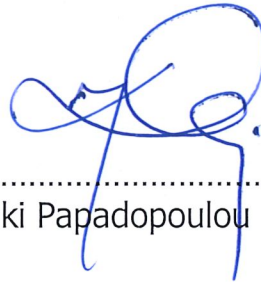


**CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT  
OF OIL STOCKS**

**True translation of the Financial Statements prepared in Greek  
language that have been approved at the Annual General  
Meeting.**

Chairperson:



.....  
Kyriaki Papadopoulou

**CYPRUS ORGANISATION FOR  
STORAGE AND MANAGEMENT OF OIL  
STOCKS**

FINANCIAL STATEMENTS  
For the year ended 31 December 2022

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## FINANCIAL STATEMENTS

For the year ended 31 December 2022

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# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## BOARD OF DIRECTORS AND OTHER OFFICERS

### Board of Directors:

#### Chairperson

Kyriaki Papadopoulou (appointed on 26 September 2022)

Panayiotis Malekos (resigned on 26 September 2022)

#### Vice Chairperson

Maria Haviara Passades

#### Members

Stelios Neophytou

Thekla Kadi

Thomas Sepos

Margarita Papaspyrou (appointed on 26 September 2022)

Constantinos Karaolis (appointed on 26 September 2022)

Kyriacos Kouros (appointed on 26 September 2022)

Alexis Michael (appointed on 7 October 2022)

Marios Lytras (resigned on 26 September 2022)

Christos Christophi (resigned on 31 May 2022)

Andreas Hadjipakkos (resigned on 26 September 2022)

Despina Panayiotou Theodosiou (resigned on 26 September 2022)

George Nicolettos (appointed on 26 September 2022 - resigned on 27 September 2022)

### Independent Auditors:

Nexia Poyiadjis Limited

Certified Public Accountants and Registered Auditors

2 Sofouli Street

The Chanteclair Building, 8th Floor

1096, Nicosia

### Coordinating Authority of Auditors

Audit office of the Republic of Cyprus

6, Deligiorgi street

1066, Nicosia

### Legal Advisers

Eliades & Partners

FROSIA House, 4th floor

Corner Evagorou & Menandrou street

1066, Nicosia

Ioannides Demetriou LLC

The City House

17-19 Themistocli Dervi street

1066, Nicosia

### Registered office:

Eracleous street, 27, 2nd floor, Office 203

Nicosia

2040

Cyprus

## **Independent Auditor's Report**

### **To the Members of the Cyprus Organisation for Storage and Management of Oil Stocks ('COSMOS') and the Auditor General of the Republic**

#### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of the Cyprus Organisation for Storage and Management of Oil Stocks ('COSMOS') (the 'Organisation'), which are presented in pages 5 to 34 and comprise the statement of financial position as at 31 December 2022, and the statements of comprehensive income, accumulated surpluses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Organisation as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Maintenance of Oil Stocks Laws, 2003 to 2020.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Organisation in accordance with the "International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants" (including International Independence standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of the Board of Directors for the Financial Statements**

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Maintenance Oil Stocks Laws, 2003 to 2020, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Organisation or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Organisation's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **Independent Auditor's Report (continued)**

### **To the Members of the Cyprus Organisation for Storage and Management of Oil Stocks ('COSMOS') and the Auditor General of the Republic**

#### **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Independent Auditor's Report (continued)**

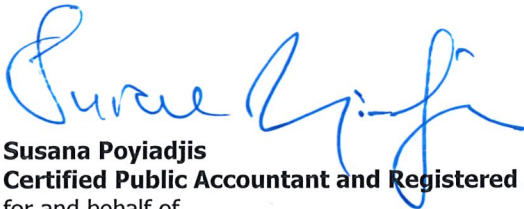
### **To the Members of the Cyprus Organisation for Storage and Management of Oil Stocks ('COSMOS') and the Auditor General of the Republic**

#### **Other Matter**

This report, including the opinion, has been prepared for the Organisation's member as a body and the Auditor General of the Republic in accordance with Section 69 of the Auditors Law of 2017 and for no other purposes. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

#### **Comparative figures**

The financial statements of the Organisation for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 9 September 2022.



**Susana Poyiadjis**  
**Certified Public Accountant and Registered Auditor**  
for and behalf of

**Nexia Poyiadjis Limited**  
**Certified Public Accountants and Registered Auditors**

Nicosia, 18 September 2023

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 €	2021 €
<b>Revenue</b>	9	<b>19,888,182</b>	18,050,848
Direct expenses	10	<b>(11,117,937)</b>	(11,169,795)
Surplus/(Deficit) from renewal/sale/storage of strategic inventory movement	17	<b>9,739,492</b>	(5,624,540)
Other expenses	10	<b>(918,620)</b>	(704,536)
Other income	9	<b>774</b>	273,550
<b>Operating surplus before strategic inventory net realisable value adjustment</b>		<b>17,591,891</b>	825,527
Strategic inventory net realisable value adjustment - unrealised	17	-	37,039,757
<b>Operating surplus after strategic inventory net realisable value adjustment</b>		<b>17,591,891</b>	37,865,284
Finance (cost)/income	13	<b>(160,530)</b>	498,142
<b>(Deficit) / surplus before tax</b>		<b>17,431,361</b>	38,363,426
Tax	14	<b>(232)</b>	(1,320)
<b>(Deficit) / surplus for the year after tax</b>		<b>17,431,129</b>	38,362,106

The notes on pages 9 to 34 form an integral part of these financial statements.



# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## STATEMENT OF FINANCIAL POSITION

31 December 2022

	Note	2022 €	2021 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	693,027	578,861
Strategic inventory	18	125,751,442	116,371,516
Non-current receivables	16	-	533,936
		<u>126,444,469</u>	<u>117,484,313</u>
<b>Current assets</b>			
Trade receivables	16	4,749,875	3,938,971
Other receivables	15	4,998	4,998
Non-financial assets	17	585,217	928,623
Bank deposits with original maturity over 3 months	19	5,143,987	5,143,446
Cash at bank and in hand	19	17,699,772	12,351,968
		<u>28,183,849</u>	<u>22,368,006</u>
<b>Total assets</b>		<u>154,628,318</u>	<u>139,852,319</u>
<b>SURPLUS AND LIABILITIES</b>			
Surplus		<u>142,077,091</u>	124,645,962
<b>Total Surplus</b>		<u>142,077,091</u>	124,645,962
<b>Non-current liabilities</b>			
Borrowings	20	<u>8,625,423</u>	11,626,293
		<u>8,625,423</u>	11,626,293
<b>Current liabilities</b>			
Trade and other payables	21	919,536	817,614
Borrowings	20	<u>3,006,268</u>	2,762,450
		<u>3,925,804</u>	3,580,064
<b>Total liabilities</b>		<u>12,551,227</u>	15,206,357
<b>Total equity and liabilities</b>		<u>154,628,318</u>	<u>139,852,319</u>

On 18 September 2023 the Board of Directors of Cyprus Organisation for Storage and Management of Oil Stocks authorised these financial statements for issue.

.....  
Kyriaki Papadopoulou  
(Chairperson)

.....  
Marja Haviara Passades  
(Vice Chairperson)

The notes on pages 9 to 34 form an integral part of these financial statements.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## STATEMENT OF ACCUMULATED SURPLUSES

For the year ended 31 December 2022

	Surplus €
<b>Balance at 1 January 2021</b>	<b>86,283,856</b>
<b>Comprehensive income</b>	
Surplus for the year	<u>38,362,106</u>
<b>Balance at 31 December 2021/ 1 January 2022</b>	<b>124,645,962</b>
<b>Comprehensive income</b>	
Surplus for the year	<u>17,431,129</u>
<b>Balance at 31 December 2022</b>	<b><u>142,077,091</u></b>

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The notes on pages 9 to 34 form an integral part of these financial statements.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## CASH FLOW STATEMENT

For the year ended 31 December 2022

	Note	2022 €	2021 €
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>(Deficit) / surplus before tax</b>		<b>17,431,361</b>	38,363,426
Adjustments for:			
Depreciation of property, plant and equipment	15	27,889	27,979
Unrealised exchange (profit)		(153,015)	-
Deficit of renewal/sale/storage and physical losses of strategic inventory movement		235,449	445,311
Interest income	10	(774)	(4,400)
Interest expense	13	251,692	269,782
Strategic inventory value (increases / decreases due to the measurement of inventory at the lower of cost and net realisable value)	17	-	(37,039,757)
		<b>17,792,602</b>	2,062,341
<b>Changes in working capital:</b>			
Trade and other receivables and non-financial assets		66,799	(386,261)
Trade and other payables		101,563	(41,358)
Strategic inventory		(9,615,376)	6,887,413
<b>Cash generated from operations</b>		<b>8,345,588</b>	8,522,135
Tax paid		(232)	(1,320)
<b>Net cash generated from operating activities</b>		<b>8,345,356</b>	8,520,815
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchase of property, plant and equipment	15	(142,055)	(53,159)
Interest paid		(2,455)	-
Interest received		774	4,400
Movement in deposits with maturity over 3 months		(542)	(2,968)
<b>Net cash used in investing activities</b>		<b>(144,278)</b>	(51,727)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of borrowings		(2,807,574)	(2,850,512)
Interest paid		(198,686)	(266,529)
<b>Net cash used in financing activities</b>		<b>(3,006,260)</b>	(3,117,041)
<b>Net increase in cash and cash equivalents</b>		<b>5,194,818</b>	5,352,046
Cash and cash equivalents at beginning of the year		12,351,931	6,999,885
Effect of exchange rate fluctuations on cash held		153,015	-
<b>Cash and cash equivalents at end of the year</b>	19	<b>17,699,764</b>	12,351,932

The notes on pages 9 to 34 form an integral part of these financial statements.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 1. Incorporation and principal activities

#### Country of incorporation

The Cyprus Organisation for Storage and Management of Oil Stocks (the "Organisation") is established in Cyprus as a public law organisation in accordance with the provisions of the Maintenance of Oil Stocks Law of 2003 to 2020. Its registered office is at Eracleous street, 27, 2nd floor, Office 203, Nicosia, 2040, Cyprus.

#### Principal activities

The Organisation was founded for the purpose of harmonisation with European Directive 68/414/EEC, imposing an obligation on member states of the European Union to maintain minimum stocks of crude oil and/or petroleum products. As such the principal activities of the Organisation, which are unchanged from last year, is to maintain minimum stocks of crude and/or petroleum products.

#### Operating Environment of the Organisation

During 2022, the international economy, on emerging from the crisis brought on by the pandemic, was further disrupted by the war in Ukraine that began in February 2022. As a result, international oil markets have been further impacted by the hostilities in addition to the exit from the pandemic and have led to higher prices and the release of oil stocks by the United States and other countries such as China, the United Kingdom and others. The European Union, the United Kingdom, the United States and other countries have imposed significant economic and other sanctions on Russia. International oil prices continued to rise significantly throughout the first half of 2022.

The International Energy Agency ('IEA') and its members took collective action on two oil stock releases in March and April 2022, for 60 million and 120 million barrels respectively. The European Commission has invited European Union members that are not members of the IEA to contribute voluntarily with national oil stock releases to the IEA's collective action. The Cypriot government, through the Organisation, participated in its first release by releasing 5,500 metric tonnes ('MT') of oil stocks through the Minister of Energy's Oil Crisis (Release of Strategic Petroleum Reserves) Order 2022.

In relation to the construction of the privately owned oil terminal in Vassiliko, the Organisation proceeded, during 2022, to award and sign the contract for the Project Management Team. In addition, the tender for the Design, Procurement and Construction of the Terminal was published in May 2022 and is currently under evaluation.

The following had a direct impact on the Organisation:

1. Liquid fuel consumption is gradually returning to pre-pandemic levels of 2019, following the sharp drop in consumption due to the pandemic and the imposition of strict lockdown in Cyprus during 2020 and partly in 2021.
2. The Organisation's revenue stream, which is a fixed fee on the volume of consumption, is gradually returning to pre-2020 levels.
3. The market value of petroleum products has increased significantly during 2022 and this affects the market values of owned fuel stocks. The market value of owned oil stocks at 31 December 2022 is estimated at €198.5 million, which is €72.7 million higher than the carrying value of owned stocks of €125.8 million (note 18/strategic stocks).
4. There were no disruptions in the supply of liquid fuels or energy in Cyprus. The release of 5,500 MT of oil reserves through the Minister of Energy's Oil Crisis Release (Release of Strategic Petroleum Reserves) Order 2022 for power generation purposes was not utilised by members, which did not request these quantities.

The nature of the risks and challenges associated with the pandemic and the end of it, are fundamentally new to energy security and the challenges have been exacerbated by the impact of the increase in oil demand created by the exit from the pandemic, while the war in Ukraine further increases the risks and challenges faced by the Organisation.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

The Organisation moved quickly to ascertain, as far as possible, the potential impacts and to mitigate emerging risks and challenges.

In this regard, a number of attributes and tools were effectively deployed, such as:

- The very long-term perspective of the Organisation's operations and strategic plans.
- Robust balance sheet and strong liquidity.
- The Organisation's good and long-standing relationships with key oil players in Cyprus and in Europe.
- Creative, proactive and swift response in close coordination with the Authorities.

### Evaluation of impact

Based on the information available at the date of these financial statements, indication of the impact is as follows:

Membership fee income for the year 2022 increased by 10% while keeping the fee amount on consumption volume constant, with the increase coming exclusively from the consumption of petroleum products in the Republic of Cyprus. Revenue from subscriptions is expected to be at similar levels for fiscal year 2023 and is considered sufficient to cover operating expenses for fiscal year 2023. Further cushions may be readily available, such as the use of existing cash reserves, further financing facilities or an increase in the level of fees. Based on the Organisation's current cash flow projections, it is not anticipated that any safety cushions will be used. In accordance with current legislation, the level of fees levied on fuel consumption can be changed by decision of the Organisation's Board of Directors and approval of the Minister of Energy, Trade and Industry.

The sharp increase in the market value of petroleum products affects the book value of the proprietary stocks of liquid fuels. As the central stockholding entity, the Organisation does not hold stocks for commercial exploitation or short-term disposal, but with a long-term perspective. It is expected that market prices will remain high in the near future.

The Organisation intends to consider the risks and challenges posed by extreme scenarios such as pandemic risks, military conflicts in or near Europe and further price increases in future reviews of emergency preparedness and response plans in line with EU guidelines and directives.

For more information on the war in Ukraine, see note 25.

During 2022, the Organisation proceeded with the assignment of a Project Management Team for the design, construction and maintenance of the Vassiliko Storage Terminal and the design, construction and maintenance of the Vassiliko Energy Centre Fire Fighting System. The Organisation has already secured €35 million of financing from the European Investment Bank ('EIB') (note 20) for the construction of the Terminal Station and has proceeded with the tender process for the award of the Terminal Station Construction and Maintenance Design Project in 2022 (note 25).

## **2. Basis of preparation**

The Organisation's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Petroleum Products Stockholding Act 2003 to 2020. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Organisation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 8.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### **Basis of preparation (continued)**

#### Going Concern

The financial statements are prepared on a going concern basis. The organisation's strong balance sheet position, cash reserves and current ratio ensure the Organisation's going concern status. Additionally, the fee rates imposed on fuel consumption by the organisation may be changed at any time, to ensure continued coverage of the organisation's annual obligations according to applicable legislation, by decision of the Organisation's Board of Directors and approval by the Minister of Energy, Commerce and Industry. Please refer to section "Operating environment" in Note 1 as well.

### **3. Functional and presentation currency**

The financial statements are presented in Euro (€) which is the functional currency of the Organisation.

### **4. Adoption of new or revised standards and interpretations**

During the current year the Organisation adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2022. This adoption did not have a material effect on the accounting policies of the Organisation.

### **5. Significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

#### **Revenue**

##### **Recognition and measurement**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the sale of goods and services in the ordinary course of the Organisation's activities, net of value added taxes, returns and discounts.

The Organisation recognises revenue when its members have approved their obligation (in writing, orally, or in accordance with other customary business practices) and are committed to perform their respective obligations, the Organisation can identify each party's rights, the arrangement has commercial substance, it is probable that the Organisation will collect the consideration to which it will be entitled and when specific criteria have been met for each of the Organisation's rights against its members. The revenue of the Organisation comprises of members' subscriptions, as defined by section 2 of the Maintenance of Oil Stocks Law of 2003 to 2020. Revenues earned by the Organisation are recognised on the following basis:

- **Members' subscription**

In accordance with the relevant legislation, members of the Organisation are required to pay subscriptions, which are calculated as a fixed amount per unit quantity of sales. Members' subscriptions are recognized on an accrual basis.

##### **Employee benefits**

The Organisation and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Organisation's contributions are expensed as incurred and are included in staff costs. The Organisation has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 5. Significant accounting policies (continued)

#### Finance income

Interest income is recognised on a time-proportion basis using the effective method.

#### Finance costs

Finance expenses include interest expense on loans, exchange rate differences and other bank charges and interest. Financing expenses are recognised as expenses in the period in which they fall due.

#### Foreign currency translation

##### (1) Functional and presentation currency

Items included in the Organisation's financial statements are measured using the currency of the primary economic environment in which the organisation operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Organisation's functional and presentation currency.

##### (2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss within "finance costs".

#### Tax

The Organisation is not subject to corporation tax, but is subject to special defence contribution on interest income.

#### Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisitions of property, plant and equipment.

Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. As such, "assets under construction" are not depreciated.

Land is not depreciated. Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

	%
Buildings	3
Computers	33.3
Furniture, fixtures and office equipment	10

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

When the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the organisation and the cost of the item can be measured reliably.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 5. Significant accounting policies (continued)

#### Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Organisation and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use.

#### Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### Financial assets - Classification

The Organisation classifies its financial assets using measurements at amortised cost.

The classification depends on the Organisation's business model for managing the financial assets and the contractual cash flow characteristics of the assets. Management determines the classification of financial assets at initial recognition.

The Organisation classifies its financial assets at amortised cost. Financial assets at amortised cost are held for collection of contractual cash flows and their cash flows represent solely payments of principal and interest (SPPI). They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Organisation's financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables, non-current receivables and other receivables.

#### Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Organisation commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Organisation has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses)" together with foreign exchange gains and losses.



# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 5. Significant accounting policies (continued)

#### Financial assets - Measurement

At initial recognition, the Organisation measures financial assets classified at amortised cost at their fair value plus incremental transaction costs that are directly attributable to the acquisition of the financial assets. Subsequently, these are measured at amortised cost.

Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

#### Financial assets - impairment - credit loss allowance for ECL

The Organisation assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Organisation measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "net impairment losses on financial assets". Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments measured at AC are presented in the balance sheet net of the allowance for ECL. The impairment methodology applied by the Organisation for calculating expected credit losses depends on the type of financial asset assessed for impairment. Refer to Note 6, Credit risk section for a description of impairment methodology applied by the Organisation for calculating expected credit losses for debt instruments measured at AC.

#### Financial assets -Reclassification

Financial assets are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

#### Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Organisation exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The organisation may write off financial assets that are still subject to enforcement activity when the Organisation seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

#### Financial assets - modification

The Organisation sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Organisation assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 5. Significant accounting policies (continued)

#### Financial assets - modification (continued)

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Organisation derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Organisation also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Organisation compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Organisation recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate and recognises a modification gain or loss in profit or loss.

#### Classification as cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. In the balance sheet bank overdrafts are shown within borrowings in current liabilities. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at fair value through profit or loss.

#### Classification as financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Organisation. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

#### Classification as trade receivables

Trade receivables are amounts due from members of the Organisation in respect of the subscription fees provided in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Organisation holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Organisation applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See Note 6 Credit risk section.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 5. Significant accounting policies (continued)

#### Classification as trade receivables (continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes, amongst others, the failure of a debtor to engage in a repayment plan with the Organisation, and a failure to make contractual payments for a period of greater than 180 days past due.

#### Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the income statement as "Other income". Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit – impaired financial assets – Stage 3 the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

#### Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

#### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment (for liquidity services) and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowing costs are interest and other costs that the Organisation incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowings are classified as current liabilities, unless the Organisation has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date in which case it is classified as non-current liabilities.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 5. Significant accounting policies (continued)

#### Borrowings (continued)

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Organisation and the costs can be measured reliably.

#### Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

#### Work in progress

Work in progress is stated at cost plus any attributable profit less any foreseeable losses and less amounts received or receivable as progress payments. The cost of work in progress includes materials, labour and direct expenses plus attributable overheads based on a normal level of activity.

#### Provisions

Provisions are recognised when the Organisation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 5. Significant accounting policies (continued)

#### Strategic Inventories

Strategic Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average cost method and includes raw materials and other expenses except from borrowing costs. Net realisable value is the oil price as per recognised oil price platforms at the balance sheet date.

The strategic inventories are categorised as non-current assets as there is no intention for selling them in the short term or medium term, unless there is need of renewal of stock in the cases of supply disruption or crisis as this is defined in the Oil Crises Law of 2002 to 2014.

Stock losses arise from evaporation of oil products held in storage over time. In addition losses/gains in measurement arise from changes in temperature and pressure caused by weather conditions at the time of measurement. The Organisation continuously monitors such operating losses and measurement differences against industry standards. Operating stock losses are recognised in the year in which they occur based on the difference between actual stock measurement at the year end and carrying amounts.

#### Ticketing

Ticketing relates to short-term holding contracts under which one party agrees to hold oil stocks which will be available to the Organisation during a specified period and under which the Organisation has an option to purchase oil stocks in emergency circumstances at the prevailing price at the time. The cost is recorded in the statement of comprehensive income in the period to which the contracts relate.

#### Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

### 6. New accounting pronouncements

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Organisation.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 7. Financial risk management

#### Financial risk factors

The Organisation is exposed to market risk (including price risk, interest risk and currency risk), credit risk and liquidity risk from the financial instruments it holds. The risk management policies employed by the Organisation to manage these risks are discussed below.

The Organisation employs formal risk management policies programme. This comprises the following:

- i) Statements of policy regarding foreign exchange risk, cash flow interest risk, credit risk, liquidity risk and capital risk.
- ii) daily monitoring of positions.
- iii) mitigation techniques where risks are considered material in terms of amount or duration,
- iv) avoidance of risk where it is considered that significant uncertainty prevails.

#### 7.1 Market risk

##### i. Price risk

The primary commodity price risk that the Organisation is exposed to includes oil prices that could adversely affect the value of the Organisation's strategic inventory. The Organisation, due to its non-profit nature and the provisions of the relevant legislation which dictate its operation, does not have formal arrangements for hedging this risk. If oil prices as at 31 December 2022 were 1% higher/lower, the surplus for the year after tax would have been unaffected as currently the oil stocks are valued at cost, which is lower than the net realisable value.

##### ii. Cash flow interest rate risk

The Organisation's interest rate risk arises from interest bearing assets and long-term borrowings. Interest bearing assets and borrowings at variable rates expose the Organisation to cashflow interest rate risk.

At 31 December 2022 and 31 December 2021, if the rates on the interest bearing assets had been 0,1% higher/lower with all other variables held constant, the change for post-tax surplus for the year would have been insignificant. At 31 December 2022 and 31 December 2021, if the rates on the long term borrowings had been 0,1% higher/lower with all other variables held constant, the change of post-tax surplus for the year would have been insignificant.

Interest payable on loans is monitored on a continuous basis by management and proposals for refinancing are made when the Organisation faces a significant risk of interest rate cost escalation.

The organisation manages the process of obtaining financing by:

- (i) requesting tenders
- (ii) negotiating terms
- (iii) seeking advice from the Ministry of Finance; and
- (iv) monitoring positions and taking appropriate measures in each circumstance including:
  - (a) arranging early repayments without penalty
  - (b) refinancing

Interest receivable on deposits is also monitored on a continued basis and is managed by:

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 7. Financial risk management (continued)

#### 7.1 Market risk (continued)

- (i) Assessing liquidity requirements
  - (ii) Renegotiation of deposits on expiry of term
  - (iii) Monitoring positions
- iii. Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Organisation's measurement currency. The Organisation is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar.

At 31 December 2022 if the Euro had weakened/strengthened by 1% (2021: 1%) against the US dollar with all other variables held constant, surplus/(deficit) for the year after tax would not have been significantly impacted, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated cash balances.

The Organisation, due to its non-profit nature and provisions of the relevant legislation which dictate its operation, does not have formal arrangements for hedging this risk.

#### 7.2 Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to balances due from subscriptions, including outstanding receivables.

##### *(i) Risk management*

In respect of credit risk related to trade receivables, this is managed based on established policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal ratings. The credit quality of the customer is assessed, and outstanding customer receivables are regularly monitored. The Organisation does not hold collateral as security.

All members of the Organisation, as defined by section 2 of the Maintenance of Oil Stock Laws of 2003 to 2020, are either government owned bodies or significant multinational corporations, or publicly listed companies with substantial credit standing.

The Organisation reviews the credit standing of these institutions on a regular basis. The Organisation does not place deposits to institutions outside Cyprus or not appropriately monitored by local supervisory authorities.

Management does not expect any losses from non-performance by these counterparties.

##### *(ii) Impairment of financial assets*

The Organisation has the three types of financial assets that are subject to the expected credit loss model:

- Trade receivables
- Other receivables
- Cash and cash equivalents
- Bank deposits with original maturity over 3 months

#### **Trade receivables**

The Organisation applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 7. Financial risk management (continued)

#### 7.2 Credit risk (continued)

##### *(ii) Impairment of financial assets (continued)*

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Organisation defines default as a situation when the debtor is more than 90 days past due on its contractual payments.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indications that there is no reasonable expectation of recovery include, but are not limited to, failure of the debtor to participate in a repayment plan with the Organisation and failure to make contractual payments for a period of more than 180 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Out of the total trade receivables (including non-current portion) of €4,461,091 (net) and €5,809,060 (gross):

- €89,005, which is past due for more than 365 days remains outstanding as at the date of these financial statements and management considers that no expected credit loss is required to be recognised
- €1.347.969 which is past due for more than 365 days - remains outstanding on a gross level and an expected credit loss of €1.347.969 has been recognised; and
- the remaining balance has been settled as at the date of these financial statements and no expected credit loss has been recognised as at 31 December 2022.

For other receivables the Organisation follows the general approach.

The Organisation considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Organisation compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of the counterparty in the Organisation and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.



# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 7. Financial risk management (continued)

#### 7.2 Credit risk (continued)

##### (ii) Impairment of financial assets (continued)

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Organisation. The Organisation categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 180 days past due. Where loans or receivables have been written off, the Organisation continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

A summary of the assumptions underpinning the Organisation's expected credit loss model is as follows:

Category	Organisation definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing	Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount
Underperforming	Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Stage 2: Lifetime expected losses	Gross carrying amount
Non-performing	Interest and/or principal repayments are 90 days past due	Stage 3: Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)
Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery.	Asset is written off	None

The following tables contain an analysis of the credit risk exposure of each class of financial instruments for which an ECL allowance is recognised.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 7. Financial risk management (continued)

#### 7.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

#### Cash and cash equivalents

Organisation internal credit rating	External credit rating	2022 €	2021 €
B1 - (as per Moody's)		-	1,365,369
Ba1 - (as per Moody's)		17,672,652	-
B2 - (as per Moody's)		-	2,896
Ba3 - (as per Moody's)		-	10,956,040
Unrated		26,199	26,251
<b>Total cash and cash equivalents</b>		<b>17,698,851</b>	<b>12,350,556</b>

The rest of the balance sheet item 'cash at bank and in hand' is cash in hand.

The estimated loss provision for cash and cash equivalents at December 31 2022 and December 31 2021 was immaterial. All cash and cash equivalents were performing (stage 1) at December 31, 2022 and 2021.

Bank deposits with original maturities of more than 3 months are all performing with an appropriate external credit rating and the estimated loss allowance for these deposits at 31 December 2022 and 31 December 2021 was immaterial.

#### 7.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Organisation has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Organisation's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Organisation can be required to pay. The table includes both interest and principal cash flows.

#### 31 December 2022

	Total €	Carrying amount €	Within 1 year €	1-2 years €	2-5 years €
Bank loans	11,631,683	11,631,683	3,006,200	3,006,200	5,619,283
Bank overdrafts	8	8	8	-	-
Trade and other payables	919,532	919,532	919,532	-	-
	<b>12,551,223</b>	<b>12,551,223</b>	<b>3,925,740</b>	<b>3,006,200</b>	<b>5,619,283</b>

#### 31 December 2021

	Total €	Carrying amount €	Within 1 year €	1-2 years €	2-5 years €
Bank loans	15,075,045	15,075,045	3,006,200	3,006,200	9,062,645
Bank overdrafts	37	37	37	-	-
Trade and other payables	817,614	817,614	817,614	-	-
	<b>15,892,696</b>	<b>15,892,696</b>	<b>3,823,851</b>	<b>3,006,200</b>	<b>9,062,645</b>

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 7. Financial risk management (continued)

#### 7.3 Liquidity risk (continued)

The Organisation is by law a not for profit organisation. Surpluses are maintained for use in:

- (a) Additional stock purchases.
- (b) Unforeseen changes in the payment of interest or storage fees.

The level of income and the Organisation's subscription/fee is reviewed annually through the budgeting process.

#### 7.4 Capital risk management

The Organisation's capital is analysed as follows:

	2022	2021
	€	€
Total borrowings (Note 20)	11,631,683	14,388,706
Less: Cash and cash equivalents and short term deposits with original maturity of more than three months (Note 19)	<u>(22,843,759)</u>	<u>(17,495,413)</u>
Net (asset) / debt	<b>(11,212,076)</b>	(3,106,707)
Total Surplus	<u>142,077,091</u>	<u>124,645,962</u>
<b>Total capital</b>	<b><u>130,865,015</u></b>	<b><u>121,539,255</u></b>
<b>Gearing ratio</b>	<b><u>(8.57)%</u></b>	<b><u>(2.56)%</u></b>

The decrease in the gearing ratio for the year ended 31 December 2022 resulted primarily from (a) the increase of total surplus primarily arising from the increase in the inventory valuation at the year end 2021 and (b) the increase of cash and cash equivalents.

#### 8. Critical accounting estimates, judgments and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Organisation's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 8. Critical accounting estimates, judgments and assumptions (continued)

#### *Critical accounting estimates and assumptions*

The Organisation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. No estimates and assumptions have been identified in respect of these financial statements, which would have a significant risk of material misstatement within the next financial year.

#### *Critical judgements in applying for Organisation's accounting policies*

- **Strategic inventory**

Strategic inventory is held by the Organisation in accordance with EU Directive 2009/119/EEC and Maintenance of Oil Stocks law of 2003 to 2020. Strategic inventory is not held for trading but can be sold to the members of the Organisation in the cases of supply disruption or crisis as this is defined in the Oil Crises Law of 2002 to 2014.

The Organisation considered the guidance of IAS 2 and IAS 16 in order to determine the appropriate classification of strategic inventories. Following the assessment, the Organisation considered that strategic inventories should be classified as inventories in accordance with the provisions of IAS 2 since oil stocks are not held for own use and as they do not arise from contractual rights which give to the Organisation the present right to receive cash or another financial asset.

These oil stocks are classified as not current assets as this classification reflects better the Organisation's objectives.

In addition, the Organisation considered appropriate to use the lower of cost and net realisable value rather than fair value less costs to sell as a measurement basis for strategic inventories since the Organisation does not act as broker-trader of oil stock with the purpose of acquiring and selling oil stocks in the near future and generating a profit from fluctuations in price; instead, the principal activity of the Organisation is to store and manage national oil stocks and release them in cases of supply disruption of crisis.

The underlying assessment relates to global prevailing oil prices as compared to carrying values. Management considered as net realisable value of oil stocks at year end prices as provided by the Ministry of Energy, Commerce and Industry.

- **Related parties**

Judgement has been applied by management in determining whether certain parties meet the definition of IAS24 "Related parties".

### 9. Revenue

	2022	2021
	€	€
Member's subscriptions - recognised over time	<u>19,888,182</u>	<u>18,050,848</u>
	<b>19,888,182</b>	<b>18,050,848</b>

According to relevant legislation and directives issued by the Organisation, COSMOS levies a monthly subscription fee to its members as a fixed amount per unit quantity of sales. The subscription fees throughout 2022 and 2021 have been set and unchanged at €0.0027 per kilogram for heavy and light fuel oil and at €0.0107 per litre of gasoline, diesel, JetA1 and Gasoil.

During the year the Organisation recognised subscription revenue from Electricity Authority Cyprus ("EAC") amounting to €5,834,319 (2021: €5,509,635).

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 9. Revenue (continued)

### 10. Other operating income

	<b>2022</b>	<b>2021</b>
	€	€
Interest income	774	4,400
Sundry operating income	-	269,150
	<b>774</b>	<b>273,550</b>

The sundry operating income above relates to the write off of a payable amount following contractual withdrawal of the corresponding claim by the third party.

### 11. Expenses by nature

	<b>2022</b>	<b>2021</b>
	€	€
Staff costs (Note 12)	135,900	127,234
Depreciation expense (Note 15)	27,889	27,979
Auditors' remuneration	3,875	4,000
Insurance	344,341	234,942
Fees of the members of the Board of Directors (Note 22.1)	12,183	15,090
Strategic inventory storage expenses	10,390,937	10,599,845
Ticketing	727,000	569,950
Non recoverable VAT	2,958	13,551
Purchase of services	67,321	146,527
Bank charges	90,376	54,779
Port expenses	83,930	-
Other expenses	149,847	80,434
<b>Total expenses</b>	<b>12,036,557</b>	<b>11,874,331</b>

Out of the total expenses indicated above, the amount of €11,117,937 (2021: €11,169,795) relates to direct expenses. Direct expenses are defined as those expenses which are directly related to the Organisation's operations, and they are the strategic inventory storage expenses and ticketing.

The Organisation has a storage and ticketing agreement with EAC for which an amount of €416,000 (2021:€416,000) and €15,000 (2021:€7,500) respectively has been recognised in "direct expenses".

### 12. Staff costs

	<b>2022</b>	<b>2021</b>
	€	€
Salaries	113,535	106,626
Social security costs	16,917	15,887
Pensions/ Provident fund cost	5,448	4,721
	<b>135,900</b>	<b>127,234</b>
Average number of employees	<b>3</b>	<b>3</b>

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 13. Finance income/(costs)

	2022	2021
	€	€
Exchange profit/ (loss)	<u>91,162</u>	767,924
<b>Finance income</b>	<b>91,162</b>	767,924
Interest expense	<u>(251,692)</u>	(269,782)
<b>Finance costs</b>	<b>(251,692)</b>	(269,782)
<b>Net finance (costs)/income</b>	<b>(160,530)</b>	498,142

### 14. Tax

	2022	2021
	€	€
Defence contribution	<u>232</u>	1,320
<b>Charge for the year</b>	<b>232</b>	1,320

The Organisation is not subject to income tax on surplus from its trading activities.

The Organisation is subject to 30% defence contribution on interest income.

### 15. Property, plant and equipment

	Land and buildings	Asset under construction	Computers	Furniture, fixtures and office equipment	Total
	€	€	€	€	€
<b>Cost</b>					
Balance at 1 January 2021	688,067	25,812	50,622	34,323	798,824
Additions/ (Reclassifications)	-	50,650	5,815	(3,306)	53,159
<b>Balance at 31 December 2021/ 1 January 2022</b>	<b>688,067</b>	<b>76,462</b>	<b>56,437</b>	<b>31,017</b>	<b>851,983</b>
Additions	-	132,064	6,461	3,530	142,055
<b>Balance at 31 December 2022</b>	<b>688,067</b>	<b>208,526</b>	<b>62,898</b>	<b>34,547</b>	<b>994,038</b>
<b>Depreciation</b>					
Balance at 1 January 2021	180,648	-	40,060	24,435	245,143
Charge for the year	22,581	-	3,424	1,974	27,979
<b>Balance at 31 December 2021/ 1 January 2022</b>	<b>203,229</b>	<b>-</b>	<b>43,484</b>	<b>26,409</b>	<b>273,122</b>
Charge for the year	22,581	-	4,313	995	27,889
<b>Balance at 31 December 2022</b>	<b>225,810</b>	<b>-</b>	<b>47,797</b>	<b>27,404</b>	<b>301,011</b>
<b>Net book amount</b>					
<b>Balance at 31 December 2022</b>	<b>462,257</b>	<b>208,526</b>	<b>15,101</b>	<b>7,143</b>	<b>693,027</b>
<b>Balance at 31 December 2021</b>	<b>484,838</b>	<b>76,462</b>	<b>12,953</b>	<b>4,608</b>	<b>578,861</b>

The process for the registration of the land and buildings in the name of the Organisation, has not yet been completed.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 15. Property, plant and equipment (continued)

Management considered the prevailing economic conditions, the performance of the Organisation and other impairment indicators as per IAS 36, and concluded that there are no indications that the carrying amount of the Organisation's property, plant and equipment as at 31 December 2022 might exceed its recoverable amount.

The assets under construction relate to the Storage Terminal at Vassiliko and the fire extinguishing system of the Vassiliko Energy Centre.

### 16. Financial assets

	2022	2021
	€	€
Trade receivables	5,809,060	5,820,877
Less: credit loss on tradereceivables	<u>(1,347,969)</u>	<u>(1,347,969)</u>
Trade receivables - net	4,461,091	4,472,908
Deposits and prepayments	288,784	-
Interest receivable from fixed deposit accounts	3,195	3,195
Other receivables	<u>1,803</u>	<u>1,803</u>
<b>Total net receivables</b>	<b>4,754,873</b>	4,477,906
Less non-current receivables	-	(533,936)
<b>Current portion</b>	<b><u>4,754,873</u></b>	<b><u>3,943,970</u></b>

As at 31 December 2022, the Organisation had a receivable from EAC of €768,404 (2021: €975,459). This is included within Trade Receivables.

#### Legal case

In 2010 and 2011 the Organisation received invoices from Greek providers on which Greek VAT was charged. The Organisation claimed refund of this VAT from the Greek VAT authorities. The Greek VAT authorities rejected the claim. Against the rejection, the Organisation has filed a recourse to the Administrative Appeal Court of Athens. After consideration of the facts, the Administrative Appeal Court of Athens issued a decision in favour of the organisation. The Greek VAT Authorities filed an appeal against this decision to the Council of State.

The Council of State issued decision 1681/2019 according to which, the original decision of the Administrative Appeal Court of Athens was overwritten and accordingly it has been confirmed that the storage services should be subject to VAT in Cyprus. As a consequence, an amount of €1.347k was considered as receivable from the storage providers and not from the Greek VAT Authorities. The amount of €1.347k is fully provided for (Note 7). Decision 1681/2019 ensures that no liability may arise from VAT not charged on storage services for the period since 2011, with the relevant amount for the period 2011-2019 estimated at €8 m.

The Organisation does not hold any collateral over the trading balances.

Movement in provision for impairment of current receivables:

	2022	2021
	€	€
Balance at 1 January	<u>1,347,969</u>	1,347,969
<b>Balance at 31 December</b>	<b><u>1,347,969</u></b>	<b><u>1,347,969</u></b>

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 16. Financial assets (continued)

The Organisation's financial assets are denominated in the following currencies:

	2022	2021
	€	€
Euro	<u>4,754,873</u>	4,477,906
	<u><b>4,754,873</b></u>	<u>4,477,906</u>

The fair values of financial assets due within one year approximate their carrying amounts as presented above.

The exposure of the Organisation to credit risk and impairment losses in relation to financial assets is reported in note 7 of the financial statements.

### 17. Non-financial Assets

	2022	2021
	€	€
Refundable VAT	<u>4,754,873</u>	4,477,906
<b>Balance at December</b>	<u><b>4,754,873</b></u>	<u>4,477,906</u>



# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 18. Strategic Inventory

	2022 €	2021 €
<b>Finished goods</b>	<b><u>125,751,442</u></b>	<b><u>116,371,516</u></b>

The above strategic stocks belong to the Organisation and are valued at the lower of historical cost and net realisable value. As at 31 December 2022, the historical cost was lower than the net realisable value and therefore no change in carrying value is recognised for the year 2022 (2021: €37,039,757).

At 31 December 2022, the Organisation owned or had secured quantities, for the purpose of meeting the obligation per Κ.Δ.Π. 261/2021, of oil amounting to 512,388 metric tons. This corresponds to 91 days of inland imports. The month end average stocks held by the Organisation during 2022 correspond to 90.5 days of inland imports. The relevant legislation and regulations stipulate a minimum of 90 days of inland imports.

	2022 €	2021 €
Strategic inventory at 1 January	<b>116,371,516</b>	86,664,482
Purchases	<b>19,016,243</b>	14,239,013
Cost of stocks sold	<b>(9,400,867)</b>	(21,126,425)
Deficit from renewals of strategic inventory movement	<b>(3,030)</b>	(305,907)
Deficit of physical losses from storage	<b>(232,419)</b>	(139,404)
Adjustment for net realisable value	<b>(1)</b>	37,039,757
<b>Balance at 31 December</b>	<b><u>125,751,442</u></b>	<b><u>116,371,516</u></b>

The movement in the above table, excluding the adjustment for Net Realisable Value, is €9.4 m while the deficit from renewal/sale/storage of strategic inventory movement in the Statement of Comprehensive Income is €9.7 m. The difference is mainly the result of foreign exchange gains/losses and unequal volumes of stocks purchased and sold.

The deficit of €232,419 (2021:€139,404) relates to stock deficits which are due to the storage of oil products over long periods. During 2022, there was a deficit from the renewal of strategic inventories of €3,030 (2021: €305,907).

Strategic inventories are sold when:

- (a) Re circulation of oil stocks is required to maintain product quality within specifications,
- (b) there is an energy crisis according to the provisions of Oil Crisis Law and of the Maintenance of Oil Stocks Law of 2003 to 2020;
- (c) a seasonal adjustment in specification is necessary;
- (d) the organisation needs to upgrade inventories as a result of changes in specifications required by Law; and
- (e) operational issues drive the sale such as availability of storage, due to alterations in the Cyprus' oil consumption profile etc.

For the storage of the stocks, the Organisation has storage service agreements with external providers including providers based in Greece.

Storage contracts, currently held by the Organisation, are contractually under the term of zero percentage losses.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 19. Cash at bank and in hand

	2022	2021
	€	€
Cash in hand	921	1,413
Cash at bank	<u>17,698,851</u>	<u>12,350,555</u>
	<b><u>17,699,772</u></b>	<b><u>12,351,968</u></b>

	2022	2021
	€	€
Cash in hand	921	1,413
Cash at bank	<u>17,698,851</u>	<u>12,350,555</u>
Fixed-term deposits	<u>5,143,987</u>	<u>5,143,446</u>
	<b><u>22,843,759</u></b>	<b><u>17,495,414</u></b>

For the purposes of the cash flow statement, the cash and cash equivalents include the following:

	2022	2021
	€	€
Cash at bank and in hand	<u>17,699,772</u>	<u>12,351,968</u>
Bank overdrafts (Note 20)	<u>(8)</u>	<u>(37)</u>
	<b><u>17,699,764</u></b>	<b><u>12,351,968</u></b>

### Reconciliation of liabilities arising from financing activities:

	2022	2021
	Bank loans €	Bank loans €
Balance at 1 January	14,388,706	17,239,178
Cash flows:		
Repayment of principal	(2,807,565)	(2,947,957)
Repayment of interest	(198,686)	(169,044)
Interest expense	<u>249,236</u>	<u>266,529</u>
<b>Balance at 31 December</b>	<b><u>11,631,683</u></b>	<b><u>14,388,706</u></b>

### Cash and cash equivalents by currency:

	2022	2021
	€	€
United States Dollars	<u>2,645,913</u>	<u>2,471,216</u>
Euro	<u>15,053,859</u>	<u>9,880,752</u>
	<b><u>17,699,772</u></b>	<b><u>12,351,968</u></b>

The exposure of the Organisation to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 7 of the financial statements.

There were no non-cash transactions during 2022 and 2021.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 20. Borrowings

	2022	2021
	€	€
<b>Current borrowings</b>		
Bank overdrafts (Note 19)	8	37
Bank loans	<u>3,006,260</u>	<u>2,762,413</u>
	<b>3,006,268</b>	<b>2,762,450</b>
<b>Non-current borrowings</b>		
Bank loans	<u>8,625,423</u>	<u>11,626,293</u>
<b>Total</b>	<u><b>11,631,691</b></u>	<u><b>14,388,743</b></u>

Maturity of non-current borrowings:

	2022	2021
	€	€
Between one to two years	<u>6,012,520</u>	2,814,655
Between two and five years	<u>2,612,903</u>	<u>8,811,638</u>
	<b>8,625,423</b>	<b>11,626,293</b>

The above borrowings are repayable by semi-annual installments by March 2027. The bank loans are secured as follows:

- By pledging partial income, comprised of members' subscriptions of the Organisation as included in the budget every year.

The weighted average effective interest rates at the reporting date were as follows:

	2022	2021
Bank loans	<b>2.41%</b>	1.87%

The Organisation borrowings are denominated in the following currencies:

	2022	2021
	€	€
Euro	<u>11,631,683</u>	4,388,706
	<b>11,631,683</b>	<b>14,388,706</b>

The Organisation had decided to construct and operate a storage Terminal in Vassiliko (the project) which will be used as storage facility for the Organisation's strategic oil stocks. For that purpose, on 28 December 2017, the Organisation signed a Finance Contract with European Investment Bank (EIB) under which EIB provides a credit in the amount of €35 million for the purposes of the construction of the Terminal in Vassiliko (the project). The expected cost for the project is €58 million and will be financed by EIB credit and its own funds. As at the date of the approval of these financial statements no tranche was withdrawn. The contract was amended on 14 January 2020 and 20 April 2023 and the final availability date of loan disbursements has been set at 31 December 2025.

The loan agreement with EIB requires the Organisation to comply with the following covenants:

1. Debt over Adjusted Equity (DOAE): shall not exceed (i) 175% from 01/01/2020 (included) until 31/12/2020 (included) and (ii) 150% thereafter.
2. Availability of liquid funds (ALF): not lower than 1:1
3. Annual income stream generation (ISG): not lower than 1:1

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 20. Borrowings (continued)

No covenant breaches took place during the year.

The carrying amount of borrowings approximate their fair value.

### 21. Trade and other payables

	2022	2021
	€	€
Trade payables	679,663	709,750
Accruals	239,873	107,864
	<u>919,536</u>	<u>817,614</u>

The Organisation's trade and other payables are denominated in the following currencies:

	2022	2021
	€	€
Euro	<u>919,536</u>	817,614
	<u>919,536</u>	<u>817,614</u>

The fair values of trade and other payables due within one year approximate their carrying amounts as presented above.

### 22. Related party transactions

The Organisation is supervised by the Minister of Energy, Commerce and Industry of the Republic of Cyprus.

The following transactions were carried out with related parties:

#### 22.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2022	2021
	€	€
Directors' fees	<u>12,183</u>	15,090
	<u>12,183</u>	<u>15,090</u>

Specific transactions with the EAC have been disclosed in the relevant notes (Notes 9, 11 and 16).

### 23. Contingent liabilities

The Organisation had no contingent liabilities as at 31 December 2022.

# CYPRUS ORGANISATION FOR STORAGE AND MANAGEMENT OF OIL STOCKS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 24. Commitments

#### Storage fees commitments

The future aggregate minimum storage fee commitments under non-cancellable agreements are as follows:

	2022	2021
	€	€
Within one year	<b>6,253,906</b>	10,113,223
Between one and five years	<b>252,886</b>	6,162,928
	<b><u>6,506,792</u></b>	<u>16,276,151</u>

The decrease for 2022 relates to the fact that most storage agreements expire during 2023, while only one third party agreement extends beyond 2023 for 2 months. No new storage agreements were signed during the year.

### 25. Events after the reporting period

The international economy has been disrupted by the war in Ukraine that started in February 2022 and is still under way. International oil prices have fluctuated throughout the early months of 2023 but remain close to the prices seen in the year 2022.

Due to market fluctuations and the high prices that continue to be observed in the international oil market, the international market for options (tickets) has been significantly affected, resulting in a sharp price increase that started in the second half of 2022 and continues in the first months of 2023.

In relation to the construction of the privately owned terminal at Vassiliko, the Organisation proceeded, during 2023, to sign the contract for the Design, Construction and Maintenance of the Terminal in February 2023 while the tender for the Design, Construction and Maintenance of the Fire Fighting System of the Vassiliko Energy Centre has been published and the tenders received are being evaluated during the first months of 2023.

There were no other material events after the reporting period which have a bearing on the understanding of the financial statements.

**Independent auditor's report on pages 2 to 4**