

Q&A with Elias Neocleous & Co's managing partner Mr Elias Neocleous

How has the last financial year been? What have been the major tailwinds and headwinds?

I am pleased to say that both 2020 and 2021 have been 'good years' for Elias Neocleous & Co LLC in numerous ways. This includes our financial performance. Obviously audited accounts have yet to be finalised for 2021, however, our draft figures do show that, as with 2020, we have met our budgeted targets. Incidentally, these are targets that have not been downgraded in any way because of the pandemic and the excellent performance of our staff throughout allowed us to reward them in the form of bonus payments for 2020-21. In many respects the pandemic has proved to be both a headwind and a tailwind for us. It would be disingenuous to claim that the pandemic has not had an impact on the firm. However, any difficulties arising have been mainly focused

something noted by *The Legal 500*, which ranked every one of them as 'tier 1' based on their performance for the year. I would certainly have to say that 2021 was a year when our technology, privacy and cyber security team came into their own as so many businesses were forced to realise that the use of internet and other technology is here to stay and, with it, the threat of deliberate or accidental cyber breaches. Alongside this our corporate and commercial team and our banking and finance team were involved in some very interesting merger, acquisition, and refinancing activity. 2021 also saw our tax team named as the only tier 1 law firm in Cyprus for both general advisory and tax controversy by *World Tax Review* and the only one to be ranked by *World Transfer Pricing 2021*. Alongside all of this, cases won by our litigation and dispute resolution

to be active in assisting 'start-ups', expansions and some hi-tech relocations to the island. Unfortunately, one side-effect of the Covid-19 pandemic has been to push many businesses close to insolvency. Moving forward we expect to see a lot of M&A activity as some companies consolidate to survive while those which remain financially viable make opportunistic purchases. The government's ambition to bring forward several major construction and development projects, as seen with the Larnaca Port and Marina redevelopment, should result in a healthy workload for professionals active in those sectors. Of course, ticking away in the background to all this is the European Green Deal and the drive towards sustainability. We are already seeing a lot of activity from our clients in the renewable energy sector, and we expect this to be replicated within other ESG-focused businesses.

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on ensuring that we remain compliant with all legal regulations and that the safety of our staff is maintained. More positively, the pandemic has enabled us to demonstrate clear blue water between ourselves and other law firms on the island. Our long history of investment in technology, digital transformation modern work practices and above all in our people meant that practices such as 'home working', online meetings (internal and external), webinars, e-signatures etc. were taken in our stride without any interruption to client service. As the situation persists our people continue to adapt and come up with novel services and solutions to benefit our clients. This has been highly appreciated by our international and local clients and by our international business contacts. It has also won us several new clients.

What practice areas have stood out?

This is not an easy question to answer as 2021 saw excellent performances from all departments of the firm. In fact this was

team have also hit the headlines on more than one occasion!

What is driving client activity in your legal market at the moment?

There are a number of drivers at work at the moment. On a positive note, the government's new investment strategy should help to accelerate the nascent trend of quality international businesses choosing to headquarter and site branches in Cyprus. As various tax loopholes across the world are closed down it makes sense to base in a legitimate low taxation jurisdiction – particularly if that location gives you not only access to EU markets but also those of the Middle East, Asia and Africa. Such businesses require the services of local professionals. We also welcome the fact that the strategy placed an emphasis on promoting high value, high technology and highly skilled businesses along with our vibrant shipping sector. These offer solid foundations for the Cyprus economy to move forward on and promise to reduce the heavy reliance on tourism. We expect

Any major highlights, whether it be deals or hires?

We have been involved in some very exciting deals across the year – many of which, of course, are confidential. However, one of the outstanding ones which is in the public domain was the MHVL 100% acquisition of Park Lane Hotels Ltd, possibly the island's finest hotel. We were very pleased to act for MHVL, particularly as it is committed to ongoing investment in the quality leisure sector in Cyprus. This should be positive not only for us but also for the Cyprus economy – one hopes that by expanding our quality and 'value added' offering we can reduce the vulnerability of the island to the fads of mass tourism. During the year we were also part of different major international legal consortiums advising on Mintra's acquisition of Safebridge Holdings and on Energean plc's US\$45m high-yield bond offering.

A further non-deal highlight was our successful pilot testing of Neolaw.ai, our 'in house' developed alternative legal services provider. This has been well received by our testers and will now be further enhanced prior to its full launch.

Have you grown headcount over the last year?

Yes, we have. Several of our 2020-21 student lawyers joined us as associates following their qualification and we welcomed a new intake of students in September 2021. There have also been more senior recruits onboarded including both legal and non-legal professionals. As is normal with any large firm there have been some individuals who have, with our support, chosen to

further their careers elsewhere (two as members of the judiciary), but they have all been replaced by equally talented individuals. At no stage since the start of the pandemic have any staff been laid off either in Cyprus or in any of our overseas offices.

Generally how have international firms made inroads into your market?

In general they have not, apart from instances such as Harneys' take-over of a small local firm. That does not mean that we are complacent, it simply reflects the fact that we are ourselves an international firm and, as a firm, we have worked hard to build good and strong relationships with many of the biggest and most important law firms in the world. They like to know that they have a top quality and reliable partner in Cyprus, with critical mass, that they can trust to deal with local aspects of major deals in a competent manner that meets clients' expectations. We have built up a cross-border expertise and strength in depth across all departments which no other firm in Cyprus can match. It is more cost effective and less stressful for the major international firms to partner with us than it is for them to try to replicate our operation themselves.

Did Covid-19 have a tangible impact on your firm's performance in the last financial year? Why/why not?

As mentioned earlier the biggest impact that the pandemic had was on the way that we did business rather than on our financial results. Those businesses which have fared best during the pandemic, such as our own, have tended to be those already immersed in digital transformation or those which were able to quickly transform their operations to take advantage of digitalisation. All of this places us and them at least one step firmly ahead of the competition. None of our clients experienced any disruption in our service to them even when nearly all staff were working remotely. Our staff worked hard to produce innovative solutions to allow deals to be closed and disputes resolved despite the sporadic operations of governmental offices. When our staff were permitted to return to the office they were secure in the knowledge that systems were in place to ensure their safety and, that they could seek and receive support when needed.

How do you expect it to hurt the year ahead? What type of economic downturn is it likely to create?

In many respects, Cyprus entered the pandemic in a better economic position than most other EU members and, so far, has weathered it better than many. It entered the crisis with a high overall debt level (due to historic factors) but a sizeable fiscal surplus. It is also important to

realise that, despite the hardship that some of our citizens are certainly experiencing, GDP did actually grow by a factor of around 5.4-5.6% in 2021 and is expected to grow at a rate of around 4.1-4.2% in 2022. The dependence of Cyprus on tourism and its debt level do, however, render the economy vulnerable to a prolonged shock. Further delays in fully opening up travel and easing restrictions in general and in the hospitality sector in particular could have a severe impact on the ability of Cyprus to achieve the forecast GDP growth levels and would be extremely detrimental to businesses and individuals engaged in the hospitality sector. Additionally, many businesses and individuals have rescheduled debt which they expected to be able to start paying down in 2022 as 'normality' returns. Delays in a return to normality could damage their ability to do this with potentially adverse consequences for them and for the international credit rating of Cyprus. The fact that this is taking place against a background of inflation in commodity prices is also significant and a further justification for the acceleration of renewable energy programmes.

Is the firm hedged to continue working throughout that downturn?

We offer a full range of legal services, and this effectively acts as a natural hedge for the firm against prevailing economic conditions. We are used to seeing ebbs and flows in business levels between the various departments. This is where our flexible structure and high-quality training in core competences comes into its own. It allows us to temporarily redeploy certain staff to where the need is greatest. For example, several of our corporate team are also qualified as licensed insolvency practitioners. Our experience to date is that while the level of work per department may vary, that of the firm as a whole tends to remain steady. The comprehensive skill base and experience of our staff, our intelligent use of the tools of modern technology and of modern work practices, our knowledge resources, and the overall scale of our operation allow us to adapt to and fulfil our clients' needs.

How robust is your legal market in regards to what is coming?

Based on what we are seeing currently, our market remains vigorous and robust, but this does not happen by chance. As a firm we are constantly reviewing our services, our operational methods, and our staffing structures to see how we can improve ourselves and foresee and adapt to probable changes in the market. In some instances, as with Neolaw.ai, we may even seek to drive them. This ethos is ingrained in all our staff and is central to our award winning 'Neo Performance Accelerator Framework', which lies at the heart of our staff appraisal scheme and is

designed to produce the best from all of us. The modern world is a fast-changing one and only a fool would believe that what was good enough in the past will also be good enough for the future!

What does all of this mean for the future of the independent firm in your market?

I think that there will always be a place for independent firms but not necessarily for all the ones that exist now! Without doubt, to be successful they need to fully embrace modern technology and modern work practices and not all are capable of doing this. Size is also an issue. I see a choice to be made between staying small and very niche in the type of work handled (with sufficient variety to hedge against market vagaries) or sufficiently large to offer a wide range of expertise and strength in depth, 24/7 if required, as we do. The pandemic has sharply exposed the 'we can do it all' small firm for the charade that it always was.

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