

Cyprus Annual Review 2011

*How we responded
to the FY11 challenges,
focussing on our clients
and our people.*

October 2011





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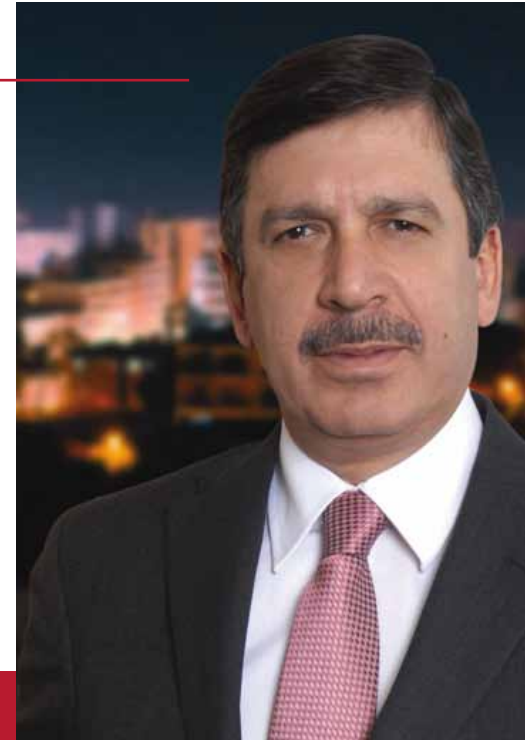
Chairman's message

With the financial crisis still overhanging, the global and Cyprus economy remained under strain in 2011.

The tragic explosion of 11 July 2011 and the resulting electricity disruption has exacerbated the already weak financial landscape.

PwC Cyprus has directly and responsibly reacted to this new crisis, by continuing to cater promptly and proactively to our clients' needs, doing our best to maintain productivity while reducing our electricity consumption. In the meantime, the difficult economic conditions of the past year have encouraged us to explore new opportunities so as to create new experiences for our clients and people.

PwC is rich in people talent and passion. This talent and passion, combined with our corporate culture of excellence, makes us a dynamic organisation that continues to thrive in the most challenging economic conditions. This is the power of PwC. We build strong and long-lasting relationships with both our clients and our people, who, now more than ever, are the source of our competitive advantage. We focus on our people's development with the same intensity we apply in meeting our clients' needs. Our extensive internal training and development programme equips our people with up-to-date industry knowledge and the skills required for them to progress through our clearly defined career paths and advancement opportunities. We know that excellence, like value, is measured by more than numbers.



Phidias K Pilides
Chairman, Territory Senior Partner
PwC Cyprus

Despite the current market conditions, we have managed to maintain our revenues at the same level as in 2010 (2011: €73.6m against 2010: 72.2m) and we expect the year ahead to be both challenging and exciting. We have moved forward with our new integrated and market-focused structure. As from July 2011, PwC Cyprus is organised along two major service lines, Assurance & Advisory and Tax & Legal services, in alignment with our clients' needs. In addition, we are proud to announce that, as from July 2011, we have five new Directors and six new Senior Managers. It is worth mentioning that, overall in 2011, we had 102 promotions of staff.

The past year has been full of new experiences and new ways of thought. Not least of all was the beginning of a new journey: that of our re-branding. Underlying the strong visual elements of the brand is the essence of what PwC really stands for: how we are viewed by our clients, our people and our stakeholders. Beyond our capabilities and experience, PwC should be known for building great relationships with clients and helping them to create the value they are looking for. This is our brand promise. We listen to clients in order to acquire a thorough understanding of their business and their needs. We treat our clients' requests with urgency and respect, and we work relentlessly to meet and exceed their expectations.

Beyond the realm of client service, PwC Cyprus is an active member of its community, volunteering extensively within our local regions so as to bear a positive impact on the welfare of the people around us and on society at large. We strive to protect the environment, we offer pro-bono professional services and we promote corporate community leadership, contributing to charity initiatives both financially and by sharing our time and skills.

I complete my career with the firm on 31 December 2011 and Evgenios Evgeniou, our newly elected Territory Senior Partner, will lead our organisation as from 1 January 2012, continuing our successful dynamic course. Our focus for this year is business development across various markets and our continuing commitment to high quality client service.

As a creative organisation, we aim to continue to act with agility in adapting to the rapid changes around us, thus not only maintaining the trust and respect of our clients and our community, but continuing to grow in numbers, in talent, in skills and in the quality of our people.



Phidias Pilides
Chairman, Territory Senior Partner

October 2011

Managing Partner's Message

Over our firm's history we have achieved a lot, we have plenty to be proud of and we have an obligation to take our firm forward. We have a clear goal to strengthen our position as the leading professional services firm in Cyprus that is doing the right thing for our clients, for our people, for the capital markets and for our country.

Market conditions remain difficult, economic uncertainty prevails and we recognise that this is not business as usual. In the current difficult conditions we have set ambitious goals. We have developed a strategy that aims to help us achieve our objectives of growth, improved competitiveness and investment in the future. To achieve them we need to collaborate effectively in executing on our strategic priorities of maximising market opportunities, building strategic capabilities, transforming our business model, building quality business and delivering on our brand promise.

Our continuing success and our ability to meet the demands of our clients in an increasingly complex business environment, depends critically on the quality and commitment of our people. We will continue to invest in the professional development of our people and to offer excellent opportunities for career advancement. Whilst we adjust to the current market realities, we continue to improve our capability to attract, retain and engage quality people to service our clients.

Quality is the foundation of what we do and beyond that we aim to add value that is relevant to our clients and to give them an experience that is distinctive. This requires continuous involvement of our culture. We are committed to intensify our effort to deliver on our brand promise of building relationships that help our clients and people create the value they want.

To maximise market opportunities we have reorganised by pulling together relevant



Evgenios C Evgeniou
Managing Partner
PwC Cyprus

competencies so as to facilitate the provision of consistent go to market client centric services. We bring more focus on the market by strengthening our industry capabilities, intensifying our efforts to develop the international business, empowering our client relationship partners and focusing more on the middle market and family businesses. We are transforming our business model to improve our competitiveness through the introduction of new technologies and streamlining of our operations. We are investing in the future by building strategic capabilities in areas where we see growth potential and we strengthen our connectivity with our network through strategic secondments.

I would like to take this opportunity to thank our Territory Senior Partner Phidias Pilides for his contribution in leading our firm to many achievements. I would also like to thank for their contribution all the partners who are outgoing members of the Executive Board and Service Line Leaders who move on to new responsibilities.

I assume my new role with a great sense of responsibility towards my fellow partners, who entrusted me, and towards our clients and our people. I also recognise our responsibility to continue supporting the economic development of our country, especially in today's challenging times.

The current market and economic difficulties is a call to do more. To work effectively, as a team, with collaborative spirit so as to realise our aspirations. We have a great client base, the best people, a great brand, tremendous global expertise, rich local experience and a long successful history. Above all we have the determination to succeed.

A handwritten signature in blue ink, appearing to read 'Evgenios', written in a cursive style.

Evgenios C Evgeniou
Managing Partner

October 2011



Clients

Enhancing value



Assurance

With 23 partners and directors and 290 staff we are the number one assurance service providers in Cyprus. The objective is to increase revenues through a more market focused and client centric approach which will deliver our brand promise of adding value to our clients but at the same time seek to improve efficiency capitalising on automation, standardisation and the successful implementation of the new PwC Audit Methodology and other automation software packages. Our Assurance services are provided to a wide variety of industries, including business

services, construction, hospitality, transportation, banking, insurance, and investment management, with no single industry dominating the client base.

Audit Transformation Program (ATP) and Aura

We have invested heavily in the new Audit Methodology that was used on a number of assignments during this year on a pilot basis. The new technology platform was enthusiastically accepted by our audit teams and is in use for all audit assignments as from 1 July 2011.

This is expected to improve the audit efficiencies and effectiveness thus bringing greater value to our clients and people.

The key element of the new methodology (tools, behaviours and delivery method) address the fundamental elements of our business. These elements are equally important and are closely linked facilitating the delivery of PwC Experience and will help us achieve our vision of providing a differentiated, value-adding and high quality audit service for the benefit of our clients, our people and our business.

The development of the new tool (Aura) is a journey and new versions are planned to be released during the years 2011 & 2012 focusing on speed and performance improvement to make the tool more reliable, run more efficiently, use less memory and operate faster.

Increasing regulation

Following the financial crisis we are facing increased scrutiny from Regulators. We participate in the European Contact Group responsible for public policy and regulatory matters in the European Union.

It should be noted that the Green Paper on Audit Policy was issued by the European Commission on 13 October 2010. This paper includes a number of suggestions, some of which very radical, which if adopted will change significantly the audit profession as we know it today and bring about wider effects to the dominance of the Big Four; the Big Four which are frequently referred to in the Paper as “systemic firms” owing to the systemic risk attached to them resulting from the potentially severe crisis that may allegedly arise in capital and financial markets in the event of collapse by one of them.

We support measures which promote competition and transparency, enhance independence and deliver greater quality, while not imposing increased costs or red tape on businesses. Such measures include:

- the prohibition of contractual clauses which require the use of a Big Four or Big Six audit firm;
- changing the ruling governing ownership of audit firms and liability reform;
- improving communication between regulators and auditors;
- ensuring Audit Committees as the main representative body of shareholders provide greater transparency including the disclosure and oversight of any non-audit services supplied by auditors; and
- allowing small and medium sized firms to compete for large institutions’ business.

In view of the impending EC Council Presidency of Cyprus for the second half of 2012 we work closely with our colleagues to influence the debate on Audit Reform.

PwC brand

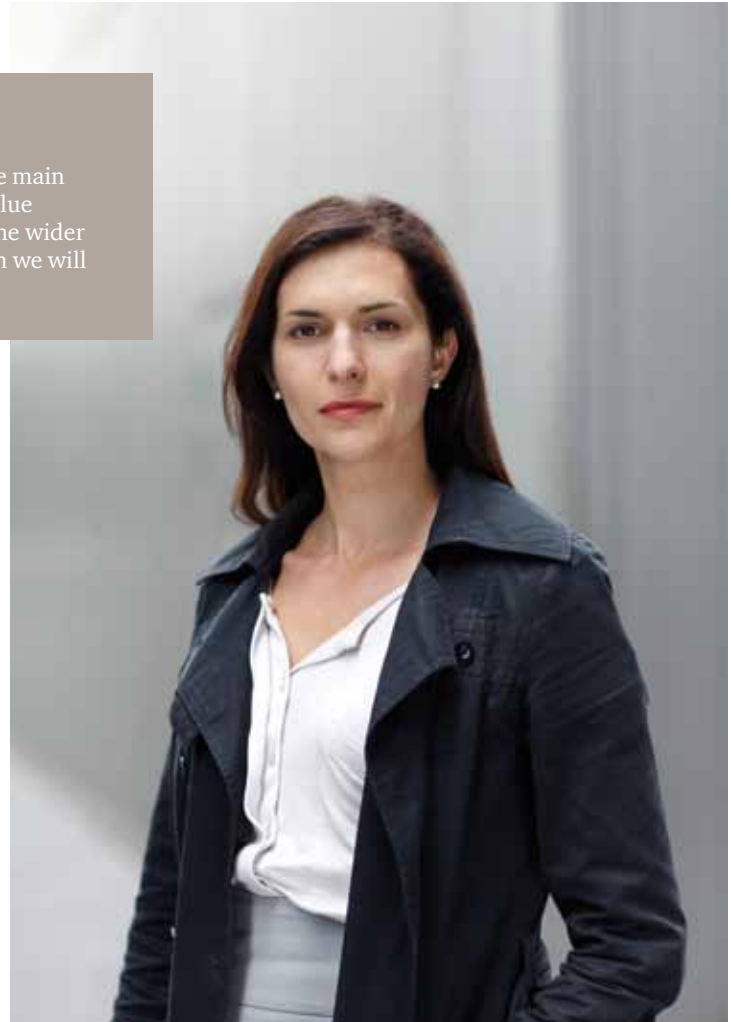
The changes to the PwC brand were launched in the last quarter of the year 2010. The main driver for the changes is the emphasis given on building relationships to create the value clients are looking for. Putting value at the heart of our discussions with clients and the wider community will be a key element in separating PwC from the competition. In addition we will stand by our promise for the continuing engagement of our people.

Results and competition

The Assurance revenues held up well, given the adverse economic conditions in Cyprus, the Eurozone and globally, at €23.9million compared to €24.8million in FY10. Despite the very difficult economic conditions and the sluggish economy, demand for Assurance services is strong, but good performance was more that offset by pricing pressure from local and international clients in a very competitive market place.

Competition among the Big four firms but also by smaller practices has increased significantly with competitors seeking to win work by lowering prices.

We maintained our leading position as the market leader in the provision of Assurance services by competing on the basis of the quality of our services. Maintaining and improving quality is our first imperative and a fundamental pre-requisite in achieving growth. We keep fully up to date with updates on IFRSs, regulatory activity, coverage and governance.



Advisory

During a challenging period, as a result of the prevailing economic conditions in the domestic and international markets, Advisory was successful in meeting its budgeted revenues for FY11, achieving at the same time an increase in the work performed. The efficiency that was achieved was crucial in the overall Advisory effort to meet its budgeted fees for FY11, despite the margin pressure from the market and our effort to reduce our fees to support and assist our clients during these difficult times.

Our dedicated team of professionals closely monitored the regulatory reform agenda, whose importance to our financial services clients cannot be stressed enough. The new regulatory architecture creates new challenges for our clients and until the “new normal” in regulatory terms is finally established, we are committed to stand next to our clients. Equipped with the right skills and technical knowledge, we assisted banks, investment firms, funds and insurance companies to face their every day challenges as well as taking strategic decisions.

Large and complex projects related to governance, risk, compliance and internal audit were delivered to our local and overseas clients. In parallel, operational effectiveness services, including major restructurings, added value to our clients in their effort to identify more efficient ways in carrying out their businesses.

Despite the adverse market conditions, organisations are increasingly becoming aware of their sustainability responsibilities. In addressing these challenges we provided services in the areas of process improvement as well as sustainability management systems (occupational health and safety, environmental, and food safety) and corporate social responsibility. A number of complex and high visibility technical projects were delivered in both the public and private sectors as well as major banking institutions and large retail groups. Advisory also continued

to offer Technology advisory services to help organizations transform their IT department into a more lean and agile function able to drive the organisation forward in this challenging environment.

Enhancing and developing management skills and capabilities was still a priority even though client budgets are downsized due to financial constraints. Organisations recognize that talent development remains a critical supporting factor to their ability to address future business needs. Our experience with financial services organisations is continually growing with the delivering of Management Development Programs. Also, our co-operation with the European Patent Office is continuing with on-going leadership development assignments.

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 organizations start to invest more actively in new talent.

Our international assignment service offerings had a good year. International companies continue to relocate expatriate staff to Cyprus. We supported a number of clients with immigration compliance and relocation of their expatriates.



Facing the difficulties derived from the economic crisis, organisations focus in measuring the performance of their staff and aligning their promotion and reward systems to the performance of their employees. This provided the opportunity for the design and implementation of Performance Management Systems for a number of organisations.

Organisations start to become more people focused and recognize the need to become “an employer of choice”. This led to the opportunity to support organisations in achieving the Investors In People (IIP) accreditation.

In the context of the current economic conditions, both in the domestic and international markets, Financial Advisory achieved healthy growth in its revenues in FY11 compared to FY10. As there was a decrease in activity in transactions related services, emphasis was given to products that were closer to our clients’ expectations and needs, such as receiverships, restructurings, etc. Specifically, there has been a slow-down in the mergers and acquisitions activity in FY11 as businesses reconsider their strategy and corporate capital structures. Audit Support services remained relatively stable as expected due to their recurring nature, while Business Recovery Services experienced a significant increase due to the fact that a sizeable high visibility

receivership engagement of a publicly listed entity was won and completed in FY11 in record time to the absolute satisfaction of all parties involved.

Our Capital Markets worked on a number of high profile transactions and retains a dominant position in the market of Russian IPOs to London through Cyprus. At the same time it continues to support our clients in their capital markets transactions both in other European markets as well as on the Cyprus Stock Exchange.

As at the close of the year, Advisory was a group of 55 professionals and by far the biggest professional services consulting practice in Cyprus. The impact of the financial crisis on our Advisory work is showing positive signs of easing out, even though there are still a number of challenges ahead of us. The Advisory professionals are looking into the future with optimism though, equipped with the new integrated structure of “Assurance and Advisory”.

Advisory has been reorganised under Assurance & Advisory by pulling together relevant competences into Deals and Corporate Finance, Risk Assurance Consulting and Performance Improvement Consulting so as to be better equipped to face the challenges that stem from the current economic climate. The new structure will provide the Advisory professionals access to the client base of the Assurance practice as well as enhanced career paths and professional development. It will also allow us to meet the needs of clients by connecting capabilities between the groups. As always, our focus on delivering to clients the best solutions will continue.

Tax

During FY11 the tough challenges arising from the economic stagnation internationally and the downturn in the local market took their toll on the results of our Service Line.

The downgrading of our sovereign debt and of our main banks made promoting Cyprus as a top class international financial centre more difficult. Under this truly challenging backdrop Tax has managed to increase its fees in comparison to last year. At the same time we have continued our efforts in staying close to our clients providing them with innovative solutions to their

challenging issues. Our efforts for increased efficiencies and reduction in costs have become a key feature in our mode of operation. We have managed to keep the morale of our people high and have maintained and enhanced our key talent. Our team became stronger with the promotion of Martha Lambrou to Director from 1 July 2011 responsible for the VAT services in the Regions.



Financial performance

Overall we have managed to increase our fees by 7% rising from €15.3m last year to €16.3m. By the end of the year our people numbered 165, having welcomed 11 people in Paphos, who joined us from GCS and Audit to form TAS-Paphos which commenced its operations during the year. Once again the VAT division, has done us proud, continuing to grow, especially in the Regions and establishing itself as the indisputable market leader.

Markets

The Russian market remains the biggest source of work. The signing of the protocol between Cyprus and Russia, the secondments of staff made in Cyprus and Moscow and the improvement of the Russian economy, helped to increase the flow of work.

The UK market also started showing signs of improvement mainly due to the concerted X-LOS marketing efforts. The US market on the other hand stagnated. However, increased marketing efforts and the secondment of a senior tax manager at the New York office should help increase the flow of work in the next couple of years.

The other major markets such as India, Canada, China, Ukraine, Poland, Romania, and others, continued to produce work for us at similar levels as last year.

Tax contributed substantially to the X-LOS marketing plan of the firm. Significant partner and director resources were invested in these efforts with some tangible positive results felt in the last quarter of the year.

The local market was hit by the downturn of the economy with all important sectors adversely affected especially Financial Services and Construction.

Operations

During the year our concerted efforts to improve efficiencies continued and covered all our areas of operations.

- VAT Regions has grown substantially and with the promotion of Martha Lambrou to Director has now become a self-sufficient team ready to provide a comprehensive set of services.
- TAS continued to improve efficiencies. At the same time it has contributed significantly to the technical training of our people and to the improvement of the technical consistency of our services.
- Direct Tax has continued to lead the market as the recognised specialists and contributed substantially to the increased marketing efforts of our firm.

- The Cyprus/Russia Desk continued to work well bringing our two firms closer together.
- The Small and Medium Enterprises (SME) team grew bigger in Nicosia whilst by the end of the year the Paphos team was fully operational.
- Throughout the year we have worked closely together with our colleagues from other Service Lines, always promoting the One-Firm mentality.

Looking forward

FY12 has started well with an increase in our chargeable work and promises to be a very exciting and challenging year. The changes in our leadership and operational structure are set to take our firm to a new phase of growth and development. The constituent parts of Tax (Direct including TAS, Indirect and SME) will form part, as separate competency groups, of the enhanced Tax and Legal Service Line.

Greater emphasis will be placed on marketing, client-centric activities. Tax will spearhead these initiatives, by providing innovative ideas and structures through which our clients can carry out their business.

Global Compliance Services (GCS)

We have continued to build on our strengths this year, focusing on our clients and investing in technology and automation in order to make us even more competitive in view of the challenges of the global economic crisis.

The department relocated to one building during this year, together with tax and legal services, and this has helped us in delivering even more readily an integrated complete service to our clients, which brings together expertise covering company administration, tax, VAT, accounting, legal and advisory services.

We have spent time with our clients, aiming to understand and meet their needs and investing, on an ongoing basis, in our relationships, staying close, providing support and encouraging a two-way open, honest communication. This has been mutually beneficial during these difficult times and has proved to be an essential ingredient in maintaining the level of our turnover, which only decreased by just over 1% this year, resulting in total turnover of €25.811.000 (FY10 €26.189.000).

The close ties that we have with the PwC international network are also key to our continuing success.

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.

We are positive that our investment in our clients, the fine-tuning of our service delivery and the enhancement of our systems and technology will have concrete results again next year, helping us achieve our budgeted growth.



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 provides an important support to our clients and enjoys high growth rates.

Annual revenues in FY11 have reached €3.4m. 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 the Legal PwC Network member firm, which has 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 specialized 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 and 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 setback 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 challenges in the local economy.





People

*Being a step
ahead*



At PwC we acknowledge that our continuing success and ability to meet the demands of our clients in an increasingly complex business environment depends critically on the strength and quality of our people and culture. Therefore, in FY11, despite the difficult market and economic conditions, we continued to invest in the professional development of our people and to offer

exceptional opportunities for career advancement by taking a long-term view of our business. This section gives an outline of how our transformation, talent, development and performance activities have sparked personal and professional growth.

Transformation

High performance culture

The value that our clients receive and the value that our People get from their work experience is intertwined with the culture of PwC. At its core, an organisation's culture is about how its people behave. Our goal is to engage our People to further improve the way they work, to continue our drive for the highest quality in people and in our services so as ultimately to deliver greater value for our clients. This is critical for us to enhance our leadership position.

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 FY11, we continued to perform strongly against this objective. We received a total of 1361 applications for employment, out of which we recruited 17 experienced hires, and 86 university

graduates. Out of the graduates recruited, 58 embarked in our September 2010 professional accounting training schemes. In addition, 68 graduates have joined our September 2011 intake of accounting trainees.

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

- Sponsorship of "Welcome Parties" for top UK universities.
- Dinner in London for Cypriot professionals, working in the UK.
- On-campus presentations at top UK universities.
- On-campus presentations to UCY students and teaching UCY 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
- Participation in local high school career fairs
- Administration of a "Summer Internship Programme" for top university students.
- Sponsorship of top UCY students to take part in the "International Insights" programme, and work for PwC UK for three weeks.



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 FY11, 7 of our People worked on international secondments in other PwC territories around the world, such as Russia, UK, USA and Greece, while 4 People from PwC Russia, USA, UK and Romania came to Cyprus on secondment.

Moreover, 35 of our People were transferred to a different line of service within the organisation, department or office, in order to meet our client needs and provide a diverse work experience.

A diverse environment

We are committed to creating an environment where a multiplicity of ideas and experiences are encouraged and appreciated. With the relentless globalization of the marketplace, diversity has become critical to our long-term success. We are more likely to provide better solutions 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 FY11, our People came from 23 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 FY11.

Recognition of our comprehensive technical training and development curriculum has been our accreditation as a Continuous Professional Development (CPD) Employer by both the ICAEW and the 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.

Nevertheless, 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 200 of



our People attended at least one of the “About U” management courses during FY11.

In addition, 6 of 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 FY11, 4 of our Partners and Directors attended courses on topics such as “Leading Change” and “Sales Navigation”.



Academy

Our Academy continued its successes since its introduction in September 2009. During FY11 one of our ACA trainees received an award for his performance in the ICAEW Professional Stage exams. The award was presented in London, in a special ceremony organised by the ICAEW. The continuing successes of our trainees demonstrate the commitment and hard work of our Academy in achieving high standards.

During FY11, tutors from our Academy visited Athens, Belgrade and Moscow and delivered

ICAEW and ACCA courses with outstanding success, achieving pass rates well above the worldwide averages.

Additionally, the Academy continued to fulfil its objective to deliver Continuous Professional Development (CPD) courses to outside professionals and businesses. These courses catered for the needs of professionals and were approved by the ICAEW and ACCA for CPD credits. During FY11, the Academy delivered 15 open seminars with 310 participants and 11 in-house seminars to local businesses with 316 participants.

Performance

Performance coaching and development

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 FY11 we had 2 new Partners, 4 new Directors, 8 new Senior Managers, and 201 promotions to the other grades. This has been a clear demonstration that in PwC we offer tremendous career opportunities and, even in the difficult market conditions, continue to enhance the value of our People and invest in the future.

Upward feedback

In FY11, 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 recognizing 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 FY11, we have maintained the following benefits for our People:

- *Flexible hours for all*
- *Reduced hours for working mothers*
- *Bonus entitlement for Assistant Managers, Managers and Senior Managers*
- *Payment of overtime*
- *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*

A photograph of a modern glass skyscraper. The image is slightly blurred, showing the vertical lines of the building's facade and reflections on the glass. A person is visible through the windows in the lower right quadrant. The text 'Firm' is overlaid in a large, bold, orange serif font in the upper right corner.

Firm

***Responsible
leadership***



Delivering value

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’.

We know that the PwC network is at its best when we listen closely to our clients, understand their goals and collaborate with them in creating value. The same goes for our people – we want to create an experience at PwC that encourages them to realise their potential and create their own personal value.

Our goal is to continue as the leading 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 1,000 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.

Doing more with less – Economic environment

The uncertainty of the current economic environment clearly demands a sharpened focus. For many businesses, the long-anticipated economic recovery remains frustratingly elusive and our expectation is that overall global economic expansion will continue to be slow at least through FY 2012.

Fears of renewed fiscal crises, high unemployment rates in the most developed nations, and faltering consumer confidence have all contributed to sluggish conditions. Forecasters predict a ‘two-speed’ scenario for the future.

Meanwhile the economies of the mature industrialised nations seem stuck in a lower gear. Despite these disparities, the economic fortunes of the emerging and developed economies remain closely intertwined. We are seeing the pace of globalisation accelerate to pre-recession

levels and expect cross-border activity to increase as clients continue to seek new markets and pursue cost savings.

Without question, the state of the global economy has also altered the business environment for PwC. Competition, always fierce in our markets, has sharpened, and the economic crisis has heightened the need to provide clients with consistent, top quality services across the PwC network that add value to their business.



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 Territory Senior Partner, Phidias K Pilides, whose second five year term of office ends on 31 December 2011. The Chairman appoints five Executive Board members and the other five are elected. All the Executive Board members are partners in the firm.

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

Phidias K Pilides (TSP)
Dinos N Papadopoulos (Deputy TSP)
Panikos N Tsiailis
Chris K Santis
Stephos D Stephanides
Costas L Mavrocordatos
Vasilis Hadjivassiliou
George M Loizou
Pantelis G Evangelou
Evgenios C Evgeniou
Philippos C Soseilos

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

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

Chris Santis who served as a member of the Executive Board and the Management Team until 30 June 2011 has resigned from his position as he was elected a member of the Oversight Board and subsequently Chairman of the Body.

Service Line Leaders in FY11

Our client facing activities are managed through a Lines of Service structure and the firm operated under five separate Service Lines:

<i>Service Line</i>	<i>Leader</i>
Assurance	Chris Santis
Advisory	Stephos Stephanides
Tax	Panicos Kaouris
Global Compliance Services	Costas Mavrocordatos
Corporate Support Services	Angelos Loizou

New Leadership

In September 2010 the shareholders of the Firm have elected Evgenios Evgeniou as the new TSP to take office as from 1 January 2012 to succeed Phidias Pilides who completes his career with the firm on 31 December 2011.

Evgenios Evgeniou has served for five years as an elected member of the Executive Board, as the firm's Human Capital Leader and as the responsible partner for services to the Banking industry. He was a member of the leadership team for Assurance in Europe. He is an Assurance partner working with clients in the financial services sector, in particular banks, investment management companies and funds.

He joined PwC in 1990 and was admitted to partnership in 2001. He has worked with PwC in London and on secondment in Athens and Moscow.

He was the Chairman of the Capital Markets Committee of the Institute of Certified Public Accountants of Cyprus and he has written articles on corporate reporting and banking issues.

Evgenios graduated from Imperial College, London University, he is a Fellow of the Institute of Chartered Accountants of England and Wales and he has participated in a number of PwC and Business School professional development programmes.

He is married with two children.

New management structure

Following the election of the new TSP who will take his position on 1 January 2012, Evgenios Evgeniou will serve as the Managing Partner of the firm as from 1 July 2011.

In addition the firm's Management Board as of July 2011 will consist of:

Evgenios C Evgeniou	Managing Partner & Head of Markets
Costas L Mavrocordatos	Head of Tax & Legal
Liakos M Theodorou	Head of Assurance & Advisory
Theodoros C Parperis	In charge of Global Compliance Services
Philippos C Soseilos	Head of Human Capital
Christos M Themistocleous	Head of Quality, Risk Management & Independence
Angelos M Loizou	Head of Operations



To become more integrated the firm will be organised in two Service Lines: Tax & Legal (headed by Costas Mavrocordatos), which will encompass Global Compliance Services, Direct Tax, Indirect Tax, Small & Medium Enterprises and Legal, and Assurance & Advisory (headed by Liakos Theodorou) which will encompass, Financial Assurance, Risk Assurance Consulting, Performance Improvement Consulting and Deals and Corporate Finance.

To become more markets focused, a strong Markets Function is set up that will be headed by Evgenios Evgeniou. George Loizou will be responsible for Business Relationships with responsibility for PwC Experience, Human Capital headed by Philippos Soseilos, Operations headed by Angelos Loizou, Quality, Risk Management & Independence headed by Christos Themistocleous, Finance headed by Stavros Kattamis. Stephos Stephanides will be the Chairman of the purchasing committee.



Corporate governance

Sound governance and transparency form the bedrock of leadership. At PricewaterhouseCoopers, 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.

Oversight Board

As part of implementing the governance directives of PwC International, the shareholders/partners of the firm have elected on 29 April 2011 the five members of the Oversight Board to hold office for 3 years from 1 July 2011 to 30 June 2014. The first five elected members are Chris Santis, Andreas Constantinides, Constantinos Constantinou, Chrysilios Pelekanos and George Lambrou. On the same day the 5 elected members of the Oversight Board have unanimously elected Chris Santis as the first Chairman of the body.

Role and powers of the Oversight Board

The Oversight Board's primary role will be to hold management (including the elected TSP) accountable to partners and to provide effective governance over the firm's affairs on their partners' behalf. Their powers and responsibilities primarily lie in the following areas:

- Holding management accountable
- Overseeing the direction of the firm and its governance system
- Protecting partners' interests and ensuring fairness between partners
- Communicating with partners and holding itself accountable to the partnership



New directors

We focus on recruiting and retaining top talented people and developing them to be the next generation leaders. On 1 July 2011, five Senior Managers were appointed Directors of Operations: George Georgiou, ACA and Theodoros Stylianou, ACA both in Assurance Services, George Georgiades, ACA and Efstathios Efstathiou, ACCA both in Global Compliance Services and Martha Lambrou, ACA in Tax Services.



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 utilize 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

PricewaterhouseCoopers (“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.
- 2010 – Best Workplace Award – awarded to PwC during the ‘2010 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 as the Auditors and Statutory Audits of Annual and consolidated Accounts Law of 2009 (The Transparency Law). 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 three 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 Transparency Law), 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 Transparency Law.

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

PricewaterhouseCoopers' (PwC's) 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 practice 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.

During the year the process for implementing the new PwC International audit tool Aura has been completed together with the training of all Assurance members of staff. This tool will be used on all audit engagements starting from 1 July 2011.

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 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 PricewaterhouseCoopers Limited performed statutory audits in the current reporting year.

Amathus Public Ltd

Apollo Investment Fund Plc

Astarti Development Plc

Claridge Public Ltd

CCC Holdings & Investments Public
Company Ltd

CLR Investment Fund Public Ltd

Constantinou Bros Hotels Public Co Ltd

Cytrustees Investment Public Company Ltd

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

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 (ARM) 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 2011 of PricewaterhouseCoopers Limited amounted to €73.6m (year ended 30 June 2010: €72.2m).

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

<i>(X € 1m)</i>	<i>2010/2011</i>	<i>2009/2010</i>
Statutory audits	22.7	23.2
Other Assurance services	1.0	1.3
Services for non-audit clients	0.2	0.3
Total	<u>23.9</u>	<u>24.8</u>
	=====	=====

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 for the future: Experience for life

The financial crisis generated considerable uncertainty but responsible business is a very necessary condition for sustained social progress. Society's expectations of companies are growing significantly and we must look beyond those needs and make a positive and responsible contribution.

Since the very beginning, we, in PwC Cyprus aspire to be a great corporate citizen by playing a leading role in the community. The CSR activity in our

organisation is all about abiding with our Code of Conduct and our main values in our relationships with all our stakeholders.

Employees, stakeholders, customers, suppliers and the society are the recipients of a series of activities and behaviors that are integrated into our organisation's program which has 5 pillars:

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

Our CSR activities are led by a committee chaired by Stelios Anastasiou, Director (Global Compliance Services).

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

Volunteering



Professional services



Environment



Giving



Corporate community leadership



Our Strategy

In PwC, CSR is integral to what we do; an inherent part of our core business. Economic goals and social objectives can no longer be regarded as separate and distinct. Our Corporate Social Responsibility strategy comes to life through a multidimensional Corporate Social Responsibility Program that aims at addressing the social, financial and environmental requirements that respond to Cyprus society's real needs. More specifically:

PwC Cyprus supports and promotes the ideal of Volunteering and supports the community through donations and sponsorships. Moreover, we focus on Corporate Community Leadership, sharing knowledge, experiences and skills through surveys. We are concerned about the environment's well being and we motivate our people to adopt an eco-friendly behaviour. Last but not least we are involved in the provision of pro bono services where is needed.

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 83% (Source: Global People Survey 2011) of our people in Cyprus are satisfied with the actions we take to be socially responsible and that 77% (2011) are satisfied that PwC is responding appropriately to address the impact of our business activities on the environment.

Volunteering

Our people are our most significant asset and their commitment to our responsibility towards our community and our environment is a key competitive advantage. Therefore, we support local community and charity initiatives both financially and by the sharing of our time and skills.

A total of 80 people from our organisation volunteered spending 183 hours for some of our activities such as Blood Donation, Child On Line Safety and workshops we run during the year for children and siblings of our people for career, counseling and IT.

Giving

The magnitude of our giving touches the lives of many children and underserved people every year.

This year PwC donated around €45.000 to non-profit organizations, contributing significantly in their mission. It is worth mentioning that PwC supports the Cyprus Anti - Cancer Society for the renovation of the building of the Palliative Care Centre Arodaphnousa as well as the Cyprus Radiomathon.

Moreover, we offered proceeds from our Christmas party to the Centre for Preventive Paediatrics and donated to the “Association for the Prevention and Handling of Violence in the Family“ the symbolic amount of €2.700 (€5 for each of our 540 female colleagues) on Women’s Day, 8 March in an effort to support the Association so as to build a new home for abused women in Nicosia.

Other charitable organisations we have supported this year were the “Make a wish”, “Young Volunteers” “Unicef” and many others.

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 association, specialised agencies and educational institutions.

During FY11 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 who will represent us at the London 2012 Olympic Games.



Some of our projects

Since the middle of the last decade, PwC has launched a systematic research study on the position of women in the Cypriot Economy. The “Women in PwC Cyprus” Committee has carried out, in cooperation with the PwC chair in Business Research at the University of Nicosia, the new survey cycle of this initiative. The aim of this survey was to record and understand the perceptions of Cypriot CEOs of large private corporations, firms listed on the CSE and governmental organisations, on work issues concerning women and their career prospects.

Moreover, PwC Cyprus has signed along with another 18 Cypriot organizations 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 colleges.

In addition to the above projects it is worth mentioning that more than 120 of our people serve as members of the boards of business and social associations.

Environment

Companies face mounting expectations of their social and environmental behaviour, even as they confront the worst economic crisis in the last decade. We believe that the world’s social and environmental problems could not wait until the crisis is gone and for this reason we put a lot of effort in improving the sustainability of the environment. To fulfill this goal, we must protect the environment in which we work and live. A healthy planet and a healthy community go hand in hand.

We set high standards for our operating units in the area of environmental responsibility — striving for performance that does not merely comply with regulations but reduces our environmental impacts. Due to the nature of our organisation we have a relatively low impact on the environment. However, we do everything in our power to eliminate our impact.

Moreover, we very much believe that we can make a difference on the environment’s preservation and for that reason we have elaborated a number of activities. First of all we have implemented an environmental policy, according which we minimize the use of electricity, water, paper, introduction of paper recycling. Moreover, we have reduced CO2 emissions by replacing some travelling with electronic 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.

Providing professional services - Pro-bono

During FY11, 41 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 €60.000. In total, more than some 500 hours were charged by partners and staff under this pillar.



Financial
Delivering
sustainable
growth



Revenue

Despite the difficult circumstances the firm has achieved net revenues of €73.6m, an increase of 2% compared to FY10 (€72.2m).

Assurance

As a result of considerable fee pressures in the face of the continuing financial crisis the Assurance practice revenue decreased by 3,6% to €23.9m from €24.8m in FY10.

Global Compliance Services

With the global financial crisis continuing, GCS managed to generate net revenues of €25.8m a small decrease of 1.5% compared to FY10 of €26.2m.

Tax

Notwithstanding the prevailing financial crisis our Tax practice exhibited, once again, strong growth. It generated revenues of €16.3m representing an increase of 7% over the previous year (€15.3m).

Corporate Support Services

Our expanding legal and corporate support services achieved net revenues €3.4m.

Advisory

Advisory revenues were €4.2m, an increase of €0.3m compared to FY10. The Advisory practice comprises, Performance Improvement Consulting Corporate Finance/Crisis Management and Human Resources Advisory Services.

Our goal is to continue as the leading 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 1.000 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.

Operating costs

We managed to contain our total operating costs to an increase of 4% with the staff costs also recording a 4% increase over the prior year.

Staff Provident Fund Costs

The firm maintains a staff provident fund with 888 members (FY10: 930). The fund, which is a defined contribution scheme had €5.526.000 in contributions during FY11 (€5.550.000 for FY10) and at 30 June 2011 its net assets stood at €40m (30 June 2010: €37m).

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 €1.0m (FY10: €1.2m) 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.

In FY11 the firm's partners and staff paid €9.2m (FY10: €9.8m). Further to this the firm paid €8.0m in VAT (FY10: €10.7m) and some €3.0m in Social Insurance Contributions (FY10: €3.0m)



Working capital policy

Debtors and work in progress.

The average number of credit days outstanding for the year was 76 (FY10: 74). 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 19 days (FY10: 20 days).

Creditors

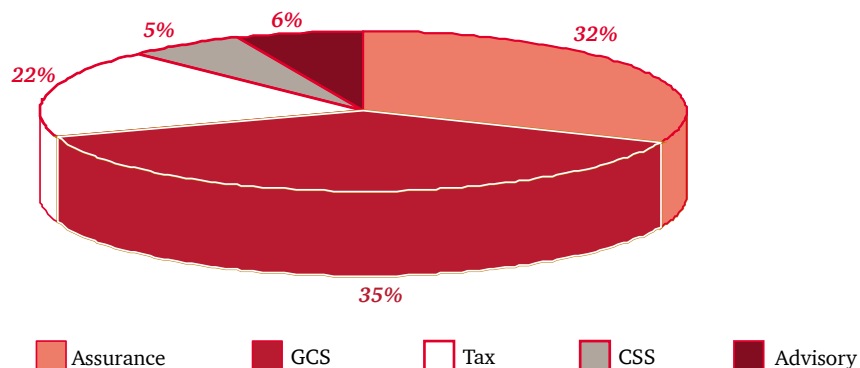
Creditors are paid promptly with the average number of days between receiving and settling an invoice for FY11 standing at 31 days (FY10: 31 days).

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 €19.0m (FY10: €16.1m) as compared to the bank facilities available of €19.9m (FY10: €19.9m).

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 and based on experience adapted to local needs. PwC Cyprus focuses on two main areas: Assurance & Advisory Services and Tax & Legal 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 thus 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. 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.

Assurance & Advisory Services

Our Financial Assurance services comprise of statutory and regulatory audit services, which include evaluation of information systems, advisory services for capital market transactions, 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).

Our Risk Assurance Consulting (RAC) offers expertise on internal audit services, internal controls optimisation, corporate governance and reporting, as well as assurance and advisory services related to security and controls of information technology systems including Enterprise Resource Planning (ERP) systems (e.g. SAP, Oracle, Navision), Project Implementation Assurance (PIA), Computer Assisted Audit Techniques (CAATs), Spreadsheet Integrity and IT Risk Diagnostic and Benchmarking. A particular focus of the team is in supporting the financial services industry on matters related to regulatory compliance, licensing and risk management.

Our Performance Improvement Consulting (PIC) is offering specialist advisory services on strategy and operational effectiveness, process improvement, cost reduction, people and change and sustainability issues.

Our Deals & Corporate Finance (DCF) provides consulting on M&A's, valuations, feasibility studies, transactions support and crisis management.

Tax & Legal Services

Our PwC network's tax and legal services include Global Compliance Services, Direct and Indirect Tax Services, Services to Small and Medium Enterprises and Legal Services.

Global Compliance Services

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, UCITS, investment firms and trusts.

Direct tax services

Corporate: Advisory Services for tax planning, international tax structuring, mergers and 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.

Indirect Tax Services

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

Services to Small and Medium Enterprises (SME)

The Services to Small and Medium Enterprises are addressed to individuals, small and medium - sized enterprises with local activity and cover the whole spectrum of accounting, tax, VAT, family business and financial structuring and statutory compliance services.

Legal Services

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-organizations, 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.

PwC offices in Cyprus

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