

Cyprus Annual Review

2014

Doing the right thing
for our clients, our
people and our society.

September 2014



pwc

Key performance indicators

Our clients:

8,67 Likelihood to recommend PwC to peers and colleagues

8,47 Overall satisfaction average

out of a possible score of 10

**Figures based on an online Client Experience Survey carried out in January 2014.*

Awards & Accreditations:

Investors in People (IIP) Champion



Investors in People (IIP) Gold



ACCA Approved Platinum Employer



Trainee Development - Platinum

Financial Performance:

€77,3m Net revenues
Same revenues as in FY13

€25,2m Total contribution to government revenues
Including, corporation tax, special contribution for defence, PAYE, VAT, social insurance and special contribution

Corporate Responsibility:

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

€52.000 donated to non-profit organisations to support charitable causes

120 people from our organisation volunteered spending 150 hours for some of our activities

Our people:

Over **900** people including **750** University graduates and **375** qualified accountants

71 Promotions as of 1 January 2014 and

155 promotions as of 1 July 2014

72% People Engagement Index score¹

More than **100** new recruits

45 newly qualified ACA and ACCA accountants

21 international secondments in other PwC firms around the world

5 worldwide awards in the Institute of Chartered Accountants in England and Wales (ICAEW) professional examinations

1 Worldwide award and **5** Pancyprrian awards in the Association of Chartered Certified Accountants (ACCA) professional examinations

¹ Employee feedback obtained through our Global People Survey

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Evgenios C Evgeniou
CEO
PwC Cyprus

CEO message

It gives me great pleasure to present to you our Annual Review for the financial year which ended on 30 June 2014 (FY14). This report summarises our strategic priorities, our services and our focus on specific markets. It also takes a look at what happened in our firm over the last financial year.

Economic conditions

The Cyprus economy has proved to be resilient and although still in recession has performed better than expected. Clearly a lot has been achieved on the fiscal, structural and financial reforms front and there is still a lot that needs to be done for the economy to return to growth and to start creating jobs. In addition, the international markets relevant to Cyprus have experienced low growth rates and geopolitical developments have added to the uncertainties.

Our financial performance

Against a backdrop of challenging economic and market conditions, we have achieved net revenues of €77,3 million, remaining stable compared to FY13. Our overall contribution to state revenues, in the form of direct and indirect taxation and other

contributions stood at €25,2 million. The FY14 robust financial performance is the result of the confidence of our clients in the quality of our work and the hard efforts and commitment of our people.

Our clients: delivering value

In tough times we have remained close to our clients and our teams succeeded in delivering quality services. We have won significant special assignments, across all lines of service, on the basis of the expertise and capabilities of the firm in Cyprus and with the support of our international network. Independent market surveys and our results confirm our leadership position. They also prove that our clients' satisfaction has improved further. However complacency is not one of our attributes. Our commitment to delivering value to our clients motivates us to continuously improve and strive to exceed what is expected of us.

Our people

We believe that the successful delivery of value to our clients is directly correlated to the investment we make in our people. The Investors in People (IIP) GOLD and CHAMPION accreditations, in relation to our clients' satisfaction, verify just that. This year's people engagement index, although

still relatively high at 72%, has declined compared to the previous year. We are committed to reverse this. During FY14 we had a total of 226 promotions, 100 recruits including 41 university graduates who embarked on PwC's 2013 ACA and ACCA professional accounting training schemes. Our trainees won five worldwide prizes in the ICAEW professional examinations, as well as one worldwide and two Pancyprrian awards in the ACCA professional examinations.

Quality in what we do

We are proud of our strict professional standards and of our audit and risk management procedures which contribute in promoting a culture of quality and responsibility. We acknowledge our role in rebuilding trust in society and we engage in discussions with regulators and professional bodies on this front. Together with the ICAEW we have taken the initiative to organise the first conference on rebuilding trust post crisis and we intent to follow up on that. Clearly this is an area of continuous focus and improvement.

Our global network

Drawing knowledge from a network of 184,000 experts in 157 countries gives us the ability to adapt global expertise to local needs and help in solving important problems for our clients. Our experience working cross-border and our ability to work with experts from our international network allows servicing international clients and delivering highly specialised work locally. Our people have the opportunity to widen their professional networks and advance their skills through international secondments. In FY14, 21 of our people took advantage of the opportunity to work in other PwC firms around the world.

What lies ahead

Looking ahead market conditions are expected to remain challenging. We will continue to focus on delivering value to our clients and investing in our people. We acknowledge our role as market leaders in rebuilding trust and assisting the Cyprus

economy turning the curve back into growth and job creation. In this context we will focus on the implementation of our corporate responsibility agenda that includes responsible business, diversity and inclusion, community engagement and environmental stewardship.

Our clients have shown trust in us for which I express my utmost appreciation. It is precisely this trust that propels us to continuously improve the quality and value of our services. Last but by no means least, I would like to express my gratitude to our people for their commitment and hard work. When rising to the challenge, in testing times such as these, the collective effort carries the greatest value.



Evgenios C Evgeniou
CEO

September 2014

Our services

Message from the Head of Assurance & Advisory



Liakos M Theodorou
Head of Assurance & Advisory

FY14 has been another challenging year despite the progress in reviving the economy.

Businesses have been trying to adapt to the difficult market conditions and the limited availability of credit. The banks have been trying to deal with rising non-performing loans and address capital adequacy, ahead of the European stress tests.

These challenges gave rise to significant opportunities which led to major wins, particularly in financial services. Key factors for our success have been the expertise and capabilities of our teams, the strength of our international network and the proactive engagement with the regulators and the market.

In FY14 we have continued to focus on quality, independence and objectivity in our audits, leveraging on our technical and industry expertise which are central to delivering value to our clients and confidence to other stakeholders.

We are committed to the continuing support to our clients during these testing times by staying close to them and acting as their trusted advisors. We will assist them in exploring the opportunities that will inevitably continue to emerge as businesses and the economy adapt to the new post crisis realities.

The integrated Assurance and Advisory practice with 29 Partners and Directors and 372 staff services local and international clients, public and private companies, bringing together a diverse team of experts that work together to meet the increasingly complex needs of clients in the current market and economic conditions.

Assurance Services

Quality audits come from a knowledgeable, questioning, imaginative and insightful approach. We are experts in the application of audit methodology and audit techniques and we use our expertise to make our clients' audits efficient and effective. We use our knowledge, together with our position as trusted advisor, to match our approach and our solutions to their needs.

The financial crisis brought about many unique auditing and accounting challenges for our client service teams which needed early action and support in dealing with them.

PwC Cyprus Leadership remained committed to quality by focusing on appropriate quality initiatives and re-enforcing quality procedures.

Aligned with our PwC Global Assurance Strategy, PwC Cyprus shares the same purpose to "Build trust in our society and

solve important issues for our clients". Trust is a vital ingredient of a well functioning society and it is sad to see that after a number of years of economic downturn, company failures and the impact on the Cyprus economy of the Eurogroup decisions in March 2013, trust has been severely damaged.

We are therefore committed in focusing on quality services to help rebuild trust and create confidence in business and beyond.

We will achieve this ambition by retaining and further investing in high calibre professionals with a mix of skills and competencies that will enable them to offer distinctive service to our clients.

These skills and competencies are enhanced with extensive relevant training and challenging opportunities to work in teams with experienced colleagues from specialised departments across the firm, both locally and globally.

The efforts of our audit teams in reaching their opinions are supported by our organisation in specialised industry focused groups namely:

- Financial services (FS) and Consumer, Industrial Products & Services (CIPS) and Technology, Information, Communications, Entertainment & Media (TICE)

and by specialists teams in:

- Accounting Consulting Services (ACS) with detailed knowledge on complex IFRS issues and pro-active consultations and guidance on complex or/and high risk areas
- Valuation services, to discuss valuation impairment issues and
- Audit Methodology who carry out audit pre-issuance ("hot") reviews but also post-issuance ("cold") reviews to ensure compliance with our policies and recommend any improvements.

Our internal local reviews which are also complemented by reviews from our international network and the external reviews from the relevant regulators have reconfirmed the quality of our audit and our risk management procedures.

We also continue our investment in our Audit Transformation Program (ATP) to simplify, standardise and centralise our delivery model for all our services, including our methods, approach, processes and better use of technology.

We continue to monitor closely all developments relevant to the audit profession such as new regulations, new proposals for auditor's reporting and my partners responsible will elaborate further on these areas in other sections of this report.

Accounting Consulting Services (ACS)

The Global ACS team is responsible for the global consistent application of International Financial Reporting Standards (IFRS) and the development of IFRS training material and publications such as the PwC - Manual of Accounting. Two partners of the Firm (Tasos N Nolas and Anna G Loizou) are active members of the Global PwC ACS teams specialising in financial instruments and business combinations.

The Cyprus ACS team is made up of 3 Partners, 1 Director, and 6 Managers, all of whom support the ACS function on a part time basis. The ACS team provided support and guidance both internally (to Assurance, Global Compliance and Tax teams) and externally (clients) in relation to the accounting treatment of specific transactions such as share based payments, consolidation, treatment of complex financial instruments, business combinations, lease classifications etc. It also performs detailed review of financial statements for compliance with IFRSs.

The three major external projects of FY14 related to assistance provided to (1) a non-audit client for dealing with various accounting issues and drafting quality IFRS financial statements for a proposed listing of its shares into a regulated market; (2) a non-audit client for dealing with hot technical issues following the application of IFRS's becoming effective as from 1.1.2014 (IFRS 10; 11 and 12); and (3) an audit engagement team in PwC-UK for review of financial statements for the purpose of listing bonds into a regulated market.

Advisory Services

The implications of the financial crisis on local businesses and the ever-changing regulatory environment left many organisations in need for support by our dedicated teams of consultants. Our teams comprise of professionals with deep technical expertise, strong business acumen and diverse experience and exposure in different industries and business areas. The strength of our local teams and the ability to bring together experts from our Global network in a seamless way, help us deal with all the challenges and issues our clients are facing today.

Risk Assurance Consulting (RAC)

We offer solutions and work with our clients to help them protect and strengthen every aspect of their business from people to performance, systems to strategy, business plans to business resilience. We can add significant value to clients who want to:

- Manage their processes efficiently, while mitigating inherent business risks and strengthening internal controls
- Obtain the required licenses to offer regulated services in Cyprus (e.g. Banking, Investment, Insurance, Fiduciary services)
- Set up and operate an Alternative Investment Fund (AIF) or UCITS in Cyprus
- Proactively address the requirements of local regulators (Central Bank, Cyprus Securities and Exchange Commission (CySEC), Superintendent of Insurance)
- Increase the Board's effectiveness and strengthen the Corporate Governance of the organisation
- Enhance and strengthen the Internal Audit department's capabilities
- Have in place a framework which effectively addresses fraud prevention and detection
- Have insights on the integrity and background of new business partners and prospective employees
- Gain competitive advantage by leveraging Information Technology for the benefit of the organisation

FY14 was yet another challenging year for Risk Assurance Consulting given the economic conditions prevailing in Cyprus. The developments affecting the Cypriot banking sector created new opportunities for RAC and for PwC in general, which led to substantial project wins. These included major assignments to assist the Central Bank of Cyprus (CBC) with the Arrears Management review for four leading banks as well as the Asset Quality Reviews (AQR) work for two leading banks. In addition, a third CBC assignment was awarded to PwC, to assist the regulator with the on-site supervision of credit institutions in relation to anti-money laundering (AML) and Counter-Terrorist Financing (CFT) processes and practices for four banks, including some of the biggest banks on the island. These wins reconfirmed our position as the dominant player in providing consulting services to the Cypriot banking sector and highlighted the expertise of our teams and the strength of our network.





Performance Improvement Consulting (PIC)

Drawing from our long presence and experience in the Cyprus market as well as from the expertise of our international PwC network, we are actively working with our clients in supporting them address issues in the following areas:

- Strategy and Operational Effectiveness
- Recruitment
- Immigration and Mobility
- Management Training and Building Capabilities
- Performance and Reward Management
- Sustainability
- Project Management

Our team has solid experience across all industries and focuses in offering tailor-made practical solutions to our clients, helping them respond effectively to economic, market, organisational and people challenges. Within FY14, we worked extensively with the public sector as well as local government and semi-public organisations to support the transformation of the wider government sector.

Under the current economic conditions, the transformation of an organisation's business model is critical. Within FY14, we supported our private sector clients by providing services in relation to their strategic re-alignment, re-design of their processes and procedures, achievement of cost savings and re-design of their organizational structure focusing on synergies and effective utilisation of resources.

Furthermore, we supported the organisational transformation of our clients through the implementation of the Investors in People (IiP) framework. Our team comprises of four Specialist IiPAdvisers.

The major asset of every organisation is their people and especially in this difficult economic environment, the continuous investment in people development is more important than ever. Within FY14, we designed tailored Management Workshops to align minds and management practices, workshops to enhance team effectiveness as well as skill-building trainings focusing on developing the right skills to maximise business performance in the current economic conditions. In addition, we supported a number of clients to target and select the right people, advising them on market salary ranges and job responsibilities. Most of our work in this area derived from the local banks.

Global mobility lies at the heart of many international companies and our Immigration and Mobility team helped a number of clients harness the value of global mobility by assisting in the effective planning, implementation and management of the expatriate relocation. Within FY14, we supported a number of clients to obtain the Cyprus Citizenship.

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

Deals & Corporate Finance (DCF)

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

- Mergers and acquisitions
- Valuations
- Feasibility studies
- Business restructuring and turnaround
- Crisis Management
- Other ad-hoc issues that our clients are facing associated with the developments in the Cypriot economy.

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

During FY14, we have provided support to a pillar bank of the Cypriot banking sector in relation to the ECB comprehensive assessment by deploying at the client premises a team of more than 20 people to assist with the preparation for the exercise. We have also provided similar Comprehensive Assessment support to a smaller bank that will be part of the SSM of the ECB. We have also been appointed as advisors to the Ministry of Finance for the preparation of the Privatisation Plan of the Republic of Cyprus and, jointly with an international investment banking firm, we have been acting as advisors to the Ministry of Finance for the provision of assistance and ongoing advice in relation to the financial sector.

We facilitate transactions taking place in Cyprus by offering valuation services to our clients, supporting them with the negotiations and assisting them in the structuring of deals. During FY14, we have been actively involved in two major transactions that took place during the year, despite the economic conditions in Cyprus, concerning a luxury hotel in Limassol and a large retail operator. Our role included valuation services, support during negotiations and assistance in the structuring of the deal.

We assist our clients in the restructuring of their debt facilities and in securing new funds, either in the form of equity or loans. We provide support to our clients in assessing their investment options by preparing feasibility plans and assisting them in developing the appropriate business strategies.

During crisis situations, we perform independent viability assessments of troubled businesses and analysis of the recovery options available to the business and its lenders and provide recommendations as to what should be done, in order to achieve a win win result for both sides. In FY14, we have carried out independent business reviews for a number of companies mainly in the hospitality and construction industry. These independent business reviews have been used by the banks and the borrowers in their discussions as regards the identification of solutions for the repayment of their loan facilities.

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

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

At Deals and Corporate Finance we can tailor or enhance our service offerings responding to the needs of our clients and we are prepared to work with them under difficult circumstances and strict deadlines in order for them to achieve the desired outcome. We continuously help our clients in dealing with the ongoing challenges they are faced with and the impact of new developments that take place in the Cypriot economy.



Capital Markets

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

Despite the challenges faced following the March 2013 events and the impact on Cyprus' image as a listing jurisdiction, there was nevertheless a successful IPO in November 2013 where TCS Group Holdings PLC, a Cyprus company, raised \$1.1 billion in an oversubscribed London (Main Market) IPO. PwC Cyprus was the reporting accountant on the deal, working closely with PwC Moscow and PwC UK. We also worked on other smaller transactions which involved fundraising in international stock Exchanges.

The recent transactions have reinforced Cyprus' position as a listing jurisdiction for significant cross-border transactions.

Cyprus has been a leading jurisdiction for Russian and CIS IPOs on the London Stock Exchange from January 2008 to date. PwC Cyprus acted as reporting accountant for the majority of such transactions.

Finally, we continue to support the Cyprus Stock Exchange by offering our advice and expertise both to the issuers and to the Exchange itself. Recent developments, such as the approval of the Law for Alternative Investment Funds, may pave the way for more activity on the local Exchange in this area.

Transactions Support

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

Driven by the need of local companies to enhance their cash flow position on the one hand and the creation of investment/acquisition opportunities on the other, the past year has witnessed significant M&A activity in Cyprus. We have been involved in a number of due diligence assignments with companies in several sectors including Financial Services, Hospitality and Leisure, Construction and other sectors, and we have offered valuable insights which facilitated transaction completion.

PwC Cyprus participated with speakers in the Real Estate and Construction Conference held in September 2013, where issues around transactions of the said sector were analysed. In addition, we participated in the 9th Annual CFOs Conference with a speaker who talked about valuation and transaction preparation issues.

Secondments

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

Publications and Website

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

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



Events

12th HR Management & Human Capital Conference

The 12th HR Management & Human Capital Conference was organised by PwC Cyprus and IMH on 14 November 2013 in Nicosia. The HR Conference is the largest gathering of human resource professionals, general managers and managers from all sectors of economic activity. This year's conference focused on "How to energise people and promote entrepreneurship when times are tough". Philippos Soseilos, Head of Human Capital at PwC Cyprus was the chairman of the conference and the coordinator of the closing panel discussion which focused on how to energise people and promote entrepreneurship during difficult times.



The keynote speaker of the conference was Dr. Constantinos Markides, faculty member in Strategic and International Management at London Business School. Dr. Markides is a Cypriot native who according to Harvard Business Review is «One of the 50 most influential management gurus».



Cyprus Information Technology Conference

For the 4th Consecutive year, the Cyprus Information Technology Enterprises Association (CITEA) organised an Exhibition and Conference that took place on 7 February 2014 at the Filoxenia Conference Centre in Nicosia. The target of the conference was to inform all companies aiming to grow efficiently by increasing productivity, sales and profitability through a right mix of solutions and tools. The participants had the opportunity to identify ways in which IT can help their businesses become more competitive.

Efthyvoulos Efthyvoulou, Manager in the Risk Assurance Consulting Department of our firm, was one of the main speakers of the conference and talked about IT Transformation as a means for cost reduction. In addition, he addressed how information technology can contribute to the promotion of business strategy, flexibility and innovation of enterprises.



Cyprus on the mend?

PwC Cyprus was the gold sponsor of the Ninth Cyprus Summit which was organised by The Economist Events in association with the Jean Monnet Chair at the University of Nicosia and the European Parliament Office in Cyprus and was supported by the Cyprus Chamber of Commerce and Industry. The event that was held on 25 November 2013 in Nicosia, hosted top-flight speakers who analysed issues regarding the country's stability programme, changing financial and business landscape as well as the developments on the East Mediterranean energy map.

The summit's official opening was addressed by the President of the Republic Mr Nicos Anastasiades.



Message from the Head of Tax & Legal



Costas L Mavrocordatos
Head of Tax & Legal

The financial year that ended 30 June 2014 was a particularly challenging one. Developments on a global scale coupled with the difficult market conditions in Cyprus were key flavours. Since the previous financial year the Cypriot economy has stabilised further.

On the local front, the Government's commitment to implement fiscal, structural and banking sector reforms seems to be paying off. This is evident by positive reviews by the Troika and the ability of Cyprus to raise funds from the financial markets.

Restoration of confidence and liquidity in the banking sector remain key for the recovery of the economy.

Global developments have a significant impact too. Current debates over matters such as Base Erosion Profit Shifting (BEPS), Beneficial Ownership, harmful tax free practices, OECD compliance reviews, Russian deoffshorisation, Indian treaty renegotiation etc., may alter the international business model of Cyprus as we know it. These challenges are not without opportunities. Increased presence in Cyprus in terms of operations and people will become increasingly important going forward. This, matched by promising prospects of tourism and of the Oil and Gas sector, paint a promising picture for the economy of the future.

Our Services

During these challenging times, our 27 Partners and Directors and 343 staff have stood by our clients and supported them by providing sound advice and constructive solutions.

Global Compliance Services (GCS)

Our Global Compliance Services (“GCS”) comprises the whole spectrum of tax compliance, 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.

Our clients are looking for a comprehensive service for their business that includes in addition to the services offered by GCS, tax, legal, assurance, advisory and other services. PwC with its size and capabilities is in a prime position to provide all these services and GCS operates as a one point of contact within the firm to facilitate an integrated service offering. Responding to international developments, we assist clients to increase their substance in Cyprus through our specialised Pathfinder service which provides a comprehensive support to companies and their officials when setting- up offices in Cyprus.

During the year we have remained in close contact with our PwC network. This included daily communications as well as periodic meetings. In addition joint presentations were made in key markets including Russia, USA, UK, China demonstrating our capabilities and discussing opportunities. We stayed connected with our international clients through regular updates on all global developments.

Significant new wins resulted from these efforts. Amongst them, notable examples include major groups involved in oil refining, drilling and real estate.

Wealth Management Services (WMS)

We look to further support our High Net Worth Individuals (HNWI) clients in line with international trends. We have therefore undertaken an evaluation of their needs and have further built up and consolidated our experiences with respect to the Wealth Management Services (WMS) they now require.

Going forward our WMS capabilities include supporting our clients’ needs with respect to:

- Succession Planning & Family Governance
- Tax Planning for HNWIs
- Estate, Asset & Gift Planning
- Family Office Services
- Citizenship, Residency, Immigration and establishing presence
- Accounting, Administration, Compliance & Global Monitoring and Reporting

Direct & Indirect Tax Services

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

Direct Tax Services

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

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

In addition to servicing our clients and spearheading business development activities in Cyprus and abroad, we remained active in providing support to the Ministry of Finance and the Department of Inland Revenue. Our contribution on various matters was found to be very helpful and was greatly appreciated by the Government.

Major wins included tax advisory and international tax structuring work for major groups involved in oil and gas, logistics and chemicals.

Indirect Tax Services

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

The key contributing factors to the growth in the business of Indirect Tax included:

- Advisory and compliance services to the financial services sector and specifically to banking institutions and Forex Trading companies
- Advisory services in relation to fund structures emanating from complications that exist on the VAT treatment of fund management, custody and fund administration services
- Substantial assignments which were won from industries engaged in online trading in connection with changes in EU VAT provisions as from 1 January 2015
- Significant work was also won following the creation of new specialisations offering services relating to the importation of aircrafts and yachts and the handlings of works of art and luxury items

Local Compliance Services (LCS)

Our Local Compliance Services (LCS) provides a range of outsourcing, insourcing and advisory services concentrating on helping companies remain compliant in the areas of accounting, payroll, tax compliance covering income, capital gains, property and indirect taxes and in corporate secretarial matters. It also provides advice on the design and implementation of internal controls, reports, analyses, costings, budgeting, cash flows and other. LCS works with a range of companies across Cyprus from foreign and locally owned multinationals to national, regional and start up companies and from foundations and provident funds to private entrepreneurs.

During the year, our LCS team has been further strengthened in order to become the service provider of choice for international companies with a physical presence in Cyprus. In addition it has developed services addressing the compliance and administration needs of specific industries such as Oil and Gas, Tourism, Medical and Commerce.

Legal Firm

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

Events

Amendments in VAT Law

On 31 January and 7 February 2014 in Nicosia and Limassol respectively, a VAT Seminar was organised under the objective to provide an update on amendments in Cyprus VAT Law as voted by the Parliament of Representatives for the adoption of the EU Invoicing Directive. The seminar included a presentation delivered by Martha Lambrou, Director, Indirect Tax Services, PwC Cyprus as well as by Panayiotis Panayi, Assistant Manager in the Indirect Tax Services and it was addressed to all accountants, managers or other professionals who deal with VAT matters.

Cyprus as a regional centre for US multinationals

Enhancing your Cyprus presence in a tax efficient manner

The “Cyprus as a regional centre for US multinationals” client event was organised on Monday, 21 October 2013 in Nicosia. The aim of the event was to share our Value Chain Transformation (VCT) experience with US headquartered multinational companies with a certain level of presence in Cyprus and to provide participants with the tools to promote Cyprus within their organisation aiming to strengthen local presence within their regional or even global setup.

Jennifer De Ville, a New York based Tax Director who specialises on driving VCT projects was the main speaker of the event, delivering a very good insight of the nature, scope and benefits of VCT.



Clients and markets

International Business

Despite the many challenges which our International business has faced during the year, FY14 was a successful year as we managed to maintain our revenues from international clients and markets at FY13 levels.

The Cyprus banking crisis, the slowdown of key international markets such as Russia, Ukraine and India, the uncertainty regarding EU regulatory issues such as Base Erosion Profit Shifting (BEPS) and State Aid, as well as the decision of Russia to introduce CFC rules, have made international business more challenging than ever.

At the same time, however, the increased attention of authorities to corporate and tax compliance, had a positive effect on our results, as

many international clients needed our support in order to bring their corporate compliance affairs up to date.

Despite the continued adverse economic conditions in Cyprus, the strict adherence of the Government to the terms of the memorandum with Troika, and the positive reviews from their quarterly visits as well as the positive news from Cyprus slow return to the markets, have been well received by our international clients who as a result, continued using Cyprus for their business ventures. Our clients have also continued to focus on strengthening their substance in Cyprus and hence to make use of our successful Pathfinder services.

During FY14, we have focussed on delivering specialised services to our High Net Worth Individuals (HNWI) clientele. In this respect we have developed our Wealth Management Services (WMS) capabilities and have connected with our London and Dubai offices (PwC centres of excellence), in order to foster our expertise in this area.

FY14 was a very successful year for our Immigration Practice winning more than 30 assignments from international HNWI clients. Clients increasingly show great trust in our specialised skills and expertise in this product.

We aim at investing and expanding further our Wealth Management Services to this client segment during FY15.

Russia

The Russian market went through a challenging year as a result of geopolitical uncertainty, slow economic growth and intensive regulatory reform at a time when Cyprus began its steady course towards economic recovery through financial, fiscal and structural reforms.

In this demanding environment, our cooperation with PwC Russia continued to grow stronger towards providing solutions and support to our common clients and guiding them through the major challenges that they have been facing up to.

In response to our clients' decision to maintain and enhance their presence in Cyprus, we sponsored, attended and spoke at conferences and Economic summits in Moscow together with colleagues from PwC Russia attended by businessmen and high ranking officials including our Minister of Finance. All events were successful and well attended.

In the second half of the year, the “de-offshorisation” discussions dominated our clients' agenda. Together with PwC Russia we have kept clients fully informed of developments on this very important area, explained how it may affect their international business and explored

solutions towards complying with forthcoming rules in a transparent and efficient manner.

Our annual Senior Partner Reviews of major clients were successfully carried out and, in addition to the invaluable feedback that was obtained and taken forward with the respective engagement teams, these meetings offered an opportunity to demonstrate yet again how close we remain to our client base in Russia and how committed we are in supporting and advising them.

The outlook of the Russian market remains challenging, however, we are well placed to help our clients to deal with them.

India

As from 1 November 2013, India put Cyprus on the List of Notified Areas due to lack of effective exchange of information.

As PwC we provided a lot of this technical support to the Government in relation to dealing with the issue and also with the renegotiation of the Cyprus-India treaty.

We remain involved by monitoring the situation and providing information and suggestions.

On the client front we have kept our clients well informed on developments.

Due to the above there was stagnation in terms of getting new clients and new projects involving India.

UK

We carried out a number of visits and stayed connected with our Tax & Legal colleagues in London. Special emphasis was placed on our Wealth Management and immigration practices which managed to yield several new assignments for our respective offices.

The flow of new business continued during FY14 but was significantly reduced in comparison with previous years, due to the challenging economic situation in Cyprus.

We held a number of coordination meetings and conference calls aimed at connecting with various Cypriot transferees and secondees currently with PwC UK and this effort will continue and grow during FY15.

We provided support to events organised by Cyprus Investment Promotion Agency (CIPA) and the Cyprus Ministry of Finance in London - a number of PwC UK partners attended a presentation led by the Minister.

A Cyprus-UK workshop with focus on BEPS and international structuring, involving the participation of 5 leading PwC UK International Tax Structuring Partners & Directors as well as Cypriot counterparts, was organised in Limassol during the week commencing 8 September 2014.

Finally, a London breakfast event to promote Cyprus to clients of PwC UK and key intermediaries is being organised jointly by PwC Cyprus and PwC UK and is expected to take place in late September 2014.

US

During FY14, we have raised our visibility further within the different tax groups of the US firm by:

- visiting a number of the offices around the US for presentations mainly to ITS teams and joining them on current and potential client meetings,
- organising a Cyprus specific Oil and Gas client event in Houston,
- participating and presenting at the Tax Leadership Convention of the US firm in Orlando and at the ‘around the world in 100 minutes’ PwC US client webcast, and
- recently meeting with the Leadership of the Integrated Global Structuring group in our efforts to provide to them the Cyprus alternative and possible solutions to current challenges faced by the US multinational companies.

In parallel, here in Cyprus we have organised and participated in a number of Oil and Gas related external events and a US multinationals client event on the centralised business concept of ‘Value Chain Transformation’ with a visiting specialist from the US firm as the main speaker.

Through our American Chamber in Cyprus representation and involvement we drive the efforts of the Chamber for a renegotiated double tax treaty process to commence between the US and Cyprus.

China

We pursued the Chinese market actively through our network of third party contacts, our PwC network as well as business contacts in Cyprus involved in the Chinese market. During the year the Chinese corporate interest in Cyprus continued to be subdued due to the March 2013 events. This was confirmed during our trip to China in October 2013. The only real interest shown by the Chinese at the moment is for Permanent Residence and more recently Citizenship applications.

We actively participate in the Cyprus-China Business Association of the Cyprus Chamber of Commerce to help create business opportunities.

Ukraine

Closer ties were developed with PwC Ukraine in the last few years with the country Senior Partner of PwC Ukraine also visiting Cyprus during our Annual event in September for internal and external meetings.

As regards our business development efforts in Ukraine, this was a year with many negative developments in Ukraine with the crisis escalating into war and the local currency devaluating by 50%.

Travelling to Ukraine was restricted and events were not organised considering the situation. We nevertheless remained close to our clients and colleagues in Ukraine, winning smaller projects but overall retaining our gross revenue at the same levels as in FY13.

We will continue to monitor closely the situation in Ukraine in order to establish how it will impact our business.

Events

Real Estate: Can Cyprus become the second home to the Chinese?

The real estate conference was organised by the Cyprus-China Business Association and the Cyprus Chamber of Commerce on 20 March at the Hilton Cyprus Hotel Nicosia.

During the seminar relocation and real estate experts from China and Cyprus analysed the current offerings of Cyprus to Chinese individuals interested in obtaining permanent residence or citizenship in Cyprus mainly by purchasing appropriate real estate.

A comparative study was carried out between Cyprus and other competitive locations within the EU. The conclusion of the seminar was that whilst Cyprus has many attractions and compares well with the competitive locations a number of measures should be taken in order to improve our offering further such as: direct flights from China, mandatory issue of a quality certificate for each property for sale, further reduction of red tape especially with regards to the issue of work permits to people obtaining either residence or citizenship. The conference was well attended and received wide coverage in the media.



The Cyprus Economic and Investment Summit, Moscow

The Cyprus Economic and Investment Summit was held at the Lotte Hotel in Moscow on Tuesday, 10 December 2013. The event was organised by IMH, supported by the Ministry of Finance and the Cyprus Investment Promotion Agency and sponsored by PwC, Eurobank Cyprus Ltd and Andreas Neocleous & Co LLC.

The Summit outlined the government's economic vision and plans for stabilisation of the Cypriot economy and its return to growth as well as the numerous investment opportunities present on the island. Presentations focused on the banking sector, the tax and legal system as well as on the advantages of Cyprus, confirming its status as a leading international business and investment destination.

Anniversary of the Successful Business Magazine

On 10 April 2014, Vestnik Kipra organized a reception at the Embassy of the Russian Federation in Cyprus, on the occasion of the 2nd Anniversary of the Successful Business Magazine to celebrate the successful circulation and distribution of the magazine in Cyprus. PwC was one of the main sponsors of this event that was attended by distinguished guests.



Financial Services

The Cyprus Financial Services industry continues to face challenges as a result of the 2013 crisis and the impact of the intense regulatory reform, more stringent capital requirements, risk management considerations and the resulting enhanced reporting requirements. Yet to remain relevant, financial institutions will have to do more than respond to these challenges; sophisticated strategies and solutions will be required for them to re-gain public trust and the competitive edge. In our integrated Financial Services group led by Stelios Constantinou, PwC Cyprus, Banking Industry Leader, our PwC professionals assist our clients with some of the most complex and challenging issues in every segment of the financial industry:

Banking

Stelios Constantinou

Insurance

Androulla Pittas

Cyprus investment firms

George Lambrou

Forex industry

Vassilios Vrachimis

Funds

Chris Odysseos

Real estate

Tasos Nolas

The challenging environment of FY14 created many new opportunities for our Financial Services group as our clients drew on the breadth of experience and expertise of Cyprus' most comprehensive financial services advisory, audit and tax practice, supported by our international network. The industry landscape will continue to change and we will be there to provide the insights, advice and support to help our clients respond to the challenges ahead enabling them to remain relevant and competitive.



Banking industry

The Cyprus banking industry and its regulatory environment are being reformed; on the one hand the European Central Bank's (ECB) Comprehensive Assessment exercise, the stress tests and need for capital raising have been the key areas of focus for banks in FY14 as they prepare for the Single Supervisory Mechanism (SSM) in November later this year. On the other hand there have been the intense regulatory changes mainly emanating from the Memorandum of Understanding agreed with the Troika in an aim to modernise our regulatory environment and help banks deal with difficult operational issues such as those of arrears management and anti-money laundering. We have worked very closely both with the Central Bank of Cyprus and all major banks in Cyprus helping them deal with the complexities of these exercises, mobilising a huge number of specialist resources both within Cyprus and from our international network. During the year we offered services to almost all banking institutions in Cyprus significantly increasing our revenues in FY14.

More specifically, of the four banks in Cyprus subject to the ECB's Comprehensive Assessment Exercise, we were appointed as the consultants of the Central Bank of Cyprus for the Asset Quality Reviews for two of the banks, whilst we were appointed to assist the other two banks prepare for the exercise. We have also been appointed by the Central Bank of Cyprus in an advisory capacity for the review and assessment of four credit institutions' arrears management frameworks and we have also been appointed to assist the Central Bank with their 2014 on-site examinations of four banks regarding anti-money laundering and counter-terrorist financing processes and practices. In addition, we have been appointed by two of the banks to assist them with the preparation of the stress tests run jointly by the ECB and the European Banking Authority. These were very important, high profile and extremely intensive assignments for our teams which at times reached more than 150 professionals working very long hours and committed to delivering outstanding quality work.

During FY14, in cooperation with an international Investment banking firm, we have been appointed advisors to the Ministry of Finance for the provision of assistance and ongoing support in relation to the Cyprus financial sector. This was yet another high profile and challenging assignment which brought together some of the most experienced financial services partners from the PwC network, sharing experiences and making recommendations for actions to be followed.

Finally during the year we have distributed many publications, surveys and other thought leadership material to clients, regulators, government officials and other interested parties informing them of industry trends and challenges, regulatory changes and others. We have also actively participated in several banking events and conferences.

The Financial Services sector has gone through unprecedented challenges during the last couple of years. It is expected that this will continue in the near future and with regulatory pressures increasing across all industry sectors, financial institutions must do more than respond reactively. Our industry expertise, experience, proactive approach and the strength of our network puts PwC in the driving position to continue providing support to the Cypriot banks and financial institutions in dealing with the challenges ahead.



Publications

A number of important publications were released during the year. Some of these were:

- ***We don't just consult... we deliver***
Delivery excellence to the Banking & Capital Markets sector
- ***The future shape of banking***
Unravelling the opportunities of banking and banks



Events

Cyprus Investment Firms. Are you ready for FATCA?

PwC Cyprus organised on 10 December 2013 a specialised seminar on the Foreign Account Tax Compliance Act (FATCA) which will be implemented into Cyprus law and will affect all Cyprus investment firms. During the seminar, PwC experts provided an insight into the new reporting and withholding regime and analysed the implications for Cyprus investment firms. Keynote speakers included Mark Orlic, Head of PwC's European FATCA Centre of Excellence and Xiao Chen, Manager in Financial Services Tax at PwC Germany.

George Lambrou, Partner Head of FATCA Practice of PwC Cyprus, Elina Christofides, Senior Manager and Yiannis Zarvos, Manager of PwC Cyprus provided participants with an in-depth analysis of the scope and objectives of FATCA, helping companies to understand how to effectively manage the new requirements.



Banking

The Future of Banking in Europe

PwC Cyprus was the main sponsor of the first Cyprus Banking Forum that was organised on Thursday, 5 December in Nicosia. The forum which was chaired by Stelios Constantinou, PwC Cyprus Banking Industry Leader, brought together European and international banking executives to debate the course of action for European banks towards financial stability and profitability. Chris Jones, Head of PwC Financial Services practice in EMEA covered the topic of New Business models for banks.



Real Estate

9th Real Estate and Construction Conference

The 9th Real Estate and Construction Conference, organised by IMH and sponsored by PwC, was held on 12 November 2013 in Nicosia with the aim to inform all stakeholders about current issues affecting the global and the local industry. Among the keynote speakers, Kees Hage, Global Real Estate Leader at PwC analysed the emerging trends in Real Estate Europe. His presentation was based on the annual survey by PwC in cooperation with the Urban Land Institute, whereby more than 500 of the most influential leaders in the real estate industry, give their heads-up on where to invest, what to develop, which markets and sectors offer the best prospects, and trends in capital flows.



Industries

In PwC Cyprus member of the PwC network has developed multi- disciplined teams from our professionals, aiming to work with our clients in facing the specific challenges of their industry. We are analysing the changes that our clients are facing at global and regional levels and develop a deep understanding of how they will impact their business and how we can best help them prepare and manage these changes.

At the same time we take pride in our quality services which help to improve transparency, trust and consistency of business offering.

In this year's issue of the Annual Review we are sharing examples of the contribution of our firm's specialist teams in the fields of Energy and Transportation and Logistics (and more specifically Shipping).

Our industries:

Energy

Constantinos Taliotis

Hospitality & Leisure

Petros C Petrakis

Transportation & Logistics

Yiannos A Kaponides

Public Sector

Philippos C Soseilos

Retail & Telecommunications

Nicos A Theodoulou

Construction & Engineering

Petros C Petrakis

Energy

Cyprus and its partners in block 12 confirmed in October 2013 the discovery of a world class deepwater reserve with natural gas of excellent quality and high deliverability.



Source: Noble Energy

Following only the second well drilled in the Cyprus Exclusive Economic Zone (EEZ) (1st appraisal well) the Government of Cyprus and its partners in block 12, Noble Energy, Delek and Avner confirmed in October 2013 the discovery of a reserve with very substantial quantities, 3.6 to 6 tcf (or 100 to 170 bcm), of natural gas. Given that the annual needs of Cyprus are around 1 bcm one can appreciate the magnitude of the potential impact on the Cyprus economy and geopolitical importance from a future

successful commercialisation of this reserve. Production tests carried out indicated very good results in relation to the quality of the gas and the production capacity, pressure and flow in the Aphrodite reservoir. These +ve results are very important for the commercialization decision of any reserve.



Source: Press and Information Office, Republic of Cyprus

The Minister of Commerce, Industry and Tourism Mr Yiorgos Lakkotrypīs signed MOU with the oil and gas major TOTAL.



Source: Press and Information Office, Republic of Cyprus

Mr Mark Richard Vice President Europe/Sub Saharan Region at Halliburton and the President of the Republic of Cyprus, Mr Nicos Anastasiades.

The gas flaring test was a very impressive and historic moment for Cyprus! Later in the year a Memorandum of Understanding (MOU) was signed on behalf of Cyprus by the Minister of Commerce, Industry and Tourism Mr Yiorgos Lakkotrypīs and the oil and gas major TOTAL for the future construction of an onshore Liquefied Natural Gas (LNG) plant for the liquifaction of Cypriot and possibly regional natural gas onshore Cyprus. Given that this remains the preferred option of the Government of Cyprus for the commercialization of the island's natural gas finds, this was a very important milestone.

Cyprus an energy hub in the making?

The very good relationships that Cyprus has succeeded building with almost of its neighbours and the island's strategic geographic location are supporting Cyprus' ambition to become a regional energy hub. These plans were given further impetus during the year when it was made known that a number of Oil and Gas service groups from the US, Europe and elsewhere with global presence in the industry have either decided or are seriously considering to establish a base on the island. The eventual operations of such global industry players in Cyprus could significantly contribute in specialist knowledge acquisition by Cypriot professionals. This is something that could have a very substantial impact on the local society as industry specific knowledge will be acquired; this can transform the Cypriot society and yield economic and other benefits well into the future.

Business development initiatives

Nicos Chimarides, Partner

In charge of Tax Advisory, of PwC Cyprus and Constantinos Taliotis, Partner

In charge of Energy Team at PwC Cyprus joined by our colleague manning the Cyprus desk in NY, Constantinos Leontiou spent a week in Houston, Texas in presentations and meetings with current and potential investors in the Cyprus emerging hydrocarbons industry, promoting the Cyprus hydrocarbons story and explaining how PwC professionals could support interested investors.

During the proceedings of the EuroMed conference organised in Nicosia five of the PwC Partners delivered a workshop on how companies can establish a strategic presence in the Mediterranean exploration and production market and what are the main challenges in the areas of tax, people, legal compliance and financial and regulatory reporting.

The progress of the Cyprus economy under the MOU with its European partners, the IMF and the ECB, the prospects of East Med gas following the Ukrainian crisis and the investment opportunities in Cyprus, as well as advice on establishing a strategic presents in the emerging Cypriot Oil & Gas exploration and production business were presented in three very successful energy conferences in November and May in Frankfurt and Nicosia respectively by a number of the firm's Partners.



Working with clients

The firm's multi-competency energy team delivered a number of projects during the year supporting a number of our clients already active or interested to be engaged in the Cyprus EEZ energy developments.

These projects ranged from advising on financial reporting issues, carrying out cost recovery audits in line with applicable frameworks and industry best practice as well as securing entry visas for client's personnel for oil and gas exploration activities and HR studies for potential infrastructure projects in Cyprus. Other pieces of advice focused on direct, indirect tax as well as customs and excise specific considerations for the oil and gas industry.

Enhancing knowledge

Presentations

Member of our Energy Team delivered a presentation at the Masters students of the Oil and Gas Management course of the University of Nicosia on the main accounting and cost recoverability considerations of gas exploration and production.

The firm's wider energy group met a number of times in the year and discussed a number of industry specific issues ranging from updates regarding important local, regional and global energy developments to underlying data and information about the Oil and Gas market and the way forward as well as the energy co-dependency between Europe and Russia. Seconded of the firm from Houston and Aberdeen also had the chance to share their experiences during such gatherings.

A number of interviews and articles were supported by members of the energy team in local and international press, highlighting the importance of the energy resources discovered in the East Med for Cyprus and Europe and the priority our European partners should give to these indigenous European energy resources in an effort to alleviate as much as possible the energy diversification challenges faced by Europe.

Publications

A number of important publications were released during the year. Some of these were:

“Delivering excellence to the Oil & Gas sector” which outlines the Cyprus firm’s capabilities to support companies in the industry and the value our teams deliver with the support of specialist in the global network of energy experts that PwC retains.



“Driving Value in Upstream Oil and Gas”, a publication of our global network, examines the ability of companies in upstream to deliver value to their shareholders. Top performing companies have been identified using indicators such as the Return On Capital Employed (ROCE), and isolating the key characteristics that enable them to deliver returns over and above that of their peers.



Another global publication, “Gateway to growth: innovation in the oil and gas industry” examines how innovation is driving growth in the industry, where there is room for improvement, and what companies are doing to focus on innovation.



PwC Cyprus energy team

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

The next few months are likely to be very important for the future of the Cyprus emerging hydrocarbons industry. With a number of additional drillings planned in the Cyprus EEZ, the potential discovery of additional quantities of recoverable hydrocarbons will enhance the range of choices Cyprus has to commercialize its newly discovered wealth and is likely to speed up the time the European natural gas discovered in Cyprus will reach the international markets.

The energy team of the firm continuously supports locally and abroad the Cyprus hydrocarbons story and is well positioned to secure important assignments that the advancement of the Oil and Gas industry will bring to us.



Shipping and Ports

The shipping industry in recent years has been “battling the storm” due to depressed demand for transportation and structural oversupply of vessels. Asset values are at all-time lows and in certain cases up to 70% below the values peaked during 2007/2008. The outlook for shipping in all segments seems to be +ve as demand growth and slowing rate of deliveries of vessels are expected to begin to ease oversupply.

The low asset and debt prices, and somewhat improved market conditions and outlook make investing in the shipping sector attractive and potentially lucrative if the right type of vessel or operator is chosen. The changing pattern of global trade towards the emerging markets will affect ship operators in different ways depending on their mix of vessels and geographic spread.



The key challenge is whether longer-term returns will satisfy new investors which are entering the sector and whether the renewed ordering of vessels will help resolve or exacerbate some of the wider industry issues.

Cyprus Shipping

Cyprus today, has the 11th largest merchant fleet worldwide and the 4th largest fleet in the EU. In addition, Cyprus has the largest 3rd party ship-management centre in the EU and one of the top three globally. The contribution of the Shipping sector to the Economy of Cyprus is estimated at 7% of the GDP, while 2012 and 2013 statistics show that, despite the unstable shipping markets globally, the revenue brought to the Republic from the Shipping Sector remained around €1 billion.

Cyprus is recognised internationally for having a high quality and safe Registry. The approval by the EU of its Tonnage Tax (TT) system in 2010, rendered Cyprus, as the only, in effect EU approved open registry regime, that:

- provides for TT on the net tonnage of the vessels rather than Corporation Tax on the actual profits
- grants total tax exemption of profits tax and distribution tax at all levels
- allows mixed activities within a company/group (shipping subject to TT and other subject to 12,5% corporation tax) allows split ship-management activities (crewing or technical)
- provides a favourable income tax legislation which compliments the excellent Merchant Shipping Legislation, creating a highly tax efficient jurisdiction for shipping groups and an ideal holding company location

The prospects from the discovery of substantial quantities of hydrocarbons in the Cyprus Exclusive Economic Zone create an important additional prospect for further development of Cyprus shipping, as the Shipping Industry will be closely linked and fully cooperating with the Energy Industry in the sea-going transportation of these gas/oil reserves to relevant international markets.

In addition, Cyprus strategic location provides opportunities to develop its ports into regional hubs. The upcoming privatisation of ports will provide new opportunities.

Our Expertise

Our Shipping and Ports team at PwC Cyprus comprises of more than 30 dedicated professionals, with deep knowledge and expertise in providing services to major local and international shipping and port groups, which enables us to maintain a leading position in servicing such clients. Our teams are very well trained and kept up to date in shipping industry issues by a mixture of internal seminars, e-learns and newsletters.

Our Shipping and Ports dedicated team helps with the provision of services to local and international clients in the following areas:

- Audit and assurance related services (IFRS technical advice)
- Tax planning, structuring and restructuring (legal, finance and operational structure)

- Registration of shipping companies (ship-owning, chartering or ship-management)
- Ship registrations, deletions, transfers and mortgages
- Corporate compliance services to Cyprus registered companies
- Transactions/public offerings / M&A
- Business transformation services
- Human resource advisory including full repatriation service for expatriates
- Payroll services and accounting outsourcing
- Provident fund services

We have the knowledge and expertise to assist our clients to cope with the current challenges and to assist the further development of Cyprus shipping.

Business Development

During FY14, we have secured new work in assurance and tax due to new wins. In addition, our Advisory team has secured and is providing a full blown business transformation project for a major international shipping group, comprising various mini projects in the areas of organisational and operational restructuring and effectiveness, people and change projects, IT and systems assessments and enhancements etc. A number of business development initiatives are underway and we feel confident that they will help us in enhancing further our leading position as a preferred service provider to the Shipping and Ports Industry.

Publications and website

The firm’s shipping publication “Cyprus Shipping: A Sea of Opportunities” was released with the aim of providing existing and potential shipping clients with a detailed description of the benefits offered by Cyprus to ship - owners, charterers and ship managers, as well as an outline of the tonnage tax regime and yacht registration scheme. The publication also provides a clear understanding of the services PwC Cyprus can offer to shipping clients, across all lines of service.

Our PwC Cyprus shipping and ports microsite continues to be updated regularly and remains a useful tool for interested parties that wish to keep in touch with developments in the industry and who might want to seek the services of our firm.





Events

Hospitality

Air Connectivity Conference

The “Air Connectivity Development for Cyprus through Change, Cooperation and Innovation” conference was held on 9 January 2014 in Nicosia. The conference was organised under the Auspices of the Minister of Communications and Works by Hermes Airports with the support of PwC. The conference that was addressed by Evgenios C Evgeniou, CEO of PwC Cyprus examined the key challenges and developments in the aviation/tourism industry that affect, or could affect Cyprus.

Renowned speakers, such as Michael H Burns, Partner, Corporate Finance Aviation Leader at PwC and Jean-Claude Baumgarten, ex-President of World Travel and Tourism Organisation shared their international experience with the audience.

Cyprus Hotel Association: 36th Annual Hotel Conference

Can the Hotel Industry provide the power for economic recovery once again?

PwC Cyprus was the official sponsor of the 36th Annual Hotel Conference organised by the Cyprus Hotel Association (CHA) on 25 February 2014 at the Hilton Park Hotel in Nicosia.

The introductory speech was made by the Minister of Finance, Mr Harris Georgiades. The official ceremony was addressed by the Minister of Energy, Commerce, Industry and Tourism, Mr George Lakkotrypīs, Evgenios C Evgeniou, CEO of PwC Cyprus and the President of CHA, Mr Haris Loizides.



PwC Experience & Pursuit

PwC Experience

We create value for our clients and people through adopting the behaviours of the PwC Experience: investing in relationships, sharing and collaborating, putting ourselves in each other's shoes, focusing on value. Through adopting these behaviours, we build trust based relationships, have robust dialogues, ensure ownership and accountability in what we do, and always stay focused on delivering value to our clients and People. Through these behaviours we will be able to build trust and solve important problems which is our Purpose and the reason why we do what we do.

Through our Purpose and our vision to be the #1 professional services network in quality, brand, talent, revenue and profitability, we bring our Brand Promise to life: 'My relationship with PwC Experience helps create the value I'm looking for'. This is the PwC Experience we want our clients and our people to have every day, in all their interactions.

To deliver the PwC Experience we follow 3 Client Principles which influence the interactions with our clients and our people:

- agreeing expectations
- asking for feedback and
- agreeing the value created

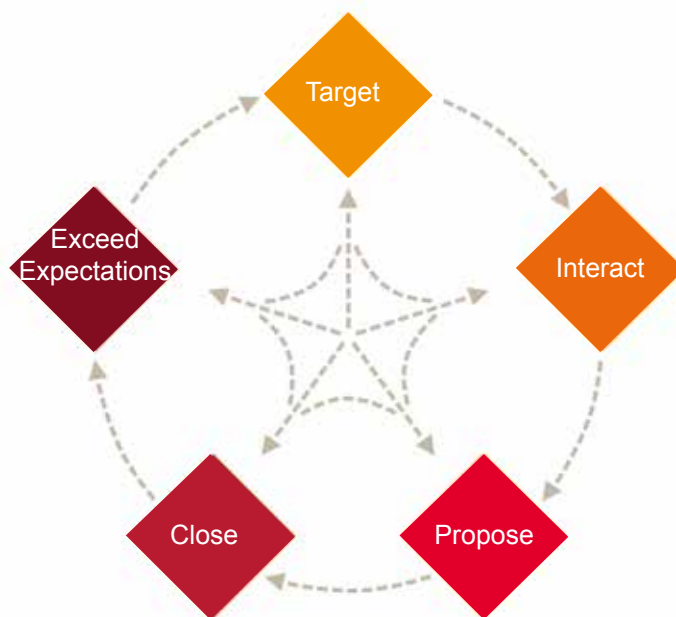
Pursuit: Creating opportunities and winning work

The economic environment in which we operate will remain difficult in many markets and competition will continue to be as fierce as ever. Our clients tell us they want to work with firms who take the time to understand their business issues and collaborate with them on the right solutions. That creates both challenges and opportunities for us, as we pursue our strategy of profitable growth.

Within this year, we have rolled out "Pursuit", which is our global approach for creating opportunities and winning work. It uses the "best of the best" practices and most importantly what we are hearing from our clients – and simplifies it into one framework.

In FY14 we have trained all our Partners and Directors on how to use the framework and we have assigned the role of the “Pursuit Coach” to 12 Partners and 4 Directors. Going forward we have organised training events for all our Managers and Senior Managers and we will circulate the “i-Pursuit” e-learn to all our staff.

In PwC Cyprus we strongly believe in the value and benefits of Pursuit since the environment around us is changing and we need to keep pace with new client needs and new market opportunities that evolve very, very rapidly.



People

*Our People are our biggest asset.
At PwC we create an exciting business environment, where talented
people are motivated to give their best and reach their full potential.*



Being a step ahead

The market's volatility, as well as the demand for new services during FY14, meant that we had to portray great agility in adapting around our Lines of Services' needs by moving, developing and recruiting people efficiently.

Despite the difficult economic conditions, we continued to invest in the professional development of our People by taking a long-term view of our business.

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



Performance

Engaging our People

In FY14, we asked our People for their views on what it is like to work at PwC through a number of ways, such as holding our annual "Global People Survey (GPS)", running focus groups and giving the opportunity to our People to meet and interact with our CEO through people meetings.

People engagement was at the centre of our strategy and we demonstrated commitment to take all necessary action to sustain our People's engagement. To this end, we rolled out People workshops to communicate our FY14 strategic goals and discuss our GPS results with all colleagues, in an effort to further improve the quality of our People management practices.

Giving our colleagues the opportunity to engage with leadership, has helped our People feel better informed and even more involved with the direction our firm was taking. As a result, our People Engagement Index score of 72% remained just below that of FY13. Impressively enough, our People's engagement was not severely affected by the challenging economic environment or the responsible decisions taken by our leadership.

Furthermore, in FY14, we continued to administer a confidential, anonymous upward feedback programme for all our Partners, in order to help them in their personal development journey. Additionally, all our Assistant Managers, Managers, Senior Managers and Directors received similar confidential and anonymous feedback from their colleagues, to help them develop their managerial and leadership style.

Managing Performance

Objectivity is the basis of our performance management system, and our aim has been to continuously build a culture, where People are rewarded and progress based on their job performance.

In FY14, we continued to enhance our performance management processes, by introducing a "Bias Awareness Training" workshop for all Partners taking part in formal assessment forums, and introduced more diversity into our interview promotion panels.

Moreover, we made 71 promotions to the grade of Senior Associates as of 1 January 2014, and an additional 155 promotions to all grades as of 1 July 2014. The number of promotions was a demonstration of our commitment to continue investing for the future and that we offer tremendous career opportunities, even under difficult market conditions.

In addition, all our People were rewarded with bonuses on the basis of their last performance rating and the basis of the firm's above budget FY14 results.

New Directors

We focus on developing our People to become the next generation leaders.

14 of our Senior Managers were promoted to Director as of 1 July 2014.



Andreas Avraam
Assurance & Advisory, Limassol



Demetra Ellina
Assurance & Advisory,
Nicosia



Iacovos Iacovou
Tax & Legal Services, Limassol



Yioulie Anastassiadou
Tax & Legal Services, Nicosia



Elina Christofides
Assurance & Advisory, Nicosia



Maria Georgiou
Functions, Nicosia



Charalambos Sergiou
Tax & Legal Services, Nicosia



Amalia Vassiliadou
Tax & Legal Services, Nicosia



Ioannis Efthymiou
Assurance & Advisory, Nicosia



Hara Phitidis Granath
Assurance & Advisory, Nicosia



Helen Skapoullis
Tax & Legal Services, Nicosia



Phryni Yiakoumetti
Assurance & Advisory, Nicosia



Polina Antoniou
Assurance & Advisory, Nicosia



Nicos Stavrou
Assurance & Advisory,
Nicosia

Talent

Promoting talent

Our strategic priority continues to be focused around talent management, and on making sure that everyone in PwC has the opportunity to reach their full potential.

In FY14, we continued to implement a series of Talent Management activities for our Managers and Senior Managers, such as designing and running “Career Development Centres (CDCs)”, based on the “PwC Professional” global attributes.

Additionally, a series of individual career development conversations were carried out with our Managers and Senior Managers. In preparation for these meetings, our People were asked to self-assess based on the feedback received from their CDC, and this input was used as a starting point for setting a Career Development action plan. The relevant action plan decided for each individual was then linked to various developmental options.

The best place to build your career

In FY14, we continued to invest for the long-term by recruiting high calibre people.

More specifically, we received a total of 1100 applications for employment, out of which we recruited over 100 people, including 41 recent university graduates who embarked in our 2013 ACA and ACCA professional accounting training schemes. In addition, we made 70 offers to university students for our 2014 ACA and ACCA professional accounting training schemes.

To achieve these numbers, our Human Capital professionals carried out a series of recruitment activities, specifically aimed at high calibre professionals and university students.

As more and more university students are starting their search for a graduate job before their final year at university, we continued to offer a “Summer Internship Programme” so as to boost the students’ employability and help them make better informed career decisions.





During the summer of 2013, 27 high-calibre university students secured a place in our competitive “Summer Internship Programme” and took part in a range of opportunities, such as attending interesting workshops and shadowing PwC professionals. Upon graduation, 22 of these students secured a position in our 2013 and 2014 trainee intakes, and 5 of them achieved worldwide awards in the Institute of Chartered Accountants in England and Wales (ICAEW) professional examinations.

In addition, out of a pool of 300 university students who applied for our 2014 “Summer Internship Programme”, 20 were given the opportunity to join this programme.



A diversity of experience

The variety of backgrounds from which our People come is very wide. In FY14, 60% of our People were female and 40% were male. In addition, our People came from 19 different nationalities.

Having people with a broad and diverse range of skills and experiences means that we are in a better position to understand the industry sectors we work in. Moreover, by bringing different views and different experiences to our clients and to the workplace, we add more value to our business.

Being a diverse and inclusive employer helps us build better relationships with our clients and gives us a competitive edge. Attracting the brightest and best from the widest pool of talent, helps us service our diverse and international clients better.

In FY14, we promoted the concept of having an “Open Mind”, so as to raise awareness of the benefits diversity has for our business and how our firm needs to value the difference of its diverse talent to support its business growth targets.

A mobile environment

While many people think of mobility as moving across geographies, this is only one aspect of it, as there is a wide range of opportunities and business needs which require our People to be mobile.

During FY14, 21 of our People were successful in securing an international secondment in other PwC firms around the world through our “Global Mobility Programme”. Such territories included the USA, Russia, Middle East, Canada and Greece. In addition, 6 People from the USA, UK and Russian firms came to PwC Cyprus on secondment.

Moreover, 20 of our People were transferred to a different Line of Service within the firm, in order to meet our client needs and get a diverse work experience.

Development

A place to learn and grow

Cultivating a right mindset and developing our People’s skills are of key importance to the success of our business, as well as a source of engagement and motivation for our People.

As well as building on their technical skills, all our People are also expected to build on their relationship, leadership and commercial skills. Most of this training comes through on-the-job coaching and challenging client assignments.

In FY14, we supported our People in this through a range of flexible learning programmes, many of which were delivered as and when required, in and around day-to-day work, locally and internationally, as well as through the use of blended learning solutions, which included e-learning.

During FY14, we launched “iGrow”, our new management development framework, which embraced under its umbrella all of our People’s technical and business skills training.

“iGrow” is based on the 5 pillars of the “PwC Professional” framework and uses even more blended learning solutions, where our

People have the option to learn by taking advantage of short learning interventions or by utilising a wide array of learning material, such as e-learns, articles, videos and self awareness tools.

Through “iGrow”, we introduced the concept of strategic theme interventions, where reputable speakers delivered training programmes to our People on areas of strategic priority. For example, David Webb delivered a series of events on pricing and Charles Bill on PwC’s global business development framework “Pursuit”.

In FY14, more than 300 of our People attended at least one business skills programme and over 85% of our People attended at least one technical skills programme.

In addition, 5 Senior Managers participated in international PwC Key Talent Programs. These included “My Way” and “iLead”, which aim to develop Senior Managers into our future leaders, through high-impact developmental interventions, personal coaching and connecting with colleagues from a number of other PwC firms.



Partner and Director Development

In FY14, all Partners and Directors attended a workshop on “Getting to the right price” where they had the opportunity to reflect on their personal capacity to derive growth in their client portfolio.

In addition, during FY14, our Partners received a series of webinars, namely “Strategic Bites”, which offered sessions from subject matter experts and provided a platform for sharing personal experiences and gathering insights.

3 of our Partners attended international Partner programmes in the areas of “Strategic Positioning”, “Being a transformation leader” and “Leading the business unit”.

The Academy

During FY14, the Academy continued to provide tuition and support to our trainee accountants under both the Institute of Chartered Accountants in England and Wales (ICAEW) and the Association of Chartered Certified Accountants (ACCA) schemes.

Our trainees’ professional examination results in FY14 were outstanding, with pass rates well above the international averages, achieving 100% in some papers.

In addition, 5 of our ACA trainees received worldwide awards in the ICAEW Professional Stage examinations. More specifically, 3 ACA trainees received an award for achieving joint 1st place in the “Audit and Assurance” examination and 2 ACA trainees received an award for achieving joint 5th and 8th places overall for the Professional Stage examinations during the year 2013. The prizes were presented in London during a special award ceremony organised by the ICAEW in May 2014.

Moreover, 1 of our ACCA Trainees achieved 8th worldwide place in the “Corporate Reporting” ACCA professional examination and 5 of our ACCA Trainees achieved 1st Pancyprrian place in the ACCA professional examinations of “Corporate Reporting”, “Advanced Financial Management” and “Financial Reporting”.

During FY14, tutors of the Academy delivered 3 ACA revision courses in Mauritius, on the basis of the new ACA syllabus, as well as 2 ACCA courses in Dubai, 2 ACCA courses in Abu Dhabi, IFRS courses in Greece and business skills courses for colleagues in PwC Middle East (i.e. Qatar, Dubai and Lebanon).

During FY14, the Academy also delivered 15 Continuous Professional Development (CPD) courses, approved by the ICAEW and ACCA, to a total of 237 participants. In addition, 10 in-house seminars were delivered to local organisations with 231 participants and 4 in-house seminars to organisations abroad.

Professional examination awards winners



Eleni Georgiou

Worldwide Joint First Place and the Watts Prize
Audit and Assurance paper, ICAEW examinations



Sergey Shor

Worldwide eighth Place,
Corporate Reporting paper, ACCA examinations
Joint First Place in Cyprus,
Corporate Reporting paper, ACCA examinations



Athina Germanou

Worldwide Joint First Place and the Watts Prize
Audit and Assurance paper, ICAEW examinations



Philipp Malik

First Place in Cyprus,
Advanced Financial Management paper, ACCA examinations



Chrysanthos Papachrysanthou

Worldwide Joint First Place and the Watts Prize
Audit and Assurance paper, ICAEW examinations



Svetlana Yakhontova

First place in Cyprus
Advanced Financial Management paper, ACCA examinations



Nicoletta Neophytou

Worldwide Joint Fifth Place and the Cassleton Elliott Prize
*Professional Annual International
Order of Merit, ICAEW examinations*



Demetra Olymbiou

First place in Cyprus
Financial Reporting paper, ACCA examinations



Christiana Panteli

Worldwide Joint Eighth Place
*Professional Annual International
Order of Merit, ICAEW examinations*



Aleksandre Chubinidze

First place in Cyprus
Corporate Reporting paper, ACCA examinations

Transformation

An exceptional place to work

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

Additionally, 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 FY14, we have maintained the following benefits for our People:

- Flexible hours for all
- Reduced hours for working parents
- Bonus entitlement
- Compassionate leave
- Unpaid leave
- Additional annual leave for long-serving staff members
- Life insurance scheme
- Medical insurance scheme
- Provident fund
- Free parking
- Friday afternoon off
- Casual Fridays

Awards and Accreditations

Investing in our People has been a key driver of our business success. In FY14, we continued to be one of the elite top organisations across the world to hold the highly prestigious Investors in People GOLD accreditation in Human Capital management.

Being an Investors in People Champion and Investors in People GOLD organisation reflects the progress we are continuously making in our Human Capital management practices, our commitment towards continuous improvement, the quality of our Human Capital management practices and our People's personal commitment to continuous improvement.



Firm



Legal and organisational structure

Ownership of PwC Cyprus

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

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

Subsidiary undertakings

The principal subsidiary undertakings of PwC Cyprus as at 30 June 2014 are:

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

These entities are all member firms of the PwC network by being members of the PricewaterhouseCoopers International Limited (PwCIL).

Other PwC network member firms in Cyprus

S. A. Evangelou & Co LLC is a member firm of PricewaterhouseCoopers International Limited (PwCIL) and part of the PwC's Tax and Legal Services Network providing Legal Services in Cyprus. It is a private company with limited liability by shares having its registered office at 3 Themistocles Dervis Str, Julia House Annex, 1st Floor CY-1066 Nicosia, Cyprus and it was registered in Cyprus as a Lawyers' Limited Company under registration number 23348.

S.A. Evangelou & Co LLC and its wholly owned subsidiary undertaking, namely PricewaterhouseCoopers Corporate Secretarial Services Limited, are wholly owned by Spyros Evangelou who is also the Head of Practice.

The PwC network

Legal structure of the network

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

Key features of the network

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



Governance

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

Board of Directors

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

Management Board

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

Oversight Board

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



The members of the Management Board who served throughout FY14. Seated from left: *Liakos M Theodorou, Evgenios C Evgeniou – CEO, Costas L Mavrocordatos*. Standing from left: *Theo C Parperis, Christos M Themistocleous, Philippos C Soseilos, Angelos M Loizou*



Nicos A Theodoulou

The members of the Oversight Board, who served during FY14 are: *Andreas T Constantinides (Chairman from 1 January 2013), Chris K Santis (Chairman until his retirement 31 December 2013, Chrysilios K Pelekanos, Constantinos H Constantinou, George C Lambrou and Nicos A Theodoulou (served for the 6 months to 30 June 2014).*

Internal Quality Control System

Introduction

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

ISQC1 applies to firms of professional accountants that perform audits of financial statements and provide other assurance and related services.

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

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

Elements of our internal quality control system

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

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

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

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

Ethics & Independence

Ethical requirements

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

Conflicts of interest

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

Independence

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

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

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

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

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



Continuous professional development

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

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

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

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

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

PwC's Academy also ensures that our trainee accountants, under both the Institute of Chartered Accountants in England and Wales (ICAEW) and the Association of Chartered Certified Accountants (ACCA) schemes, are provided with the highest quality education and support. Our trainees' professional examination results in FY14 were outstanding, with pass rates well above the international averages, achieving 100% in some papers.

In addition, 5 of our ACA trainees received worldwide awards during the year in the ICAEW Professional Stage examinations. More specifically, 3 of our ACA trainees received an award for achieving a joint 1st place in the "Audit and Assurance" examination and 2 of our ACA trainees received an award for achieving joint 5th and 8th places overall for the Professional Stage examinations during the year 2013.

Partner remuneration

Our Partners' remuneration is based on three interrelated components:

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



Our brand

It is important to understand and know our brand. Our PwC network constantly supports us in terms of the use and expansion of our brand through guidelines and toolkits on our global brand site.

Our brand is much more than the logo. It's a promise delivered and includes our identity, what it's like to work with us, how we behave and what we're good at. We want everything we do at PwC to bring our brand promise to life for our clients. Imagine the power of 184,000 people with a common purpose – building relationships which create value – and focused on doing this every day, not just with clients but with each other. We want everyone we work with, every day and everywhere, to feel that: 'My relationship with PwC helps create the value I'm looking for'. This is our 'brand promise'.

According to Mr Dennis Nally, the Chairman of PricewaterhouseCoopers International Limited, "Our brand expression visually distinguishes PwC in the same way that the quality and expertise of our people differentiates the experience of working with PwC. Underlying the visual elements is what the PwC brand really stands for — how we are viewed by our clients, our people and our stakeholders. Beyond our capabilities and experience, we want PwC to be known for building great relationships with clients that help them create the value they're looking for."

Digital Mentoring Program

As our firm is committed to providing its People with the relevant opportunities to continuously develop their knowledge, our Marketing & Communications Department took the initiative to launch the Reverse Digital Mentoring Program which was designed to help PwC Leaders start using social media effectively and enhance their knowledge around social media. The first wave took place in

June to September 2013 and following its success and great demand by Partners & Directors, a second wave was arranged with a new group of mentees. It was proven to be a very beneficial and at the same time entertaining programme for both the mentors and the mentees.



Corporate responsibility

“We in PwC are constantly seeking to increase our impact on society. Our strategy focuses on social relevance and is designed to underline this ambition. This strategic objective means that we aim to design and deliver services that help resolve the key issues and challenges that society is currently facing.”



At PwC we believe in being part of it: part of a global and local conversation so as to create positive change in the world. Each of us has a role to play in making PwC a more responsible business. Let's be part of the change together.

According to our new CR strategy, we believe that PwC can be part of the solution to the global challenges which we want to approach through our CR agenda in two ways:

Doing the right thing, which means playing our part on responsible business issues that are central to our business – from the quality of our services and the diversity of our People, to our engagement with communities and our environmental footprint.

Being a catalyst for change, which is about using our skills, voice and relationships to work with others and influence activities that make a difference, create change and have a lasting impact on the world around us.

These aims form the core of our CR Strategy and across the PwC network, all firms support these goals.

Our CR strategy is tailored to our specific strengths and opportunities, as a network of professional services firms. To align and structure our CR activities, we focus on four areas in which PwC People across the world can play their part:

responsible business, diversity & inclusion, community engagement, and environmental stewardship



Our Leadership ladders

Our leadership ladders set minimum standards and provide guidance on how PwC firms achieve leadership in corporate responsibility. Each of the four steps of the ladder considers four dimensions: behaviour change, strategy and policy, measurement and engagement and impact assessment.



Responsible Business

Our society is facing big challenges. It is a fact that Cyprus has been heavily impacted by the economic crisis especially after the events of March 2013. The country is on the right track to get the economy back on responsible sustainable, growth. We recognise the important responsibility we bear as professional advisors to the business community and we believe that many of today's biggest business opportunities lie in society's biggest challenges – from

managing natural resources to making business more transparent, trusted and fair. We want to continue the incorporation of corporate responsibility issues into the way we deliver our services while we are focusing on ethics, integrity and trust. We understand and we are conscious of the wider social impact our services have and our responsibility towards society to use our expertise to drive progress on broad corporate responsibility issues and to contribute to the economic development of our country. This is what responsible business means to PwC.



A number of activities have been organised during the years which include:

CIPA International Investment Awards

Honoring foreign investments in Cyprus

PwC Cyprus was the platinum sponsor of the CIPA (Cyprus Investment Promotion Agency) awards organised on Tuesday, 10 September 2013. For the second consecutive year, CIPA awarded foreign investors, companies and people who contributed to establishing Cyprus as an attractive destination for foreign investment.

The event, which was organised by IMH, Gold Magazine and CIPA, took place at the Presidential Palace under the auspices of the President of the Republic of Cyprus, Mr Nicos Anastasiades.

Evgenios Evgeniou, CEO of PwC Cyprus addressed the award ceremony and together with the Minister of Finance, Mr Harris Georgiades, delivered an award to Mr Philip Van Dalsen, CEO of MTN Cyprus.



Building Confidence. Next Steps

PwC Cyprus in cooperation with the ICAEW (Institute of Chartered Accountants in England and Wales) organised an event titled “Building Confidence. Next Steps” which focused on the importance of developing confidence in today’s fragile economic environment. The event which took place on Thursday, 29 May 2014 at the Filoxenia Conference Centre, attracted industry experts and high calibre individuals from the political, academic and business world.

The panel discussion of the event consisted of the Minister of Finance, Mr Harris Georgiades, the Chairwoman of the Cyprus Securities and Exchange Commission, Mrs Demetra Kalogirou, the President of the ICAEW, Mr Martyn Jones, and PwC UK Partner, Mr John Hitchins. The discussion was coordinated by Evgenios C Evgeniou, CEO of PwC Cyprus. The panelists stressed the importance of rebuilding confidence

and normalising business and trade following the challenges presented by the implementation of the macroeconomic adjustments in the Cypriot economy. They focused on the essential elements to restore trust as well as on the steps to be taken in the journey towards economic recovery and growth.



Ireland - Cyprus: A journey towards economic and social renaissance

PwC Cyprus was a proud sponsor of the “Ireland-Cyprus: Our journey towards economic and social renaissance” event organised on Thursday, 26 September by M. Eliades & Partners law firm, the Cyprus Chamber of Commerce and Industry and the University of Cyprus.

The keynote speaker of the event was Mr John Gerard Bruton, Former Prime Minister of the Republic of Ireland.



Honouring the firm with his presence at the Annual Meeting of PwC Cyprus, Mr John Gerard Bruton, Former Prime Minister of Ireland shared his views on the course of the European economy as well as the experience of Ireland as regards to the country’s course towards economic recovery and growth by successfully addressing economic challenges.

7th Logistics and Supply Chain Conference

The 7th Logistics and Supply Chain Conference was organised by IMH on 21 November 2013 in Nicosia. Our organisation was one of the sponsors of the conference which aimed at presenting new supply chain models for consumer products and partnership examples from Cyprus and Greece. The conference was addressed to supply chain and logistics managers, human resource managers, operations directors, financial, commercial and technical managers as well as sales, marketing and production managers.

Future of Government

The Future of Government event was organised on Wednesday, 25 September 2013 at the Ministry of Finance. The purpose of the event was to present the findings of the international report “Future of Government” which focuses on the efforts of national governments to meet the changing expectations of the society as well as on the rapid technological developments, during a period of austerity and budget cuts.

The event gathered officials and representatives from the public and semi-government sectors as well as members of the local administration and other stakeholders.



Destination Management Workshop

A series of specialised workshops that focused on Nicosia as a tourist destination was organised with great success on 8 and 9 May 2014 by PwC Cyprus in collaboration with the Nicosia Tourism Board at the offices of PwC Cyprus in Nicosia.

With the use of an innovative Tourism Destination Management methodology, the workshops explored existing or new sources of tourism flows for the town and overall Nicosia district through the identification of new collaboration opportunities between stakeholders and the undertaking of focused and targeted action.



Quality conference

The Cyprus Association for Quality organised a conference with the subject «Quality: the road towards development» on Thursday, 14 November 2013. The conference was sponsored by PwC and was organised as part of the Association's continuous efforts to enhance the services offered to the members of the Cyprus Association of Quality and the society in general. The conference aimed at promoting new management systems and best practices that can help companies survive and grow in times of economic crisis.

George A Ioannou, Director, Performance Improvement Consulting, together with Christina Evangelides, Manager in our Performance Improvement Consulting group, delivered a presentation on public sector reform. Their presentation focused on a bench marking, re-engineering and process simplification study of three key government departments including the preparation for an ISO 9001:2008 quality management system implementation.

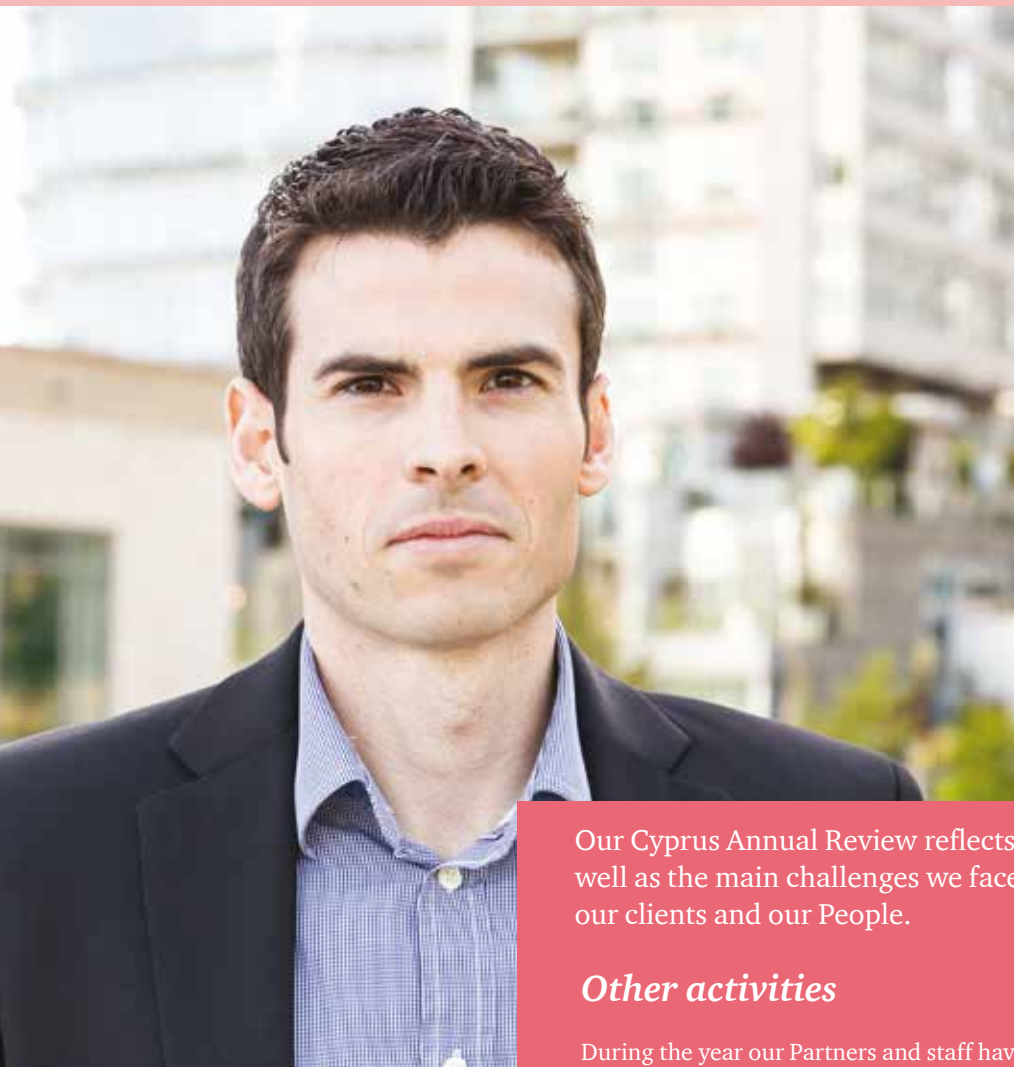


17th Annual Global CEO Survey. Key findings in Cyprus

In the context of the 17th Annual Global CEO Survey, PwC carried out for the 3rd consecutive year, a local study which included the views of 70 business leaders in Cyprus on the fundamental external forces of change that will impact their companies and what they are doing to respond to these changes. The local findings of the 17th Annual CEO Survey were presented during an event organised on Tuesday, 18 February 2014.

The conference was addressed by Evgenios C Evgeniou, CEO of PwC Cyprus and by the Director for Trade and Industry in the Ministry of Energy, Commerce, Industry and Tourism, Mr Bambos Charalambous.





Our Cyprus Annual Review reflects our strategy, key achievements as well as the main challenges we face and how we responded focusing on our clients and our People.

Other activities

During the year our Partners and staff have participated in discussion/consultations with the Public Sector and other business and professional bodies in an effort to contribute to the economic development and the building of stability and trust in the Cyprus economy.

We have published a number of articles in the local press on corporate responsibility issues such as the importance of Trust and Sustainability.

During the year we have enhanced the training/ awareness of our staff on corporate responsibility issues such as sustainability, tax transparency, the effect of Megatrends in society and how these could affect our clients.

Diversity & Inclusion

PwC is a place where people can be themselves; where we value and respect differences.

Being a diverse and inclusive employer helps us build better relationships with our clients and gives us a competitive edge. The ability to work well with all kinds of people is one of the most important business skills today and for the foreseeable future. Our clients demand it and remaining the number one professional services network depends on our ability to behave inclusively so that we can make the most of the very best talent in the world.

In our business, we work and advise people with a variety of talents, experiences and backgrounds, so we're especially focused on building a diverse and inclusive environment, where a multiplicity of ideas and experiences are encouraged and appreciated. We know that when people from different backgrounds and with different points of view work together they can create the best/highest value – for our clients, our People and society.

Diversity can be understood in terms of attributes like generation, race, gender, ethnicity, and sexual orientation, but there are more than 20 dimensions at play. Taking this into consideration we promoted the concept of having an “Open Mind”, so as to raise awareness of the benefits diversity has for our business and how our firm needs to value the difference of its diverse talent

to support its business growth targets. In addition, staff members are continuously informed on the available learning tools, questionnaires and communications available and on the importance of embracing diversity.

One of our particular areas of focus is increasing the proportion of women in senior grades within the firm.

We are making progress but recognise that we must do more. The fact that over 60% of our senior associates, assistant managers and managers are female, shows our commitment and efforts in this area. In our recent promotions 65% of our people who were promoted at the Director level were female bringing our overall % of women Directors to 55%. As far as the % of our women Partners is concerned, this remains around 7,5%, which is a focus area for the future.

While there has been widespread public attention to gender diversity over the past year, we will also devote considerable energy to ethnic and age diversity in the coming year.

Workshop on Women Leadership for the students of the University of Cyprus

On Friday, 2 May 2014, our Learning and Development team organised a workshop on women leadership which was held at the University of Cyprus for the University's students. This workshop was part of a global initiative called "Aspire to Lead", focusing on supporting female students navigate their way from campus to career. During the workshop, the students had the opportunity to view the recording of a live webcast featuring Sheryl Sandberg, Facebook COO and author of *Lean In* for Graduates. Through such initiatives, we can raise awareness, build leadership skills and help students accelerate their future careers.



Community

Community engagement is a fundamental element of the PwC culture. We at PwC Cyprus aspire to be a great corporate citizen by playing a leading role in the community-through everything from charitable giving and volunteering to business partnerships for community development. While our goal is to make a difference in the communities where we work by sharing our time and knowledge, our People also benefit from new skills, enhanced personal fulfilment and deeper local relationships.

Our Community pillar includes the following areas:

- Education
- Support Health & Well being of our people
- Supporting families
- Foster entrepreneurship

Education

PwC Presentation at the University of Cyprus

On 30 October 2013, our HC professionals delivered a presentation at the University of Cyprus as part of our efforts to recruit high-calibre university students. The presentation was attended by more than 80 students, from all fields and years of study. During the presentation, the students received information on our Professional Training Schemes and Summer Internship Programme, as well as guidance and tips on how to work their way into PwC.

Graduation Awards

In the context of our Corporate Responsibility strategy, our firm sponsored three awards to top performing students of the University of Cyprus. The awards, sponsored by PwC for the 13th consecutive year, were presented to the top students by our Partner Androulla Pittas during the graduation ceremony of the University that

was organised on Thursday, 26 June 2014. In PwC, we make significant investments in attracting talented university graduates and building their capabilities for the future. PwC Cyprus' trainees achieved a set of outstanding results in the recent examinations of the ICAEW and won international prizes and first places in Cyprus. We are proud of our People who, through their commitment and hard work, contribute towards our efforts of maintaining a strong professional services sector that will help Cyprus' long-term economic recovery.



Support Health & Well being of our People

Charity Rally in Support of the "Life Education Centres"

As part of our Corporate Responsibility and contribution towards the wider community, our firm's "Classic & Sports Car Club" took part in a Charity Rally, which took place on 16 March 2014.

This event was organised by the "Round Table Cyprus" in support of the "Life Education Centres Cyprus" an organisation which offers preventative educational programmes regarding addictive substances to children and adolescents. PwC sponsored the participation of 7 classic and modern vehicles for this rally.



Support families

Our Annual Blood donation was organised for the 12th consecutive year on Wednesday, 4 December 2013 in support of the Nicosia General Hospital blood bank. The blood donation took place simultaneously at our offices in Nicosia, Limassol, Larnaca and Paphos, the same day as the annual Unicef bazaar, celebrating in this way the values of giving and volunteerism that characterise our organisation.



We supported the "Mana" kindergarten and the children drew Christmas cards especially for PwC Cyprus.



Foster entrepreneurship

Startup Weekend

The first Startup Weekend in Cyprus was held on 6, 7 and 8 December 2013 at the Research and Technology Building of the University of Nicosia with the support of Microsoft, PwC, Hellenic Bank and MTN. Startup Weekend is a non-profit, community-building event that brings together entrepreneurs of different backgrounds. They gather to pitch ideas, form teams and start companies in just 54 hours. PwC Cyprus volunteered to attend the first Startup Weekend in Cyprus with 3 mentors sharing their knowledge and experience with the participants.



Cyprus Business Angels Network (CYBAN)

PwC Cyprus is the Knowledge Partner of Cyprus Business Angels Network (CYBAN), a non-profit investment network, which connects innovating fast growth companies to equity finance through their membership of experienced angel investors. PwC contributes through the provision of consulting services, mentoring and training by supporting the operational process of CYBAN, by actively participating in the accelerator program and by supporting all capital impact tenants

www.cyban.com.cy



Cypriot Enterprise Link (CEL)

PwC Cyprus supports the Cypriot Enterprise Link (CEL), which is a youth-led organisation aim to connect and support the Cypriot entrepreneurial talent in order to form a local and a global entrepreneurial network supported by events, meetups, workshops and projects.

www.projectcel.com



Volunteering

A total of 120 people from our organisation volunteered, spending 150 hours for some of our activities such as participating at Charity Rallies, Start-up Weekend, Telethon, Red Cross, Limassol Marathon, Blood Donation and UNICEF.

During FY14, 47 staff members were involved in the provision of pro-bono and discounted services to a number of community organisations and charitable institutions worth €72.000 spending more than 747 hours.

During FY14, PwC Cyprus donated €52.000 to support charitable organisations such as the Europa Donna, Anti-Cancer Society, Radiomathonios, Arodafnousa, Agia Skepi, "Mana" foundation, UNICEF, Alkionides, Red Cross, Hope for Children and contributed for the relief of the victims of the Serbia Floods and Typhoon Haiyan.

Environmental stewardship

We are constantly working to make our operations more environmentally efficient, by reducing the consumption of energy, printing less colored copies and measuring and reducing our carbon footprint.

As a provider of professional services PwC has a relatively low environmental footprint but believes good environmental stewardship is part of an organisation's licence to operate.

Our overarching ambition in this area is to minimise the environmental impact of the PwC network and to be able to demonstrate our commitment to that goal externally through appropriate reporting in this area.

Staff members are systematically reminded for the various recycling methods available at our premises in an effort to create greater awareness that we can all contribute to a healthy planet.

Reduction of water usage

PwC contribute in the reduction of water usage by installing motion sensing faucet and low-flow toilets. Also the installation of dry urinals helped significantly to reduce the consumption of water.

Reduction of toxic and hazardous waste

As part of our responsibilities for the environment we also reduce toxic and hazardous waste by using only eco - friendly cleaning products. Those products refer to products with environmentally friendly ingredients designed to preserve human health and environmental quality.

Reduction of waste production

We support the efforts to promote a more sustainable society by reducing the production of our waste with the following ways:

- Recycle of paper and batteries in all PwC Cyprus offices and recycle of PMD in our office in Nicosia.
- Used of double-sided and black and white printing which it have saved as 21% of paper.
- Recycle of cartridges



Building Facilities

For the purpose of significantly reducing energy consumption we have used materials and technologies such as thermal insulated aluminum and glazing, installed lighting system with motion sensors and used external blinds and electrical devices with increased energy efficiency.

Promote environmental awareness

During the year we have enhanced the environmental awareness of our staff. This is achieved through a range of communications e.g:

- Awareness campaign to our staff by using video and sending emails
- Placed signage for reduction of water consumption



Conclusion

There are many ways to be “part of it”! We believe that each of us has a role to play in making PwC a more responsible business. Let's be part of the change together.

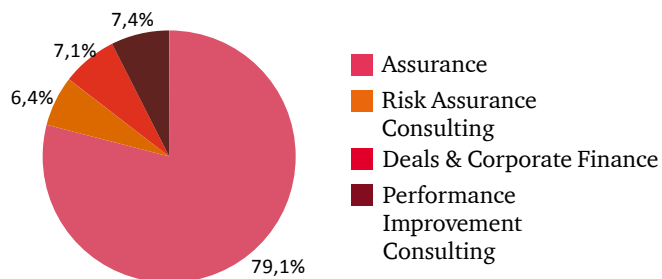
Financials

*Our firm achieved
same net revenues
compared to FY13 of
€77,3m.*

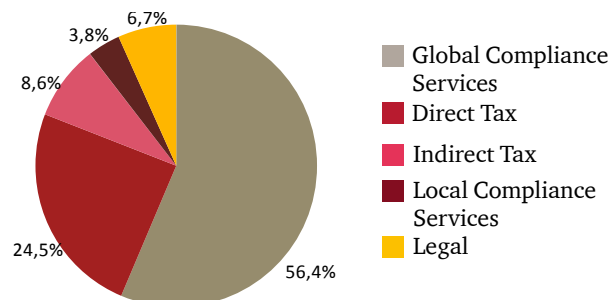
Revenue



Assurance & Advisory



Tax & Legal Services



Assurance

The Assurance practice net revenues decreased by **5,9%** to **€25,3m** from **€26,9m** in FY13.

Global Compliance Services

CCS net revenues increased by **2,5%** to **€28,7m** from **€28m** in FY13.

Tax

The Tax practice comprising of Direct & Indirect Tax net revenues decreased by **2,5%** to **€15,8m** from **€16,2m** in FY13.

Legal

Our Legal and Corporate Support practice achieved net revenues of **€3,2m**, being a decrease of **8,6%** compared to FY13 of **€3,5m**.

Advisory

Our Advisory practice comprising of Risk Assurance Consulting, Performance Improvement Consulting, Deals & Corporate Finance, Capital Markets & Transactions Support achieved net revenues of **€4,3m**, being an increase of **59%** compared to FY13 of **€2,7m**.

Operating costs

Total costs have decreased by **7,8%** with staff costs recording a **5,8%** decrease over the prior year. Other operating costs have decreased by **13,2%**.

Staff Provident Fund Costs

The firm maintains a staff provident fund with 778 members (FY13: 885). The fund, which is a defined contribution scheme had €1.638.000 in contributions during FY14 (FY13: €5.035.000). At 31 December 2013, its net assets stood at €15m (31 December 2012: €15m).

Capital Expenditure

As part of the continuous effort of maintaining the best working facilities and keeping abreast with the latest state of technology an amount of €0,7m (FY13: €0,6m) was expended mostly on computer hardware and software and on office equipment.

Total tax contribution

State revenues from the firm emanate from payments of direct and indirect taxes as well as social insurance and special contributions.

The firm's partners and staff paid €11,5m (FY13: €10,3m) in direct taxes, social insurance and special contributions. Further to this the firm paid €10,6m (FY13: €11,0m) in VAT, and €3,1m (FY13: €3,3m) in social insurance and special contributions.

Working capital policy

Debtors and work in progress.

The average number of credit days outstanding for the year was 62 (FY13: 67). We also try to reduce the number of days between the time work is carried out and the time of billing it. The average number of days of work in progress for the year was 6 days (FY13: 7 days).

Creditors

Creditors are paid promptly with the average number of days between receiving and settling and invoice standing for FY14 at 31 days (FY13: 31 days).

Financing

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

As in last year, the firm did not utilise any of the bank facilities at the end of FY14 as compared to the bank facilities available of €22,6m (FY13: €26,6m).

PwC Cyprus offices

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Limassol

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