nicosia, Cyprus
Street address:	Julia House, 3 Themistocles Dervis Street, CY-1066 Nicosia, Cyprus
	Tel. +357 - 22555000 , Fax +357 - 22555001
Board Members and Directors of Operations:	<b>Board Members:</b> Phidias K Pilides (Chief Executive Officer), Dinos N Papadopoulos (Deputy Managing Partner), Panikos N Tsiailis, Christakis K Santis, Stephanos D Stephanides, George Foradaris, Angelos M Loizou, Androulla S Pittas, Costas L Mavrocordatos, Panicos Kaouris, George M Loizou, Tassos Procopiou, Andreas T Constantinides, Theo Parperis, Constantinos Constantinou, Philippos C Soseilos, Evgenios C Evgeniou, Christos Tsolakis, Nicos A Theodoulou, Marios S Andreou, Nicos P Chimarides, Aram Tavitian, Constantinos Taliotis, Stavros A Kattamis, Chrysilios K Pelekanos, Eftychios Eftychiou, George C Lambrou, Chris Odysseos, Stelios A Violaris, Petros N Maroudias, George C Kazamias, Loizos A Markides <b>Directors of Operations:</b> Androulla Aristidou, Achilleas Chrysanthou, Demetris V Psaltis, George A Ioannou, Marios G Melanides, Sophie A Solomonidou, Yiannis Televantides, Antonis C Christodoulides, Christos S Charalambides, Ioanna I Stylianidou, Florentia Kyriakidou Teloni
<b>Limassol</b>	
Mailing address:	P O Box 53034, CY-3300 Limassol, Cyprus
Street address:	City House, 6 Karaiskakis Street, CY-3032 Limassol, Cyprus
	Tel. +357 - 25555000, Fax +357 - 25555001
Board Members and Director of Operations	<b>Board Members:</b> Vasilis Hadjivassiliou (in charge of office), Nicos A Neophytou, Liakos M Theodorou, Stelios Constantinou, Petros C Petrakis, Nikos T Nikolaides, Cleo A Papadopoulou, Yiangos A Kaponides, Tasos N Nolas, Constantinos L Kapsalis, Antonis Hadjiloucas <b>Director of Operations:</b> Anna G Loizou
<b>Larnaca</b>	
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