

**DIRECTIVE DI190–2007–04 of 2012  
OF THE CYPRUS SECURITIES AND EXCHANGE COMMISSION  
ON THE CONTENT OF  
THE ANNUAL FINANCIAL REPORT**

CLASSIFICATION OF SECTIONS

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The Cyprus Securities and Exchange Commission in accordance with the powers vested in it by virtue of subparagraph (b), of paragraph (8) of article 9(8) the of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007, issues the following Directive:

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| Summary title     | 1. | The present Directive shall be referred to as on the Content of the Annual Financial Report Directive DI190-2007-04 of 2012.  |
| Definition        | 2. | In present Directive, unless the context otherwise prescribes-  |
|                   |    | «annual financial report» means the report as defined in article 9 of the Law·  |
|                   |    | «corporate governance statement» means the statement as defined in article 5 of the present Directive·  |
| 41(I)<br>of 2007  |    | «takeover bid» has the meaning as attributed in in article 2 of the Takeover Bids Law, as in force ·  |
| 190(I)<br>of 2007 |    | «Law» means the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007,as in force·  |
|                   |    | «major holding» means the thresholds of five percent (5%), or ten percent (10%), or fifteen percent (15%), or twenty percent (20%), or twenty five percent (25%), or thirty percent (30%), or fifty percent (50%), or seventy five percent (75%) of the total voting rights of the issuer.· |
|                   |    | «securities» means the transferable securities to which voting rights are attached;   |

Any terms used in the present Directive and not otherwise interpreted shall have the meaning attributed to them by the Law.

Where in the present Directive a reference is made to the Law, this includes the regulatory administrative decisions issued thereof.

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| Scope             | 3. | The present Directive specifies the information which has to be included in the annual financial report of an issuer.  |
| Management Report | 4. | Subject to the provisions of paragraph (6) of article 9 of the Law, the management report should include the following: <ul style="list-style-type: none"><li>(a) a statement explaining the difference where it is ascertain that the results, as shown in the annual financial statements of the financial year to which they relate, differ substantially from any published forecast of the issuer (i.e. indicative results, forecasts within the framework of the publication of a prospectus etc.),</li><li>(b) a statement, indicating the percentage, which at the end of the financial year to which the financial statements relate, is held in the issuer by every member of the board of directors, directly and indirectly, as well as the share options in relation to that capital, stating at the same time whether this is a beneficial or non beneficial interest.</li></ul> |

The statement should include, in the form of a note, a declaration by the issuer whether there was or not any fluctuation in the percentage or in these options during the period between the end of the financial year and thirty (30) days before the date of the notice of the general meeting by the issuer or five (5) days before the date of approval of the financial statements by the issuer's board of directors, if this is earlier.

«Indirect shareholding» means the shareholdings in the issuer through:

- (i) the spouse or/and first degree relatives,
- (ii) another person holding the securities in its own name on behalf of the person in paragraph (b),
- (iii) a controlled undertaking,
- (iv) a legal entity in which the person in paragraph (b) holds, either in person or jointly with his/her spouse or/and first degree relatives, at least 20% of the voting rights,
- (v) a provident fund of an undertaking controlled by the person in paragraph (b) or/and the spouse or/and first

degree relatives thereof,

(vi) a partner of the person in paragraph (b).

(c) detailed information regarding the issuer's capital:

(i) the structure of the issuer's capital, including securities which are not admitted to trading on a regulated market in the Republic or in another member state, and where appropriate, an indication of the different classes of shares together with the rights and obligations attaching to each class of shares and the percentage of the total share capital that they represent.

14(I)  
of 1993

(ii) any limitations on the transfer of securities, such as limitations on the holding of securities or obtaining the approval of the issuer or other holders of securities for the transfer, subject to the provisions of article 70 of the Securities and the Cyprus Stock Exchange Laws.

(iii) the system of control that might be provided by an employee share scheme where the control rights are not exercised directly by the employees.

(iv) any agreements between shareholders which are known to the issuer and may result in restrictions on the transferability of the securities and/or voting rights.

(v) any significant agreement to which the issuer is a party and which enters into force, is amended or terminated upon a change of control of the issuer following a takeover bid and the effects of such an agreement, except where, by its nature, its disclosure would cause serious damage to the issuer. This exception shall not apply where the issuer is specifically obliged to disclose such information on the basis of other legal requirements.

(vi) any agreement between the issuer and its members of the board or its employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

(d) Corporate governance statement in accordance with article 5, which shall be a specific section in the management report.

Corporate  
governance  
statement

5. The corporate governance statement should contain at least the following information –

- (a) A reference-
- (i) to the corporate governance code to which the issuer is subject , providing information on where the corporate governance code text is publicly available, or/and
  - (ii) to the corporate governance code which the issuer has voluntarily decided to apply, providing information on where the corporate governance code text is publicly available, or/and
  - (iii) to any relevant information about the corporate governance practices applied beyond the requirements of the corporate governance code that are already applied, making corporate governance practices publicly available-
- (b) Where an issuer departs from the corporate governance code to which it is subject to or which it has voluntarily decided to apply, an explanation as to which parts of the corporate governance code it departs from and the reasons for doing so why it has deviated from or why it has decided not to apply those parts of the code-
- (c) Where an issuer has decided not to apply any provisions of the corporate governance code to which it is subject to or which it has voluntarily decided to apply, an explanation of the reasons for doing so
- (d) Description of the main features of the issuer's internal control and risk management systems in relation to the composition, preparation and drafting of the periodic information of Part II of the Law-
- (e) A statement at the end of the financial year, as well as on a specific date not exceeding thirty (30) days before the date of notification of general meeting by the issuer, or five (5) days before the date of approval of the financial statements by the board of directors of the issuer, if earlier, which should mention every person, known to the issuer, with significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) in the issuer within the meaning of articles 28 and 30 of the Law.

In case where the issuer is not aware of any person with significant shareholdings, a relevant statement should be included.

«Indirect shareholding» shall mean the shareholding in the issuer through

- (i) the spouse or/and first degree relatives,
  - (ii) another person holding the securities in its own name on behalf of the person in paragraph (e),
  - (iii) a controlled undertaking,
  - (iv) a legal entity in which the person in paragraph (e) holds, either in person or jointly with his/her spouse or/and his/her first degree relatives, at least 20% of the voting rights,
  - (v) a provident fund of an undertaking controlled by the person in paragraph (e) or/and the spouse or/and first degree relatives thereof,
  - (vi) a partner of the person in paragraph (e).
- (f) The holders of any securities with special control rights and a description of those rights·
- (g) Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities·
- (h) The rules governing the appointment and replacement of board members and the amendment of the articles of association·
- (i) The powers of board members, and in particular the power to issue or buy back shares·
- Cap. 113 (j) Where an issuer is not incorporated pursuant to the Companies Law, information on the operation of the shareholders meeting and its key powers, and a description of the shareholders' rights and how they can be exercised·
- (k) The composition and operation of the administrative, management and supervisory bodies of the issuer and their committees.
- Check by auditors 6. Subject to the provisions of article 156 of the Companies Law, the issuer's auditors shall check whether a corporate governance statement has been produced for the information referred to in paragraphs (a), (b), (c), (f) and (g) of article 5 and shall make a relevant statement.
- Transitional period 7. The present Directive applies to annual financial reports of issuers of which the financial year ends on or after 30 April 2009.

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| Fines                                      | 8.  | Any person who does not comply with the provisions of the present Directive is subject to an administrative fine from the Cyprus Securities and Exchange Commission in accordance with the provisions of articles 16 and 40 of the Law, depending on the case. |
| Repeal of Directive DI190-2007-04 of 2011  | 9.  | The Commission's Directive on the content of the annual financial report, with reference R.A.D. 417/2011, is hereby repealed and substituted with the present Directive.   |
| Official Gazette, Annex III(I): 17.10.2011 |     |  |
| Entry into force                           | 10. | The present Directive shall enter into force on the date of its publication in the Official Gazette of the Republic.   |