

The Cyprus way to the London Stock Exchange: Regulatory and Tax Aspects

Moscow, July 2012

Choosing a ListCo jurisdiction: Criteria

- Credibility:
 - Legal, regulatory and business environment
 - Track record
- Taxation benefits

Business environment

- EU member
- Top investor in Russia and Ukraine
- Important investor in other CEE countries
- Investor friendly environment
- Quality and cost of professional services
- UK-qualified lawyers and accountants
- Highly educated workforce
- Political stability
- Developed infrastructure
- Lower set-up and running cost

Legal environment - General

- Common Law system
- Principles of Common Law and Equity apply
- English case law decisions have persuasive effect especially in areas of law without precedent in Cyprus
- Cyprus Companies Law based on the English Companies Law of 1948 and harmonised with EU legislation
- European Court of Justice decisions binding
- Anti-money laundering legislation EU harmonised

Legal environment – Capital Markets

- Capital markets legislation harmonised with EU Directives, eg
 - Public offer
 - Transparency
 - Market abuse
 - Takeovers
- EU Prospectus Regulation applies
- Single European passport for prospectuses
- Cyprus Corporate Governance rules – no extra requirements over and above listing requirements
- Regulator:
 - Cyprus Securities and Exchange Commission is a member of the European Securities and Markets Authority (ESMA, ex-CESR)
 - Follows ESMA recommendations on the Prospectus Directive
 - Delegates to UKLA for London GDR listings

Board of Directors

- The Cyprus Company's Law does not have mandatory rules as to location and frequency of the board meetings. As per the Law the number and location of meetings will be decided by Board.
- It is important to note that in accordance with the Cyprus Income Tax legislation, a company is tax resident in Cyprus, if its **management and control is exercised in Cyprus.**
- Management and control is exercised in the country where the major decisions for the operations of the company are taken by the Board of Directors or by any other authorised by the company individual or corporation.
- It is expected that a meeting will be held every time a corporate action needs to be taken, like approval of financial statements, dividends and major acquisitions or disposals.

Financial Reporting

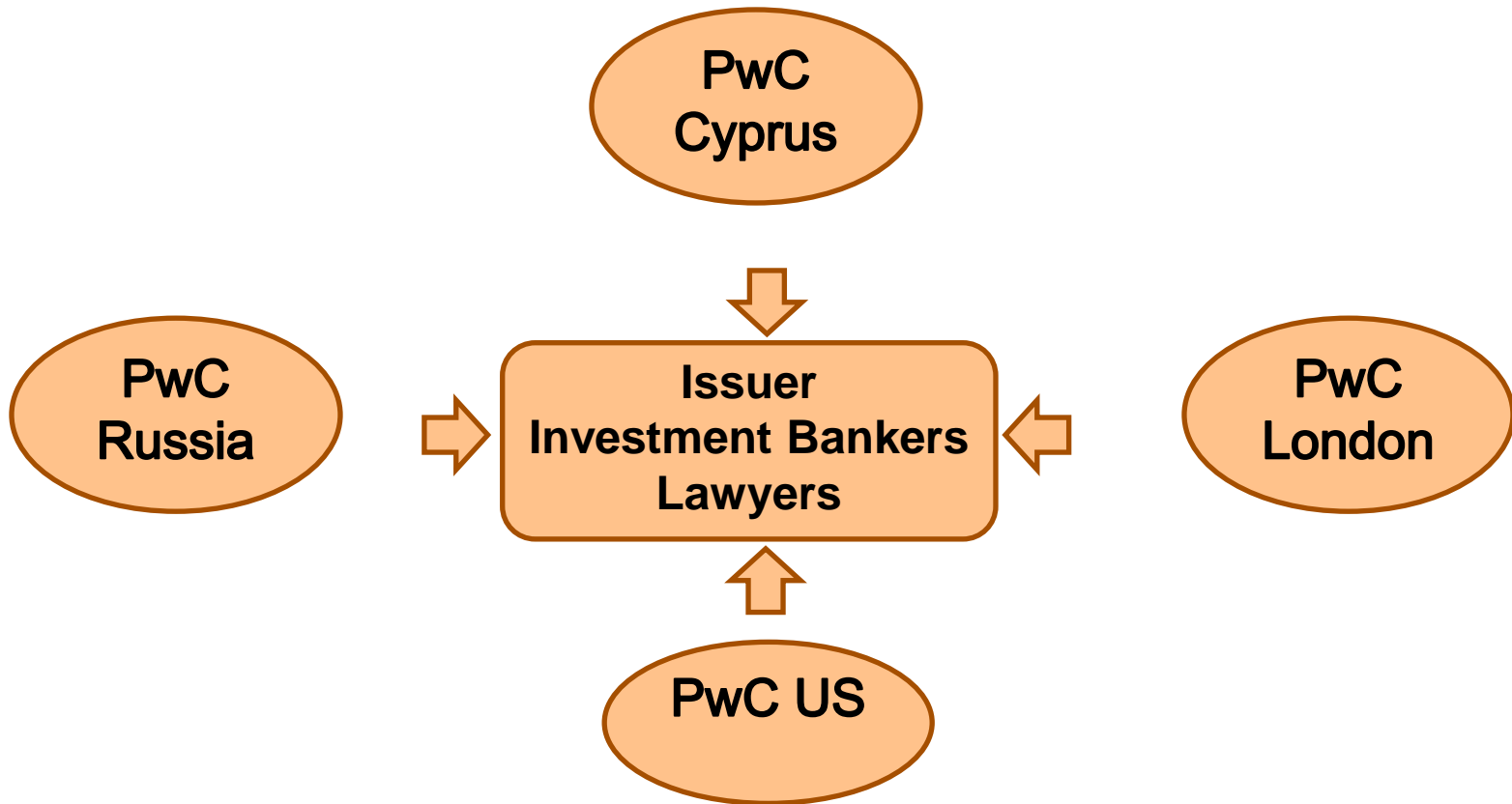
- All Cyprus registered companies required to prepare FS in accordance with IFRS as adopted by the EU, since the early 1980s
- Same basis used for local accounting rules and taxation purposes, i.e. no double books of account required



Auditing and Assurance

- Eighth Company Law Directive – ISA
- Cyprus follows ISAs since the early 1980s
- Capital Markets related reporting:
 - EU IFRS ISA reporting is common practice, but
 - Accountants' Reports, Proformas, Profit Forecasts etc, UK SIRs acceptable by:
 - › the Cyprus firm
 - › the local institute
 - Comfort letters to investment bankers:
 - › Generally UK practice followed

Seamless collaboration of PwC firms



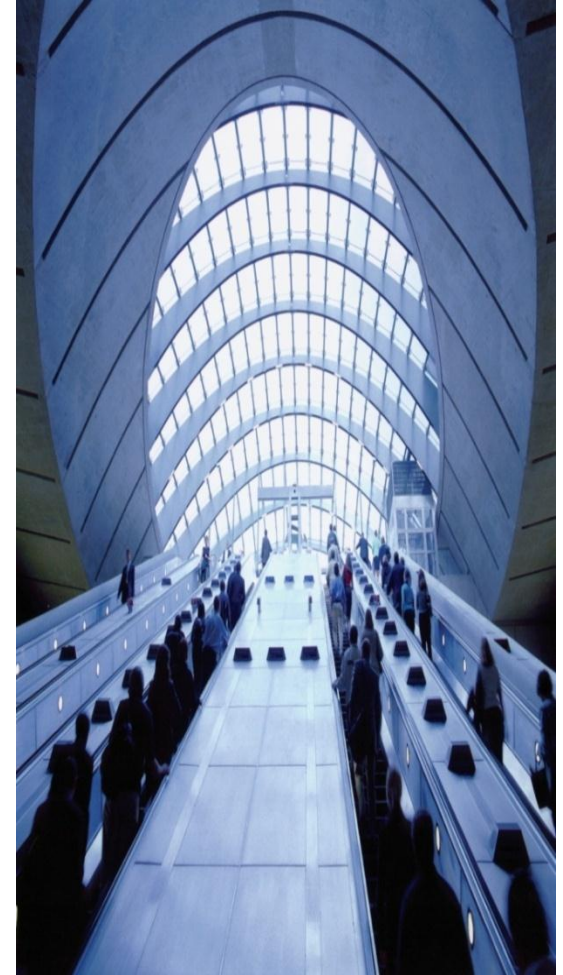
Taxation

Cyprus tax system - Main Features

- Corporate tax rate 10% - Lowest in EU

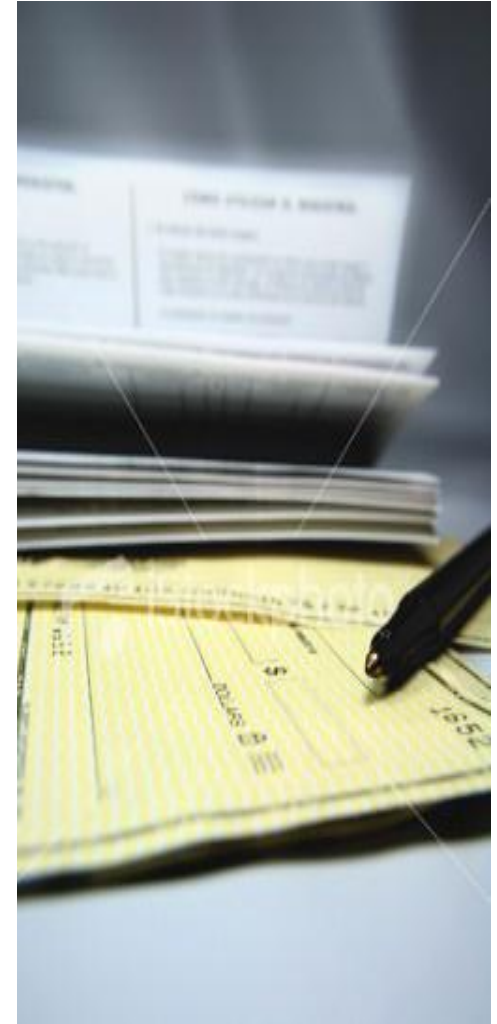
However, effective tax rate much lower due to:

- Extensive treaty network
- No tax on disposal of securities (titles) – unconditionally
- Exemption system on foreign dividends/profits with easily met conditions
- No thin capitalisation rules
- Expenses deductibility
- Low income spreads/margins possible
- No WHTs on payments outside Cyprus
- Profits from qualifying foreign permanent establishment are tax exempt

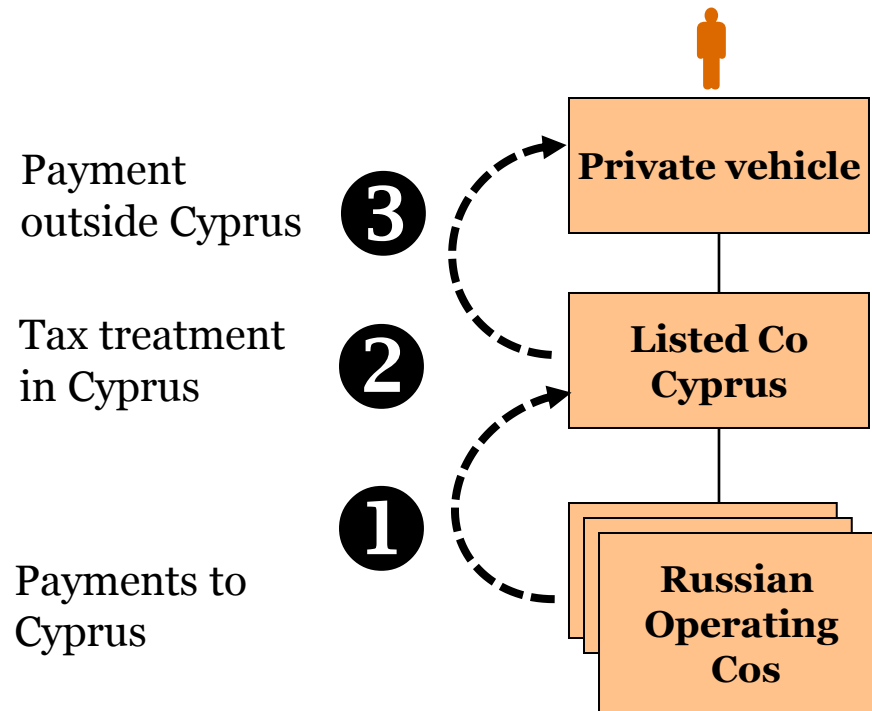


Cyprus tax system - Main Features (continued)

- No exit costs
- EU tax directives apply: Reorganisations, Parent/Subsidiary , Interest/Royalties
- No stamp duty on contracts relating to matters outside Cyprus
- Most international transactions free of VAT
- Favourable shipping law
- Tax free trust structures
- OECD approved / EU compliant system
- Progress Report issued by the OECD following G20 request at their meeting in London (April 2009), Cyprus was included in the 'white' list of jurisdictions that have **substantially implemented the internationally agreed tax standards on exchange information**



Tax structuring example - dividends



No Cypriot WHT on dividend payments*

No tax in Cyprus due to participation exemptions

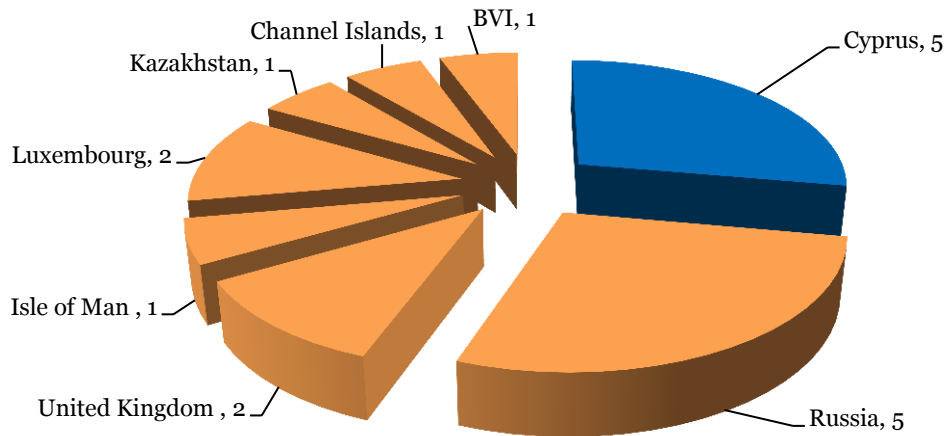
Tax efficient due to Cyprus – Russia DTT; 5% Russian WHT

Tax leakage on equity return: 5%

***No minimum capital/%/holding period**

Our record to date

Market Landscape – CIS IPOs in LSE



18 CIS IPOs by jurisdiction of Topco 2008 – to date

Cyprus topcos account for about 30% of CIS IPOs to London for the period from 2008 to date
(50% excluding CIS and UK companies)

Russian IPOs into the LSE in 2011 and 2012

Company Name	Status	Jurisdiction
	IPO- Successful	Cyprus
	IPO- Successful	Cyprus
	IPO- Successful	Cyprus
	IPO- Successful	Channel Islands
	IPO- Successful	Russia
	IPO- Successful	Russia
	IPO- Successful	UK



Cyprus is now an established and credible IPO topco jurisdiction.



Rusagro prices IPO at \$15, book three times oversubscribed - Vedomosti

Russia's most valuable agribusiness. Rusagro issued 17.15% new shares for the IPO. RusAgro, whose core shareholder is senator Vadim Moshkovich, plans to use the funds raised in the IPO to increase capacity for M&A deals and the purchase of land. Rusagro had [...] [more](#)



Reuters Breakingviews

Global Ports breaks Russian IPOs pricing curse

By Jason Bush
 The author is a Reuters Breakingviews columnist. The opinions expressed are his own.
 MOSCOW — Russian IPOs face a tough sell among international investors, who know from experience they tend to be over-priced. But the strong showing of the latest one, by Global Ports, suggests that Russian issuers may be getting the message at last: to overcome well-founded investor scepticism, Russian IPOs need to be priced at an attractive discount.

Thank you

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