

Cyprus Annual Review 2008*



*connectedthinking

PRICEWATERHOUSECOOPERS 



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Message from



“The challenge that takes us to the future: To raise the cubit higher in every step we take”

Phidias Pilides

CEO, PricewaterhouseCoopers Cyprus

An important anniversary is often a good opportunity to stop and take a look back at the developments and successes of the past. We are all very proud of our 65 years history and experiences on the island. We are all very proud of the 10 years since the creation of PricewaterhouseCoopers. We have achieved a lot all these 75 years, working side by side with our clients' teams. Each one of us has contributed to the working environment, the structure, and team - culture of PwC. Our skills and competencies, the trusting relationships we have created with our clients and associates and the respect we enjoy within our community, are only few of the valuable accomplishments of PwC.

PwC, a dynamic, forward-looking organisation, has its focus fixed into the future. As the forces of economic connectivity in a globalised economy grow stronger, we are always looking

for new ways to adopt and offer quality services to our clients. Through our practices, we try to create and take advantage of the new opportunities that arise worldwide, supporting at the same time the society in which we operate and develop to maintain its sustainability.

PwC's fundamental aim is to maintain our leadership position, not just in terms of size, but – most importantly – in terms of quality of the services we provide. This applies to all our services - assurance services, advisory services, tax services, global compliance and corporate support services.

To ensure that we achieve this objective we have a selectivity process for our clients to comply with the regulations governing our profession. Our quality clients include public and private companies, government, semi-government and local authorities,

banks and other financial services institutions, private individuals and non-profit organisations. We realise that no matter how good our technical know-how is, the key to success, which really makes the difference, lies in the way we deal with our clients, and our approach to service delivery. Our strategy is based on working close with our clients' teams, understanding the environment in which they operate, their needs and ambitions and then finding the right way to communicate with them. For us success means to adopt the right approach and propose the appropriate solutions which will facilitate and support our clients in their future development.

Of course achieving perfection in quality services is not just a matter of adopting the right method. It is mainly a matter of recruiting quality people. PwC's power lies on the expertise and knowledge of our human resources.

Therefore our policy aims at attracting, recruiting and investing in the most capable and innovative people from all market fields. We offer them a competitive working environment where they can develop their full potential, their knowledge, skills, talents and experience. At PwC we can feel the difference of self-developing whilst working for a global network, providing quality services and solutions to our clients, being at the same time an active part of the local communities.

PwC is one of the pioneering organizations globally that recognises the importance of Corporate Responsibility. At PwC we firmly believe that corporate responsibility should be integral to the policies and values of leading organisations. For us, corporate responsibility is the fundamental platform upon which we build our relationships with our people, our clients and local communities, helping us to develop an understanding for broader social issues and thus helping to the maintenance of a sustainable future.

In practice, PwC's corporate responsibility is reflected on meeting our economic expectations while at the same time we support our societies by taking into consideration social and environmental issues. For all of us at PwC, the great challenge is to adopt first in our daily practice the advices we recommend to our clients. And what is most touching is the response of our people who have embraced our community programmes by participating with great enthusiasm whether these are locally or globally driven. They understand that their skills and expertise can make a difference in their society. Under our Corporate Social Responsibility (CSR) activities in this report we summarised our policy and some of this year's activities.

During the last three years we have developed new services, new approaches in order to support our clients in the new business

environment; an innovative step that has brought us broader recognition. We had a 94% increase in revenues and we have introduced training programmes, either seminars or publications and set other incentive schemes for our people for sharing their knowledge and experiences with our clients.

At PwC we have paved our way to a new era. Focused on the values of our organisation - team work, excellence, leadership - and by supporting each other, we have created bonds of trust and integrity with our people and our clients. At PwC we face daily a simple but crucial challenge: to raise the cubit higher in every step we take. This is the challenge that takes us to the future.



Phidias Pilides
Chief Executive Officer

September 2008

Clients

Enhancing



value

Assurance

Our position as market leader in the provision of assurance services has been further strengthened by providing quality services to quality clients. As the recognised front runner in our chosen markets we aim to deliver a client experience that demonstrates and reflects our distinctive leadership ethos.

Commitment to service

In developing our relationships with clients, we take the long-term view, that by knowing our clients' business and personal drivers, we can better support them through the sharing of our expertise and insights. We spend time with our clients, building and strengthening our relationship and developing a team focus. We aim to combine our technical expertise with a second-to-none service experience that not just meets but exceeds our clients' expectations.

We have a long-term commitment to delivering excellent client service and as such our relationship with our clients is of paramount importance, as is the belief that client satisfaction is critical. By building on our existing high performance culture and promoting the PwC Experience program we provide our people with the support they need to deliver a distinctive client experience.

Our growth

We have achieved a noteworthy growth in revenue during the year ended 30 June 2008 of 18% compared to Eurofirms' Assurance growth rate of 6%. We have retained our significant market share for the audit of major private local companies and of Cyprus listed companies. At end of June 2008: 39,5% of the total market capitalisation/ 25% of the total number of listed companies. We have also experienced a substantial growth and strengthened

our leadership position in the provision of assurance services to international clients with operations through Cyprus. We audit six Cyprus incorporated companies listed in regulated markets abroad.

Leveraging expertise to deliver value to our clients

In all industry sectors we offer unrivalled expertise, developed by operating through specialist industry groups. Our Financial Services division comprises a banking group specialising in the audit of banking institutions and an insurance group specialising in the audit of both general and life insurance companies. In addition our local and international client base has enabled us to develop our expertise for other industries such as investment management, brokerage, real estate, retail, hotel & leisure, construction, oil & gas. Building on this industry expertise

we offer high quality services, tailoring our audits to address the specific industry issues faced by each of our clients.

Amongst our audit clients is the second largest local bank listed on the Cyprus and Athens stock exchanges, as well as a number of other international banks with both local and international operations. In the insurance sector we audit 38% of life insurance and 31% of non-life insurance companies, in terms of premium share. Of local investment companies and brokerage firms, PwC audits 44% of the total market share and 28% of the approved investment firms which are regulated by the Cyprus Securities and Exchange Commission.

The assurance service line also utilises the technical expertise of our Cyprus Accounting Consulting Services (CACs) which has continued

to provide IFRS technical support to audit engagement teams. Our IFRS specialists have responded to our clients' and teams' needs to the highest levels.

In addition, our CACS team has provided IFRS technical support to other services lines, including Tax, Global Compliance Services and Advisory on a variety of client projects including due diligence, listings, restructurings and group reorganisations.

Our IT audit carried out by our Systems and Process Assurance (SPA) team is fully integrated into the overall audit. Specialist IT auditors bring an in-depth knowledge of accounting systems and other industry applications and they validate general computer and automated application level controls in conjunction with the financial audit teams. Our SPA practice, in addition

to providing assurance on controls for our financial audits, which is essential for the quality of our audit work, is also involved in the provision of services in its area of expertise to non-audit clients.

Our strategic objectives for FY2009

Our aim is to maintain and strengthen our market leadership position in the provision of assurance services. Our specific strategic objectives for clients and markets for the financial year 2009 include the following:

- Fully implement the PwC Client Experience across our existing client base in conjunction with other lines of service, through investing in relationships both internally and externally.

- Working with existing dedicated resources from the Tax, Global Compliance Services and Advisory service lines in order to promote Cyprus as a location for investment among our global client base, using the technical expertise of our Cyprus Accounting Consulting Services in providing support to transaction structuring.
- Broaden our non-audit offering particularly in the Banking and Insurance sectors, taking advantage of regulatory and other requirements.
- Increase our penetration of the Cyprus public and large private company marketplace through specific long term targeted investment in new client relationships.
- Strengthen our client selectivity in consultation and co-operation with all lines of service.

We are focused towards delivering all-round value to our clients, developing trust and providing unsurpassed quality service. Building relationships with our clients and differentiating the delivery of our services in the market place will continue to be at the top of our agenda.

Advisory

Our team consists of 60 professionals with significant international experience bringing diverse set of skills in their respective fields. Our people possess both technical and industry expertise, thus enabling them to apply their knowledge in a way that is relevant to the industries they service.

Our aim is to help our clients improve their performance and competitiveness in an increasingly challenging marketplace. By delivering commercially focused business and financial advice and solutions, we support our clients to secure and strengthen their competitive advantage.

Our Advisory services team experienced a healthy growth in revenue in the year ended 30 June 2008 (29% over the previous year), generating €4.4m in net revenue.

Our Governance, Risk and Compliance offering remains the driving force behind the growth of our advisory business as a continually changing regulatory environment presents new challenges to management in ensuring the business is transformed while maintaining its competitive edge. Financial institutions and investment firms are at the forefront of such transformation.

Our team has been involved in a large number of highly complex technical projects with leading Cyprus banks and investment firms, for example, on the implementation of the Markets in Financial Instruments Directive (MiFID) and the preparation of the Internal Capital Adequacy Assessment Processes (ICAAP) as well as in projects involving the assessment of banks' organisational structures, internal governance and internal control systems. Likewise, firms in the insurance sector gearing up for compliance with the forthcoming Solvency II requirements can depend on the competent services of our team.

Putting ourselves in our clients' shoes allows us to put together the best approach and team to address the real client needs and deliver value.



Organisations both in Cyprus and overseas are increasingly looking for holistic solutions to management development. Our team of experienced trainers, executive coaches and certified assessors have taken on big scale projects which include development centres, provision of soft skills training for all levels and one -to -one coaching. Our co-operation with the European Patent Office (EPO) is continuing with ongoing multiple assignments in Germany and The Netherlands.

Companies are also starting to show interest in obtaining the Investors in People (IIP) accreditation, which is a journey in itself for enhancing the performance of their organisation through the management and development of their people. We have set up a team of qualified assessors who can help clients towards obtaining this prestigious accreditation. Growth has been experienced in our recruitment business, especially in



top posts and in mass, exam-based recruitments in the banking sector. An increase has been noted in the demand for our reward services relating to the design of incentive schemes both cash based (bonus schemes) and equity based (share option schemes) and in the number of companies using our expatriate support services. Our presence in the Middle East is becoming stronger mainly with the provision of reward and recruitment services.

Another dynamic area has been the provision of services for change management support to organisations going through post-merger integration. Our team works closely with clients in developing the change strategy,

manage the stakeholders and monitor the change plans.

Technological advancement is nowadays pushing companies to transform at a faster pace. Clients rely on our expertise to help them align their technology services by using a combination of our industry, technology and financial knowledge, delivering strategic thinking around the latest IT operating models.

Our strong presence in the public sector involves the active engagement of our office in the design of tailored solutions with the aim of modernising public and social infrastructure. Our latest achievement was the assignment awarded by the Ministry of Commerce Industry & Tourism to manage the

Clients

implementation of a strategic action plan for the promotion of e-commerce in Cyprus. In addition, we have been engaged by the Cyprus Postal Service to conduct a Real Mail study. Organisations are increasingly becoming more conscious of environmental issues and operational challenges. Our experts assist clients in finding cost-effective solutions with environmentally friendly technologies and socially-responsible practices. Furthermore, our team brings an integrated approach to process development and optimisation by applying the Lean Six Sigma methodology. Businesses and processes comprise the value chain of any organisation, therefore our aim is to connect strategic thinking and tactical execution through the use of Lean Six Sigma to empower a culture of change in the organization.

During this year, there has been a significant increase in Capital Markets work and we have been involved in the first Initial Public Offering (IPO) of a Cyprus company for listing on the main

market of the London Stock Exchange (LSE). Work has also started on two more IPOs for listing on the LSE. Corporate Finance continued to have a healthy growth. We have been involved in a number of transactions helping clients in mergers/acquisitions, carrying out valuations and providing advice during the transaction process. Our clients include both large public companies as well as smaller privately owned companies. In addition, on a number of occasions our team has worked together with PwC offices abroad on specific assignments involving Cyprus companies expanding abroad or foreign companies acquiring businesses in Cyprus.

Corporate Finance work also originated from large BOT (Build Operate Transfer) projects. Advisory have been involved in the award of the first Marina BOT project in Limassol. We are also continuing our involvement in two other BOT projects, the Marinas of Paphos and Ayia Napa and the Paphos – Polis Road.

Transactions Support work has also been progressively growing and we have undertaken significant local and international Due Diligence engagements for major acquisitions as well as for IPOs in a variety of sectors. Additionally, there has been a satisfactory growth in our business recovery services (BRS), including receiverships, liquidations and corporate turnarounds. As part of the expanded BRS work, a major restructuring project for a large public company was undertaken in FY08 which served in providing consultation for the unlocking of hidden value to the shareholders.

As from 1 July 2008 our Advisory leadership team has been strengthened with the appointment of one new Director. Looking ahead, we expect our profitable growth to continue and our team to become stronger as the market for advisory services continues growing.



Tax

During 2008, the Tax service line has continued the substantial growth that has been experiencing over the last few years and the impressive pace of expansion. The revenue growth for 2008 was 36% (compared to 21% in 2007). During the last five years the tax service line has more than tripled in people, partners and revenues. The team became stronger with the admission of two more partners as from 1 July 2008.

The excellent work carried out by the tax service line has also been formally recognised internationally:

- PwC Cyprus was awarded the international award National Tax Firm of the Year 2008 by one of the world's most authoritative magazines dedicated to international tax issues, the International Tax Review.
- The Cyprus tax team has been chosen as the Best Tax Team of the year 2008 by the European CEO magazine.

These awards, confirm once again a reality: PricewaterhouseCoopers is one step ahead of the competition. And this is due to the leading, high quality services they offer to their clients.

In terms of markets, Russia remains the strongest, with other Central and East European territories such as Ukraine, Romania, Kazakstan, playing an increasingly important role. EU countries and in particular UK and the Scandinavian countries are rising in importance as are US, Canada and the emerging market of India. Our strategy is to help our clients comply with the tax laws, manage their tax risk and add value to their businesses, through well thought out tax structuring.

The Tax service line of PwC is leading the way contributing with its know-how to the formulation of policies promoting Cyprus as a prestigious international financial centre. During 2008 a lot of effort has been applied in order to assist the government with the renegotiation of the India-Cyprus and Ukraine-Cyprus double tax treaties.

Emphasis has also been placed on the removal of Cyprus from the black list in Russia. In this respect, significant progress has been achieved and the future looks hopeful.

Cyprus as an international financial centre offers excellent opportunities for tax planning. Most of the time, such tax planning is carried out in cooperation with other PwC offices of the network. The size of the PwC global network of firms give us unparalleled access to over 22.500 tax professionals from some 150 countries. It is crucially important to have our local efforts supported by our global tax network. In a nutshell “we are connected to a chain of knowledge and experience”.

This cooperation and continuous communication with the network not only helps our clients to comply with local and international rules and to add value to their business, but also raises the profile of the Cyprus firm and Cyprus in general in the international market.



The tax services offered today by the Cyprus firm are truly international and have reached a level which would compare favourably with most of the advanced Western European countries. More and more international tax structuring assignments are now initiated and led from Cyprus with the input of other PwC firms of the network. The search for more challenges and new markets however never ends!

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

The main highlights, from a service offering prospective, during the year were the continued increase in tax advisory work and the continued growth of our VAT division which is headed by the only fully dedicated VAT partner on the island and operates with more than 20 fully dedicated VAT professionals.

Our tax services comply with our global network Tax Practice Code of Conduct and Risk Management/Independence requirements. Our Code of Contact sets out the principles that the PwC Network applies consistently in providing services across the world.

At PricewaterhouseCoopers Cyprus we have a tax specialised team of more than 100 people who can help our clients in determining the tax strategy and organisation of their businesses.

We strongly focus on the development of our people who participate in internal and external training programs, both in Cyprus and abroad. Secondments are encouraged and during 2008 we had two outbound and one inbound secondment, whilst others are in the pipeline.

We expect our profitable growth to continue as the market for our tax services is continuously expanding and our team to become stronger than ever. As per the motto of our very successful strategy Away Day in May 2008, we are all "One Solid Unbreakable Team"!



Global Compliance Services

Following on from the successes of FY07, we have continued our steady growth, and we have become the largest service line of the firm.

In FY08, our revenue increased by 30% to €26.6 and in terms of people, our numbers increased by 13% to exceed 200.

As with prior years, this growth continues to come about both from the traditional markets (i.e. central and eastern Europe) as well as newer, for us, markets (i.e. India, the UK, the US and Canada). With Cyprus strengthening its position as a key financial centre, more and more multinational corporations are considering Cyprus as part of their tax planning schemes. We believe that initiatives

Clients

such as the “one stop shop” set up by the Cyprus government as well as our initiatives representing Cyprus at various international conferences both within and outside the PwC network helped considerably towards our goal to strengthen Cyprus as a key financial centre.

Our steady growth reflects the wide range of services we provide to our clients, the quality of our team and the very quick response times, as well as the involvement of specialists from other service lines in the majority of assignments. We are also steadily increasing the numbers of our Channel II (non-assurance) clients which is of key importance in the current regulatory environment.

We continue to help local and international business companies to respond to the regulatory challenges allowing them to focus solely on the areas of their business which are key to profitable growth.

Our team provides a wide range of quality business services to help clients meet their compliance requirements on a timely basis. Such services include accounting and corporate administration services, tax compliance services, payroll services, corporate statutory compliance services and interim staffing. In providing our services, we apply stringent risk management procedures and we always ensure that the relevant auditor independence requirements which apply in our clients’ territories are fully respected.

Our strategy continues to be to assist our clients all over the world meet their targets as well as to constantly enhance our services in order to take advantage of new markets. The

constant upgrading of our technological and organisational infrastructure but most importantly our investment in quality people enables us to achieve our strategy and of continuous and sustainable growth.

We expect that in FY09 we will continue to grow solidly both in terms of revenue and numbers.



Corporate Support Services

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

Annual revenues in FY08 have reached €4.0m registering a spectacular 107% growth over the previous year. Statutory compliance support is of utmost importance to clients throughout their business dealings. We are able to help enterprises respond to these challenges allowing them to focus on the areas of their business which are

Clients

key to profitable growth. We aim at understanding our clients' business and the various factors that affect it, as well as keeping ourselves updated with local and international statutory and business developments. In this way, we can help our clients attain an excellent understanding of the implications of such issues on their business. Towards the same end, we constantly seek to develop our connections and knowledge.

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

incorporations in Cyprus and other jurisdictions and tax and VAT legal compliance. In providing our services, we apply stringent risk management procedures and at the same time facilitate full adherence to auditor independence requirements.

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

successful in providing our services to non assurance clients (Channel II clients) increasing at the same time our client base from various countries that have established business in Cyprus. We aim to continue our efforts in order to increase our client base from these territories as well as new ones.

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

We expect the CSS team and revenues to continue growing, given the ever increasing regulations in the corporate environment and the expanding local economy.

People

Experience



the difference

We continue to be an employer of choice.

Our People are the key to our success. They provide quality services to our clients, build trust-based relationships and compete globally to achieve quality growth.

Their professional development, work-life quality and ability to contribute, are all issues to which we give priority. Our objective is to create a high-performance culture, based on trust, responsibility and accountability where performance is rewarded and our working environment is professional, friendly and flexible.



Winning the PwC European Human Capital Award is a great distinction, which makes us feel very proud.

Best European Award in Human Capital Management

During the annual PwC European Human Capital Conference, which took place in Copenhagen, in November 2007, PwC Cyprus won the “Best Overall Project” award in the “Eurofirms Human Capital Best Practice Awards 2007”, for the project “Helping our students grow”. Our project referred to the workshops we offer to our People’s families, which aim to help our children develop.

Winning the highest European Human Capital Award this year is a great distinction, which makes us all feel very proud.

Our People Strategy

Our goal is to provide a distinctive experience to our People.

We continuously change, in order to ensure that our success is sustainable for the next generation. Our goal is to provide a distinctive experience to our People through specific actions that are being implemented, with the involvement of our People.

Our Four Strategic Directions			
Leadership	Sustainable Relationships	Enabling Processes	Motivating work design
Develop leaders who create trust, commitment and a motivating environment that can lead to positive change.	Establish robust trust-based relationships with mutual respect, in order to be collaborative, inclusive and result-driven.	Hire People who fit with our values and goals, align performance with reward, recognition with advancement, enable continuous coaching and development, provide professionally fulfilling careers and work-life quality.	Make work meaningful, through empowerment and accountability of teams and individuals, and facilitate more flexible working practices.

77% of our People responded to the 2008 Global People Survey.

2008 Global People Survey (GPS)

Each year, we participate in the Global People Survey (GPS), in order to find out the views and feelings of our People. 77% of our People responded to our latest survey, conducted in April 2008.

The GPS provides our People the opportunity to give anonymous and confidential feedback about the way PwC is managed and how they, personally, feel about their job. Our People's feedback allows us to measure our achievements and define areas for further action.

The GPS results are presented comprehensively during our Annual Staff Meeting and discussed at various levels, in order to take whatever necessary action. The success of the GPS is reflected by each year's high response rate and satisfaction scores.



75% of our People would recommend PwC as a great place to work.

84% of our People feel that our flexible working hours have helped attract more women.

Recruiting quality People

PwC identifies and recruits graduates with potential, as well as qualified and experienced professionals with technical expertise, management skills, leadership attributes and the personal integrity that our clients require.

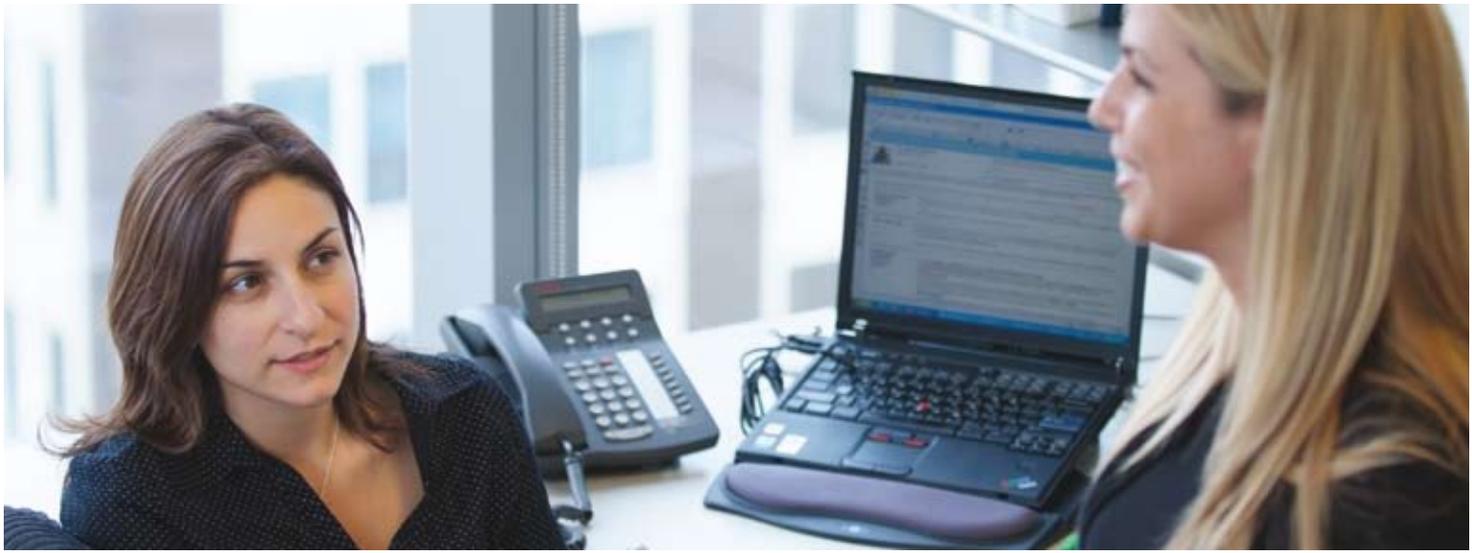
In financial year 2008, we continued to perform strongly against this objective. We received a total of 1010 applications for employment, out of which we recruited 45 experienced hires, and 192 university graduates. Out of the graduates recruited 87 embarked in our September 2007 professional accounting training scheme. In addition, 140 graduates have joined our August 2008 intake of accounting trainees.

To achieve these numbers in Cyprus' small and competitive recruitment market, our Human Capital professionals designed and implemented a recruitment campaign, which comprised of a series of activities, specifically aimed at recruiting high calibre graduates and professionals.

- In September 2007, we sponsored "Welcome Parties", for students commencing their studies in the academic year 2007/8 with four UK universities: Imperial College, the University of Nottingham, Lancaster University and the University of Cambridge.

People

- In September 2007, the International Leadership Summit (ILS), which is PwC's biggest international recruitment event worldwide, was hosted in Cyprus. Three Cypriot students from the University of Cyprus (UCY) were selected and sponsored by PwC to take part in this event, where they were given the opportunity to work in international teams and enhance their business skills.
- In November 2007 and February 2008, we delivered on-campus recruitment presentations to Cypriot students studying at top UK universities. Moreover, 25 Cypriot professionals, who are currently working in London, attended a dinner event, which was organized by our company in February 2008.
- Throughout the year, we held on-campus presentations to UCY students, as well as in-house presentations for 3rd year accounting and psychology students, in order to inform them about the practical application of audit methodology and human capital management, respectively.
- In March 2008, we introduced a new professional training scheme, namely the "Full time ACA/ACCA". This fully-sponsored scheme is offered exclusively by PwC to university students, who obtain a specific number of exemptions from the professional examinations.
- In April 2008, we participated in PwC's "International Recruitment Fair", which took place in London, UK, in order to attract experienced professionals. As part of this event, we hosted a "Wine and Cheese Reception" for Cypriots who are currently working in PwC UK. Both events successfully attracted high-quality professionals to PwC Cyprus.
- In May 2008, we travelled to Russia and Ukraine, where we recruited 20 top Russian graduates and 6 top Ukrainian graduates, to join our training schemes in Cyprus, in close cooperation with PwC Moscow and PwC Kyiv.



Managing Performance

76% of our People feel that they have the opportunity for personal growth and development.

Our objective is to further enhance the link between performance, rewards and advancement. We remain committed to providing a very competitive reward package that reflects the top market rate for each role, level of responsibility and individual performance.

We have successfully been using a global approach, namely “Performance Coaching and Development” (PC&D), to address performance management, through coaching and development, in all of our lines of service. This framework clarifies and aligns our

goal-setting, evaluation and feedback processes by focusing on our ten core competencies. The framework spans all our diverse skills, yet is flexible enough to accommodate individual needs.

Through PC&D, all our People have their personal Coach, who helps them plan their career, set their performance goals and identify the skills they need to develop to improve their performance. Moreover, all our People have personal Reviewers, who provide them with ongoing face-to-face, honest feedback, highlighting their strengths, identifying ways to build on them, as well as suggesting ways to work on areas for development. In April 2008, a PC&D

survey showed that 74% of our People feel that the feedback they receive is fair and objective and 75% feel very comfortable expressing themselves freely with their Coach.

In May 2008, all PC&D Coaches attended a specialized workshop, the “Coaching Clinic”, to discuss their personal experiences as Coaches, learn from each other and identify best practices on how to give constructive and meaningful feedback to our People.

Throughout the period under review, PwC Cyprus has assisted a number of other PwC European territories, with feedback, guidance and training, with regard to the technology and implementation of PC&D, as well as coaching.

83% of our People feel that the learning and education they receive in PwC has adequately prepared them for the work they do.

64% of our People feel that their Managers devote sufficient time to coaching and development.

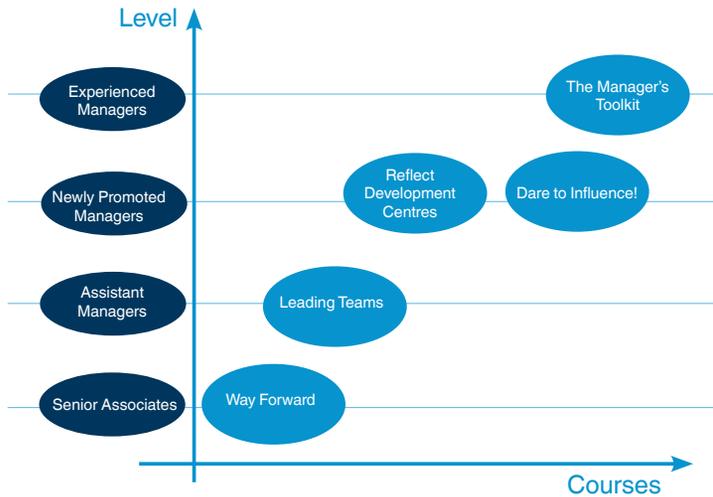
Learning and Development

At PwC, we never stop learning. On a daily basis we invest in our People's personal and professional development with the objective to give them the opportunity to achieve their full potential.

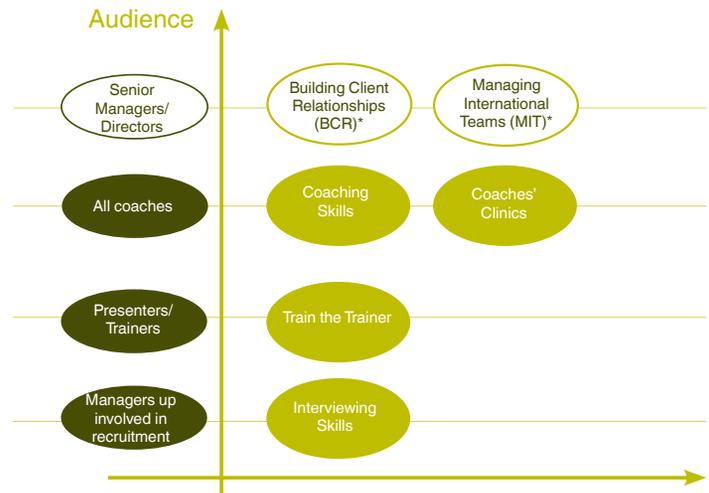
Our People learn on the job, through formal training programs, in Cyprus and abroad, and through the use of e-learning tools. They develop their skills and expand their knowledge through a wide range of channels, in a flexible manner and in accordance to their needs. As a result of our comprehensive technical training, we have been awarded with the ICAEW and ACCA Continuous Professional Development (CPD) accreditations.

In February 2008, we launched "About U", a Management Development Program, which aims to provide our People with a consistent development path and support in achieving their full potential within the company.

Core courses for all



Additional courses by nomination



*These courses are offered by the Eurofirms School of Business. In the future, these courses will be offered locally.

In financial year 2008, we invested €1.300.000 on Learning and Development, excluding the cost of time.

In addition, our Senior Managers and Managers have the opportunity to participate in key talent programs, such as “My Way”, which is designed to develop our best people to become the leaders of tomorrow, as well as “Genesis Park” and “Oasis”, two global leadership development programs,

which bring together high performing staff from around the world and immerse them in an intense leadership development program.

Development is an essential and continuous process for anyone aspiring to the highest professional standards.

Partner and Director Development

In February 2008, we introduced “360 degree feedback” and executive coaching for all our Partners, in order to help them understand the perceptions on their leadership and management behaviours. This feedback plays a very important role in our Partners’ leadership development, and is discussed extensively during one-to-one meeting with experienced Coaches.

In addition, our Partners and Directors participate in PwC’s “Eurofirms School of Business” programs, which aim to help them handle the leadership challenges that they face.

In fiscal year 2008, 17 of our Partners and Directors attended courses on topics such as “Leading by Values”, “Leading the Business Unit”, “Refuse to lose”, “Developing High Value Client Relationships” and “Partner Development Workshop”.

Through the “Ulysses” program, a 10-week international leadership development program in partnership with an NGO or the United Nations, our Partners work on projects in developing countries. Their goal is to assist in local social service projects, often in rural villages which lack any modern infrastructure. A key element of this development program is to help our Partners and Directors handle the leadership challenges which arise from changes in their roles.

In addition to taking part in various training and development programs, our Partners and Directors have continuously been involved in various Global PwC committees, such as “Women in Management”, where they have the opportunity to specialise on issues which are of vital strategic importance to our company worldwide.

Mobility is at the heart of our business and talent strategies.

Mobility

Whilst many People think of mobility as moving across geographies, this is only one aspect. There are a wide range of opportunities and business needs requiring our People to be mobile and providing variety and breadth to their careers.

During the period under review 14 of our People worked on various international secondments in other PwC firms around the world, such as the UK, Russia, Ukraine, Greece and Dubai while 11 People from other PwC firms, such as the UK, Canada and Malta, came to work in Cyprus. Moreover, 98 of our People transferred locally to a different line of service, department or office.



***Our People come from
22 different nationalities.***

***81% of our People
believe that we provide
a working environment
that is accepting of
gender differences.***

A diverse environment

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

Our award-winning policies, of the “EQUAL Business Award for Female Employment in Cyprus”, which include a “flexible hours” and “reduced hours” scheme for all working mothers have been further enriched. As from 1 January 2008, the “Flexible Hours for all” scheme was introduced, which offers flexibility to all staff members’ working hours and helps them balance their family and career obligations.

78% of our People think that our company will change for the better, when looking ahead to the next year.

89% of our People feel that flexible working hours have helped them balance their family needs with their work obligations and job commitment.

Investing in a better workplace

We are continuously investing in new ways of improving our workplace, providing our People with flexibility and recognizing their contribution at all levels.

These are long-term commitments, reflecting awareness that our People make their greatest contribution when their quality of life is well-balanced with their professional obligations.

This financial year, we have introduced the following benefits for our People, such as:

- Flexible Hours for all - which offers flexibility to all staff members working hours.

- Bonus Entitlement for Managers and Assistant Managers - through which all our Assistant Managers and Managers are eligible to an annual bonus, based on their job performance.
- Extended the “Casual Fridays” policy for the whole year.

People

In addition, we have maintained numerous benefits for our People, such as:

- Flexible Hours for Working Mothers - which allows for flexible hours and reduced working hours for mothers, with a child under the age of 18 or a child who is still in secondary school.
- Bonus Entitlement for Senior Managers - through which all our Senior Managers are eligible to an annual bonus, based on their job performance.
- Payment of Overtime – where this is paid with the monthly salary.
- Unpaid Leave - for all staff members, at any point in time.
- Additional Annual Leave – for staff members who have completed 7 years of continuous service.
- Life and Medical Insurance Schemes - providing improved coverage to all staff members, especially for serious and costly illnesses, disabilities and in-hospital treatments, both in Cyprus and abroad.
- Upgrade of company buildings in all towns – by continuously creating modern and functional work-space, which fulfils the needs of our People and simultaneously contributes to the continuous improvement of the services we offer.
- Free Parking Facilities – offered to all Staff Members, throughout the week and including weekends.
- Canteen restaurants – in the offices of Nicosia and Limassol, where subsidised lunch meals are offered to all staff members.
- Friday afternoon off – for all staff members, whereby throughout the year, our offices are closed during Friday afternoon.
- Casual Fridays – for all staff members, whereby during the summer months, all our People may come to the office dressed in “smart casual”.

90% of our staff members feel that PwC is socially responsible in the community.

66% of our People are interested to participate in CSR activities.

Going the extra mile

We believe that an organization cannot thrive in a society that suffers. Hence, our responsibility is not limited to providing quality professional services but extends to our society.

1 July 2008 marked the 10th anniversary of the formation of PwC. On this occasion, we globally launched a life-changing and life-affirming sustainable initiative for those we help, which we call “The Power of 10”.

Through this project, we partnered with the United Nations (UN) on a project that gives us the opportunity to make a substantial, long-term impact in an area of the world which desperately needs help. Our effort has been to globally raise money to build educational facilities in Chad for refugees fleeing the conflict in Darfur, thus helping in this humanitarian tragedy unfolding in that



part of Africa. The money raised will be used by the UN on behalf of PwC to build schools, train teachers, and provide supplies and services to 20,000 children, ages 6 to 14.

Moreover, on a local level, we:

- Contributed to various charity institutions, helping those who need it most.
- Held an annual Blood Donation event, in all our offices, in cooperation with the Cyprus Red Cross.
- Organized, a dinner and a lecture, the proceeds of which were donated to the Cyprus Anti-Cancer Society.

- Volunteered to assist and participate in the reforestation of areas destroyed by fire on the Troodos mountains.
- Provided our staff members' children and siblings with a series of complimentary workshops and activities (i.e. "CV Writing and Interview Skills Workshop", "Career Counselling Services", "IT Workshop" and "Summer Job Scheme").

Overall, we encourage our People to actively participate in events and programs that give back to our community and contribute to important matters which concern all of us, our children and the next generations. By donating their time, talent and other resources, PwC volunteers are making a difference.

Firm

Responsible



Leadership

Good governance underpins everything we do.

Experience counts

Our approach to quality is supported by our Code of Conduct which embodies our core values of excellence, teamwork and leadership.

We seek to deliver high quality, value-added services and be a great place to work for our people. In order to achieve that we need to have appropriate governance and management structure.

Managing the firm

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

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

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

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

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

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



New partners and directors

We focus on recruiting and retaining top talented people and developing them to be the next generation leaders. Our leaders in the firm rise to the top positions from within the organisation. This year Constantinos Kapsalis FCCA and Stelios Violaris FCCA, both in Tax Services were admitted to partnership and appointed members of the Board of Directors of the company. Also George A. Ioannou C.Eng - Advisory Nicosia office, George Kazamias ACA – Assurance Nicosia office, Michael Kliriotis FCCA – GCS Paphos office, Marios Melanides BA, MBA –

Human Capital Nicosia office, Sophie Solomonidou FCCA – Assurance Training Nicosia office and Yiannis Televantides BSc – Operations Nicosia office were appointed Directors of Operations.

Service Line Leaders

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

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

Global knowledge local expertise

146.000 people in 150 countries working together to offer solutions that build public trust and enhance value for clients and stakeholders.

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

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

- May 2006 – Stelios Constantinou appointed Eurofirms Assurance Learning & Education Leader
- January 2007 – Evgenios Evgeniou appointed Eurofirms Assurance HR Leader
- March 2007 – Tasos Nolas appointed Global ACS Consultant



Awards

The 2008 European National Tax Firm of the Year award granted by the authoritative tax specialist magazine, The International Tax Review, once again confirms a reality: PricewaterhouseCoopers is one step ahead of the competition. And this is due to the high quality services we offer to our clients.

Staying true to our commitment of maintaining strong relationships with our clients, we will continue to contribute towards the advancement of our country's economy.

Transparency

On 11 October 2005, the European Council adopted the 8th Directive which has not yet been enacted in Cyprus. Once this is enacted the legislation is expected to require that audit firms must prepare a transparency report and post it on their website within 3 months of the end of their financial year. In our case, that means before 30 September of each year.

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

- the legal and organisational structure, including the organisational measures taken to assure optimal quality.
- the organisation of our European and worldwide network.
- a brief description of our quality control system.
- the measures taken to ensure that we are independent from our clients and principals.
- the policy to maintain optimal expertise among our partners, directors and staff.
- the distribution of our revenue between statutory audits and other assurance services.
- the basis for the remuneration of our external auditors, as well as the importance of delivering optimal quality.
- our sanctions policy if partners, directors or employees fail to meet our quality requirements.
- The list of our audit clients, which are classified as Public Interest Entities (PIE) and therefore have seen additional quality measures.

Legal and organisational structure

PricewaterhouseCoopers Limited, the audit firm, is owned 100% by the Partners of the Cyprus firm who are professional practitioners working with the firm.

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

External auditors

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

Business units

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

- implement relevant regulations in the field of quality, risk management and Code of Conduct.
- pursue objectives in terms of revenue, productivity and profitability.



- develop and manage an effective infrastructure (required staffing and resources, industry knowledge).
- manage staffing with a focus on client service and also monitor the development, experience and behaviour of our people. The ALSL is assisted in this respect by the Assurance Human Capital partner.

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

Independence Office

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

Organisational structure of the international network

PricewaterhouseCoopers Limited, along with other firms across the world, is a member of PricewaterhouseCoopers International Limited, a company limited by guarantee registered in England. Each member firm is legally separate, locally owned and locally managed.

This legal structure gives each member firm the flexibility and autonomy to respond quickly and effectively to local conditions in its marketplace. It also reflects the fact that regulatory authorities in most countries grant the right to practise accountancy to nationally-based firms in which locally qualified professionals have at least majority ownership and control.

When they become members of PricewaterhouseCoopers International Limited and join the global network member firms acquire the right to use the PricewaterhouseCoopers name and gain ready access to the network's shared resources, methodologies, knowledge and expertise. In return, each firm commits to abide by a set of common policies and maintain agreed quality standards.

The global PricewaterhouseCoopers network creates a platform on which member firms share knowledge, skills and resources in order to deliver services of consistently high quality to clients across the world. In every country, PwC member firms are supported by shared methodologies, knowledge bases and technology, and by access to highly specialist expertise and thought leadership.

Our global industries programme provides our clients and our people with thought leadership on the most important issues for the industry sectors we support.

Quality control system

Quality policy

Delivering a high quality of service means more to us than just complying with rules and regulations. It also testifies to our commitment to adding value to our clients. We want to perform our social role as accountants and participate in the 'global' and 'local' challenges across a broad spectrum of industries and sectors. Our policy is that we do not compromise in handling conflicts, and always remain true to our professional standards and ethical principles. In short, quality is a high priority within our organisation. Our policymakers also constantly stress the importance of quality during courses and internal meetings. In addition, a designated member of the Executive Board carries ultimate responsibility for our quality and risk management. In this context we also regularly carry out client visits and client satisfaction surveys.

Any client of the audit firm who wishes at any time to report (a suspicion of) business wrongdoing or an incident can do so using a careful procedure that is surrounded by safeguards and assurances.

Other complaints concerning our services can be communicated directly to the partner or director with whom the client maintains relations.

Quality assurance and control system

To meet the required standards for services rendered, we have competent professionals and industry experts. They ensure a rapid exchange of knowledge and information. They can rely on a good organisational and technical infrastructure with a strongly developed internal quality assurance and control system. Quality and risk management within our services thus forms an integral part of the way in which our organisation is run.

The quality assurance and control system is designed and set up to provide the policymakers with a reasonable degree of assurance that statutory audits are performed in accordance with the applicable rules and regulations.

The central pillars of this system are:

- clear responsibility and accountability structure (governance).
- broadly supported Code of Conduct, including the Complaints and Whistleblowing Policy.
- extensive professional quality and risk management system in our operational business processes under the supervision of the Assurance LOS Leader.
- wide-ranging training programme.

- procedure for acceptance and retention of clients and engagements (including client selectivity).
- support from professionals by the technical panels on professional issues.
- monitoring of quality control programme performed periodically by the Assurance LOS Leader.
- annual confirmation from all partners and directors testifying to their compliance with all relevant laws and regulations.
- a global audit methodology (PwC Audit) using, on the one hand, a state-of-the-art audit approach, standard electronic files and sector-specific audit programmes and on the other hand, based on each client's specific problems and complexities.

Periodic evaluation

We regularly evaluate the design and effective functioning of our internal quality assurance and control system. Any identified shortcoming is addressed through a remediation procedure to adjust the systems or correct our practices.

Public Interest Entities

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

The table on the next page contains the names of the Public Interest Entities listed on Cyprus Stock Exchange where PricewaterhouseCoopers Limited performed statutory audits in the current reporting year.



MARFIN Popular Bank Public Ltd
Apollo Investments Fund Public Ltd
Cytrustees Investment Co. Ltd
Interfund Investments Ltd
Unigrowth Investments Public Ltd
Amathus Public Public Ltd
Woolworth (Cyprus) Public Ltd
Mallouppas & Papacostas Trading Public Ltd
Ermes Department Stores Public Ltd
CAC Papantoniou Public Ltd
Mitsides Public Company
Athos Diamond Centre Ltd
CLR Investment Fund Ltd
Cyprint Limited
Europrofit Capital Investors Ltd

G.A.P. Vassilopoulos Ltd
Philoktimatiki Ergoliptiki Ltd
Pandora Investmentd Ltd
Unifast Finance & Investments Ltd
Cyprus Cement Company Ltd
L.P.Transbeton Ltd
CLR Capital Public Ltd
Laiki Investments Ltd
Aqua Sol Hotels Ltd
Astarti Development Co. Ltd
Constantinou Bros Hotels Ltd
Claridge Investments Ltd
Droushia Heights Cyprotels Ltd
Kanika Hotels Ltd
Leptos Calypso Hotels Ltd

Compliance with independence requirements

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

Our monitoring system consists of:

- detailed guidelines and procedures
- an obligatory independence course
- a periodic obligatory written statement on personal independence

- a partner rotation programme ensuring periodic rotation of the client portfolio.
- independence statements for specific client situations.
- an automated assessment system (CES) for making independence assessments for new clients and/or engagements.
- automated international assessment system ('My Portfolio') for recording holdings of securities and stocks.
- consultations with our independence experts.
- (random) checks on compliance with our independence procedures.

- a system that documents the nature of our services for our international clients. This takes place worldwide to ensure we avoid entering into any engagements that could jeopardise our independence in relation to the engagement in question.

Staff Expertise Policy

To meet our stringent professional standards, PwC can rely on the services of competent professionals. By means of a good organisational and technical infrastructure, our professionals are encouraged to maintain and expand their professional expertise. The basis of this infrastructure is formed by our professional policy. Part of this infrastructure consists of the quality assurance system where

our professionals can access all professional rules and regulations (both external and internal PwC rules) through a single portal. The Assurance Risk Management Manual (ARM) is particularly important in this connection.

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



Revenue

The total revenue for the financial year 2007/2008 of PricewaterhouseCoopers Limited amounts to €68.9m.

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

(X € 1m)	2007/2008
Statutory audits	19,7
Other Assurance services	1,2
Services for non-audit clients	0,7
Total	21,6

The other Assurance Services include the voluntary annual audits and work relating to e.g. capital market

transactions. Other services concern administrative support, among other things.

Partners remuneration

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

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

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

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

Sanctions policy

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

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

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

At PwC Cyprus we believe in creating and maintaining a sustainable society with equal opportunities for people both today and for the future generations. For us, Corporate Social Responsibility is all about identifying and understanding our society's needs and focusing on areas where our skills, experiences, competencies and mainly our collective effort can make a difference. We recognise that individually and most importantly collectively we can have a positive impact on our society and share our knowledge, expertise and experiences with our community.

At PwC Cyprus, corporate responsibility does not only refer to “giving” and philanthropy but focuses more on

the commitment of our firm to long-term economic, environmental and social sustainability – working with the members of our organisation, their families, the community and society at large to improve the quality of life in the community in which we live and work.

Our mission is to support our local community and help towards the development of our island, our firm and our people and the protection of our community's past, present and future through:

- the sharing or giving the wealth of knowledge, experiences and skills of our people
- the development of community partnerships, and any other tools and resources available

Since its early stages PwC in Cyprus is playing a leading role in our business and social community.

We have organised our CSR activities which are led by Androulla Aristidou, Director of Operations (Marketing & Communications) with a committee chaired by Stelios Anastasiou, Senior Manager (Global Compliance Services)

The CSR strategy of PwC is implemented through five pillars.

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

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

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

the future: a sustainable future

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

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





Key characteristics of our CSR Strategy which is based on our values - Excellence, Teamwork and Leadership - our Code of Conduct and PwC Experience:

- it strengthens our strategy through our people living our brand
- it shares our knowledge, experiences and competencies with our community
- it involves our people who build creative and active partnerships to help in various aspects of the society and enjoy themselves personal motivation, social and business satisfaction.

In PwC, CSR is now integral to what we do; an inherent part of our core business. Our people are enthusiastically getting involved not only in local projects but also in initiatives driven globally by the Global Communities of PwC, understanding how they can positively make a difference. It is encouraging to see that 90% (Source Global People Survey 2008) of our people in Cyprus are satisfied with the actions we take to be socially responsible and that 66% (2008) are interested in volunteering to participate in CSR activities.

In 2008 the results of our policy have become visible.

Volunteering

In addition to providing top quality services, our people demonstrate commitment to our responsibility towards our community and our environment. The main initiatives pursued during the year had the following characteristics:

- They served social goals with focus on the welfare of as wide a social group as possible.
- They involved as many people from our firm as possible.
- They contributed to the personal development of the participants.

A total of 196 people from our firm volunteered spending 863 hours for some of our activities such as Blood Donation, Tree Planting, Cleaning of Beaches and workshops we run during the year for children and siblings of our people for career, counselling and IT.

Giving

Giving allows the firm and its people to donate to community funding. At PwC Cyprus we recognise the commitment of our people to help charities which they choose and spend from their own time. We support them either by actual contributions or by organising attendance of our own people at the events organised for fund raising for these charities.

Our two big projects this year were the Fund Raising Dinner for the Cyprus Anticancer Society (€10.000) and our participation to the firm's global initiative celebrating our 10 years anniversary, the Power of 10 project, reflecting PwC's long-standing charitable focus on education which was developed collaboratively with the United Nations Refugee Agency (UNHCR) to raise funds for building schools, train teachers, and providing educational supplies to more than 20.000 Darfur refugee children. Our firm's participation - US\$30.000, our people's participation - US\$20.000.

Corporate Community Leadership

Corporate Community Leadership is about sharing knowledge, experiences and skills with our stakeholders. Through sharing knowledge, experiences and skills of our people, thought leadership and survey results, we are supporting our local business community and help towards the development of our country. Through participation in the boards of business associations, specialised agencies and educational institutions our people can share with society all the expertise and skills acquired on their business activity.

During FY08 our main focus under this pillar was on the following activities:

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

Some of our projects: The Dynamics of our Economy: Shared responsibility, Risking It All, Our Quarterly Report on the Cyprus Economy, our cooperation with the Cyprus Hotels Association for conferences and seminars on the Hotel & Leisure Industry.

More than 56 of our people were involved spending 323 hours, cost €34.429. In addition, more than 60 of our people serve as members of the boards of business and social associations.

Environment

Our firm's vision of minimising its effect on climate change, and preserving the environment we live and operate in, is being put into practice by the undertaking of continuous initiatives. Our environmental policy is communicated to all members of our firm. Initiatives carried out during the FY08 included:

- Improving space efficiency in order to improve heat and light requirements.
- Introducing light and occupancy sensors in all our new buildings as well as in some existing ones coupled with the installation of faucet aerators in sinks, low-flow toilets and sensed taps.
- Using recycled and recyclable paper products such as hand towels and toilet paper.
- Entering the CoolCarpet scheme of our carpet supplier (InterFLOR) which means that all greenhouse gases emitted during the lifecycle of their products, are offset.
- Introducing printing consolidation on efficient multi-function devices which print and copy double-sided.
- Implementing a paper recycling solution.
- Adding a 'green' footer comment in all our emails so as to influence staff, clients and suppliers to reduce printing.
- Ensuring the rational use of cleaning products along with the use of environmental-friendly products.
- Raising of PwC employees awareness on environmental issues through our environmental policy and also through posters, and communicated messages.
- Addressing Health and Safety issues by appointing a Health and Safety Officer.



Providing Professional Services - Pro-bono

During FY08, 67 partners and staff were involved in the provision of pro-bono and discounted services to 24 community organisations and charitable institutions worth about €170.000. In total, more than 1.614 hours were charged by partners and staff under this pillar.

We will continue our efforts to strengthen our responsibility in ensuring that our activities support a strong and thriving community.

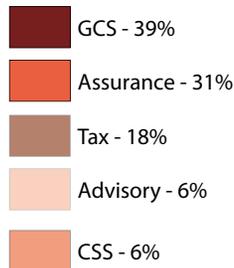
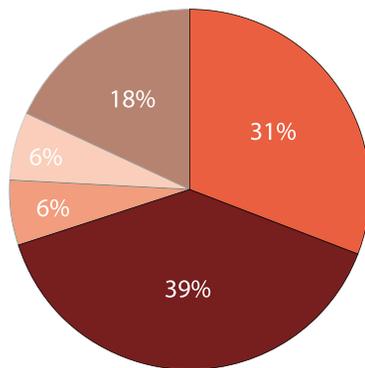
Financial

Delivering



sustainable growth

Fee Base – Revenue



Revenue

The firm has achieved an impressive 29% growth in net revenues reaching €68,9m. This growth rate when coupled with the one achieved in the previous year of 17% gauges a growth rate of more than 50% over the last two years, mirroring the successful strategy of the firm for sustainable growth based on the quality services offered and the continuing implementation of a client selectivity policy.

Assurance

The Assurance practice revenue grew by 18% to €21,6m from €18,3m in FY07, creating further critical mass for more effective industry specialisation.

29%
overall growth
in revenue

Global Compliance Services

GCS continued to grow impressively achieving a growth rate of 30% and reaching €26,6m in net revenue.

Tax

Our Tax practice exhibited, once again, spectacular growth. It generated revenue of €12,3m representing an increase of 36% over the previous year.

Corporate Support Services

Our legal and corporate support services grew spectacularly by 107% to €4,0m and show promise for yet further solid future progress.



Advisory

Advisory net revenues increased by a very healthy 29% to €4,4m. The Advisory practice comprises, Performance Improvement Consulting Corporate Finance/Crisis Management and Human Resources Advisory Services.

Operating costs

Total operating costs have been contained to an increase of 30% with the staff costs recording a 38% increase over the prior year.

Staff Provident Fund costs

The firm maintains a staff provident fund with 765 members (2007: 664). The fund, which is a defined contribution scheme had €3.853.000 in contributions during FY08 (€3.045.000 for the FY07) and at 30 June 2008 its net assets stood at €28m (30 June 2007: €26m).

Capital expenditure

As part of the continuous effort of maintaining the best working facilities and keeping abreast with the latest technology an amount of €2m (FY07: €0,7m) was expended mostly on furniture, equipment and infrastructure.

In addition to the above costs, the firm paid €0,4m (FY07: €0,3m) which represents the cost for leasing all computer hardware.

Total tax contribution

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

The firm's partners and staff paid €6,7m (FY07 €4,9m). Further to this the firm paid €7,7m in VAT (FY07 €6,3m) and some €3,4m in Social Insurance Contributions (FY07 €2,9m)

Working capital policy

The average number of credit days outstanding for the year was 73 (FY07: 75). 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 22 days (FY07: 22 days).

Creditors

Creditors are paid promptly with the average number of days between receiving and settling and invoice standing for FY08 at 31 days (FY07: 31 days).

Financing

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

The firm's bank lending at year end stood at €11,4m (FY07: €9,7m) as compared to the bank facilities available of €14,1m (FY07: €11,4m).

PricewaterhouseCoopers in Cyprus

PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services for public and private clients. More than 146.000 people in 150 countries connect their thinking, experience and solutions to build public trust and enhance value for clients and their stakeholders.

PricewaterhouseCoopers Cyprus tap the knowledge and experience of their international network helping their clients to solve complicated business problems, improve their performance and manage risk in a hard competitive environment.

Our position is strengthened with more than 950 people and offices throughout Cyprus (www.pwc.com/cy). Our team effort makes us efficient in preparing our clients for the needs of tomorrow.

Organised under specialised service lines in Cyprus, we provide a wide range of financial services to both local and international clients, which operate in all sectors of business activity and range from the private individual to the large multinational organisation.

Some of the services provided by the firm are:

Assurance Services

Statutory and regulatory audit services, which include evaluation of information systems and advisory services for accounting and regulatory issues for all types of businesses through specialist industry divisions (Financial Services (FS), Consumer & Industrial Products & Services (CIPS) and Technology, Information, Communications, Entertainment & Media (TICE)). Expertise on corporate reporting, performance measurement as well as compliance and review of security and information technology systems.

Advisory Services

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

Tax Services

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

Global Compliance Services

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

Corporate Support Services

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

If you would like further information, please contact any one of the board members or directors of operations listed overleaf.

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