

PwC Legal Flash

December 2015

3. issue



Michael Mullen
Senior partner

PF 2016



On behalf of PwC Legal, we wish you a Merry Christmas and a Happy New Year full of good health, happiness, success and good luck in your personal life and in business.



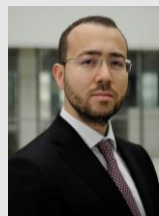
Borivoj Libal
Managing partner

News from PwC Legal

Daniel Pikal passed the bar exam.

* Our colleague Daniel Pikal has passed the bar exam in early December 2015. He has been promoted to an attorney one year after he joined PwC Legal. Daniel Pikal specializes in M&A, banking and corporate law.
Dan, congratulations and good luck!

* In collaboration with Press 21, the international law firm PwC Legal is involved in organizing a **lecture on Production and Trade Sustainability – A Necessary Condition of Competitiveness**, which will be held on March 16, 2016 in PwC's conference centre. The seminar is suitable not only for directors of companies but also for those who are interested in sustainability of projects. **In case of interest please sign up on legal.info@pwclegal.cz.** Do not hesitate – the capacity is limited.



Personnel news Rudolf Kozusnik – Managing Associate

We are pleased to introduce you to our new colleague in Prague.

Attorney Rudolf Kozusnik joined PwC Legal as a Managing associate. Rudolf comes to us from a leading international law firm and has extensive experience in corporate law (corporate governance, M&A), insolvency, restructuring and real estate law with a strong background in finance, tax and accounting. He provides legal services to clients from both the private and public sectors in many industries and in diverse regulatory environments. He graduated on the Charles University and the University of Economics.

A gift to a government official may result in spending Christmas behind bars

Christmas gifts that companies send to their clients and to their business partners, should aim not only at thanking business partners, but also reassure them, that you will remain at their side in the coming year. Gift giving, though, must also respect bribery and competition rules incorporated in both the Civil and Criminal Code. Under certain circumstances, a gift may be considered as a bribe under the Criminal Code. Therefore, it is important to be careful in the context of corporate giving and receiving the gifts.

Do not worry, though, if you give your business partners annually bottle of relatively inexpensive wine or a corporate paper block with pen. Small inexpensive marketing objects do not trigger anti-bribery and anti-competition rules and this kind of typical donation is in complete conformity with the law. The problem may occur with the larger or more expensive gifts, such as vacations, very expensive wines, luxury watches or other similar expensive gifts. These gifts could be legally considered as unfair competition and bribery.

In the public sector there are clearly defined boundaries of bribery unlike bribery in the private sector. Accepting larger gifts is strictly prohibited. In the private sector you also have to be careful and you should clearly define the boundaries within your company.



PricewaterhouseCoopers Legal
s.r.o., advokátní kancelář
Hvezdova 1734/2c
140 00 Prague 4



PwC Legal Czech Republic



www.pwclegal.cz



legal.info@pwclegal.cz



+420 251 151 111

Why PwC Legal?

- Through the cooperation with other member firms of the PwC group (Tax, Finance, Assurance and Advisory) we are able to deliver the highest standard of comfort to our clients – a true **One-Stop-Shop**.
- Our PwC Legal lawyers dispose of a **wide scope of expertise** gained through the daily contact with colleagues from other member firms within the PwC network. This interaction is crucial for eliminating any inconsistencies between business consultants and legal advisors.
- The **synergy** of mutual cooperation of PwC member firms is best demonstrated in situations when the client is demanding not only legal services but also needs to analyse the tax, financial and technical aspects of the business in question.
- Across all of PwC specializations and across the globe, we offer the advantage of a **single contact** responsible for delivering the requested result in due time and quality.

„Whereever you need us, we are with you“

• **Europe** · Belgium · Cyprus · Finland · France · Germany · Gibraltar · Greece · Iceland · Italy · Liechtenstein · Luxembourg · Maghreb (Algeria · Morocco · Tunisia) · Malta · Netherlands · Norway · Ireland · Spain · Switzerland · Turkey · Great Britain · **CEE** · Azerbaijan · Bulgaria · Croatia · Czech Republic · Hungary · Kazakhstan · Lithuania · Latvia · Macedonia · Moldova · Montenegro · Poland · Romania · Russia · Serbia · Slovak Republic · Slovenia · Ukraine · **Middle East** · Jordan · United Arab Emirates · **Africa** · Cameroon · Chad · Ivory Coast · Equatorial Guinea · Madagascar · Congo · Senegal · **Central Africa** · Nigeria · **South Africa** · Mozambique · **Asia** · Australia · China/Hong Kong · Laos · Thailand · Vietnam · Philippines · Tchaj-wan · **Mexico and Central America** · Costa Rica · Dominican Republic · Salvador · Guatemala · Honduras · Nicaragua · Panama · **South America** · Argentina · Brasil · Chile · Colombia · Paraguay · Peru · Uruguay · Venezuela · **Caribbean** · Barbados · Trinidad and Tobago



PwC Legal

Our specialization

- Corporate, society and cooperative society law
- M&A, private equity
- Group restructuring & insolvency
- Banking, finance and capital markets
- Real estate, construction and environmental law
- Power engineering and heavy industry
- Technology, the mass media and telecommunication
- Intellectual property law and personal data privacy
- Private client services & Trusts
- Employment and labour law
- Domestic and international litigation
- Taxes, duties and fees
- Antitrust, EU funds and regulations

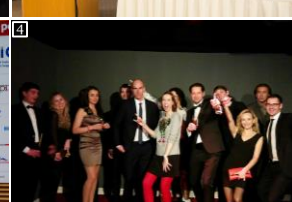
Client visit



Annabis Medical s.r.o.

PwC Legal provides legal services not only to the large companies, but we also focus on the young dynamic Czech companies and start-ups. This time, we have chosen to share our experience with the company Annabis. A relatively small company based on the campus of the University of Palacký in Olomouc, Annabis invited us on a tour of its headquarters and particularly of its cannabis plantation. Annabis is one of the leading Czech producers of the cosmetics, and medicines and the accessories based on cannabis. Its products are also exported outside the European continent.

Office life



1. A gala celebrating the 20th anniversary of the Czech Private Equity & Venture Capital Association took place on the 15 November. The PwC M&A team made sure not to miss this opportunity.

2. Our PwC colleague Josef Zadník, Senior Manager, spoke at the All for Power conference on 26 November held at the congress centre of Clarion hotel. He held a lecture on the topic of the "Power market in Turkey".

3. PwC Legal lawyer, Ales Ters, took part in a conference called Prazsky pravnický podzim 2015. He held a seminar on the theme of "Mayors, Primators and Governors in between paragraphs" with a presentation on the theme of criminal liability of elected subjects and functionaries. The seminar was opened by Stanislav Balík, judge emeritus of the Constitutional Court of the Czech Republic with a commencing speech on Cicero. (on the photo).

4. PwC Czech Republic held a remarkable Christmas party in the unique spaces of the Grévin wax museum.

Caution – Change in the auditing of the accounts! Effective from 1.1.2016.

The legislative process leading to **change the Accounting Act** and other laws, **including the Auditors Act**, was completed last summer.

The amendment to the Auditors Act changes inter alia the **auditor's report** in connection with the verification of the annual reports. Until the end of 2015 is not ruled out to issue **two separate** documents, i.e. the auditor's report on the financial statement and the auditor's report on the annual report, from 1 January 2016 is introduces **only one written report of the auditor**.

The audited company is required from the New Year to also submit to

the auditor an annual report and the report on relations (if it compiles), simply, an entity will have to **prepare simultaneously the financial statements, the report on relations and the annual report**, and submit such statutory authority approved documents to the auditor. The auditor will subsequently provide only one statement.

This change applies to the reports issued from 1 January 2016, i.e. for the reports relating to the accounting period for 2015. This change will require companies to prepare a good timetable for the preparation of the documents for audit.

Minimum knowledge when you invest in the bonds

If you invest in the bonds, you should bear in mind that it is debt financing, i.e. you lend money. The classic credit agreement is substituted by the issuing terms of the bonds. Debt security is consequently similar security in credit agreements, but it has its own specifics.

Generally, the risk associated with investing in bonds can be divided according to the various characteristics of the bonds. The basic characteristics are the **the issuer, the method of the calculation of bond payment and the status/preference of the bond holder's rights vis-à-vis the other debts of the bond issuer and other parameters** specified in the issuing terms.

It should be borne in mind that the companies often consider issuing bonds after the bank refuses financing in the required amount.

Furthermore, there are special bonds linked for example to the yields on the funds' equity or the bonds' portfolios or various combinations of the above.

Special categories of bonds include convertible and priority bonds, which besides a yield also carry the right to be exchanged for the shares of the issuer or enjoy a preferential right to subscribe to new shares of the issuer. This kind of bond is used in cases where the bond financing will be converted into the equity later.

An important parameter of the bond is its **maturity**. In general, the longer the maturity is, the yield should be higher, because there is a proportional increase of the risk of changing the circumstances. Nobody can predict the future, and therefore it cannot be said whether a currently perspective company issuing the bonds with the maturity in 20 years will be at the time still existing and, if so, what will be its economic situation and position.

Another risk, which does not affect the satisfaction, but has an impact on the profitability of the investments, is the **possibility of early redemption** of the bond of the issuer. The issuers retain this possibility in their own discretion and in case of the change of the economic situation, when the bonds are not so profitable, they use it. It is necessary to keep in mind this possibility when the assessing the bond as a whole and its expected yield.

The opposite risk of the early redemption is a liquidity risk. It should be borne in mind, that the nominal value of the bond will be repaid at the end of the cycle of the bond and if the bonds are not traded on the secondary market, it could be a problem to sell the bonds and to get cash before the maturity date.

Generally, the investment in the bonds is relatively easy, because there is just a simple contract for subscription or purchase agreement to their acquisition. In case of the sensible portfolio diversification (especially the mix of high-risk corporate bonds with the higher yield and stable government bonds with lower yields) and also the adequate time spent to verify the issuer, the issue conditions and possibly security documents, it is relatively safe and controllable tool to the funds deposit, in case the man does not want to become a strategic investor (unless if it is not the priority or convertible bonds, which carry the potential to participate in the company's capital), but only the debt investor.



Michal Jekielek
Advokát

Full article can be read in Czech here: <http://www.investicnimagazin.cz/dluhopisy-pravni-aspekty-investovani-a-ochrany-investice>



PwC Legal