



Original

**Cyprus Organisation for Storage and
Management of Oil Stocks**

**Report and financial statements
31 December 2008**

Cyprus Organisation for Storage and Management of Oil Stocks

Report and financial statements 31 December 2008

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Cyprus Organisation for Storage and Management of Oil Stocks

Board of Directors and other officers

Board of Directors

George Demetriou, Chairman
Christos Malikkides, Vice Chairman
Themis Theodosiou
Christos Christofi
Antonis Semelides
Thomas Sepos
Andreas Papadopoulos
Yiannakis Mallourides
Andreas Lambrianou

Legal Advisors

Chrysis Demetriades & Co
Arch. Makariou III 284 Avenue
Fortuna Court
CY 3105 Limasol
Cyprus

Louka & Serafim Lawyer and Legal Consultant
Vasilissis Friderikis 10
Jacki Court, 3rd floor, office 302
1066 Nicosia
Cyprus

Auditors

PricewaterhouseCoopers Limited
Julia House
3 Themistocles Dervis Street
CY-1066 Nicosia

Independent Auditors' Report To the Members of Cyprus Organisation for Storage and Management of Oil Stocks

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Report on the Financial Statements

We have audited the financial statements of Cyprus Organisation for Storage and Management of Oil Stocks (the "Organisation") on pages 4 to 27, which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Organisation's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Maintenance of Oil Stocks Laws, 2003 to 2005. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board Members: Phidias K Pillides (CEO), Dinos N Papadopoulos (Deputy CEO), Panikos N Tsialis, Christakis Santis, Stephanos D Stephanides, Costas L Hadjilconstantinou, George Foradaris, Costas M Nicolaidis, Angelos M Lolzou, Vasilis Hadjivasiliou, Androulla S Pittas, Savvas C Michail, Costas L Mavrocordatos, Christos M Themistocleous, Panicos Kaourla, Nicos A Neophytou, George M Loizou, Pantelis G Evangelou, Liakos M Theodorou, Stelios Constantinou, Tassos Procopiou, Andreas T Constantinides, Theo Parperis, Constantinos Constantinou, Petros C Petrakis, Philippos C Soselios, Evgenios C Evgeniou, Christos Tsolakias, Nicos A Theodoulou, Nikos T Nikolaides, Cleo A Papadopoulou, Marios S Andreou, Nicos P Chimarides, Aram Tavittian, Constantinos Taliotis, Stavros A Kattamis, Yiangos A Kaponides, Tassos N Nolas, Chrysallos K Pelekanoa, Efythios Efythiou, George C Lambrou, Chris Odysseus, Constantinos L Kapsalis, Stelios A Violaris, Antonis Hadjiloucas, Petros N Maroudias
Directors of Operations: Androulla Aristidou, Achilles Chrysanthou, George Skapoullaris, Demetris V Psaltis, George A Ioannou, George C Kazamias, Michael Kiriotis, Marios G Metanides, Sophie A Solomonidou, Yiannis Televantides, Antonis Christodoulides, Anna G Loizou

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Cyprus Organisation for Storage and Management of Oil Stocks as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Maintenance of Oil Stocks Laws, 2003 to 2005.

Other Matter

This report, including the opinion, has been prepared for and only for the Organisation's members as a body in accordance with the Maintenance of Oil Stocks Laws, 2003 to 2005 and for no other purpose. 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.

PricewaterhouseCoopers

PricewaterhouseCoopers Limited
Chartered Accountants

Nicosia, 1 February 2010

Cyprus Organisation for Storage and Management of Oil Stocks

Income statement for the year ended 31 December 2008

	Note	2008 €	2007 €
Income	5	28.967.602	17.770.851
Cost of income		(15.096.145)	(7.867.662)
Gross surplus		13.861.457	9.903.189
(Deficit)/Surplus from renewal of strategic inventory	13	(4.216.892)	2.506.754
Selling and marketing costs		(8.109)	(5.915)
Administrative expenses		(470.784)	(356.814)
Other income	6	755.818	506.105
Operating surplus		9.921.490	12.553.319
Finance costs	8	(5.411.344)	(4.236.087)
Surplus before tax		4.510.146	8.317.232
Tax	9	(75.582)	(50.552)
Surplus for the year		<u>4.434.564</u>	<u>8.266.680</u>


The notes on pages 8 to 27 are an integral part of these financial statements.

Cyprus Organisation for Storage and Management of Oil Stocks

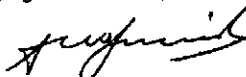
Balance sheet at 31 December 2008

	Note	2008 €	2007 €
Assets			
Non-current assets			
Property, plant and equipment	12	42.945	23.123
Strategic Inventory	13	<u>98.871.984</u>	<u>66.678.943</u>
		<u>98.914.929</u>	<u>66.702.066</u>
Current assets			
Trade and other receivables	14	13.887.005	5.625.046
Cash and cash equivalents	15	<u>22.404.729</u>	<u>21.141.663</u>
		<u>36.291.734</u>	<u>26.766.709</u>
Total assets		<u>135.206.663</u>	<u>93.468.775</u>
Equity and liabilities			
Reserves			
Retained earnings		<u>26.965.912</u>	<u>22.531.348</u>
Non-current liabilities			
Borrowings	16	<u>99.675.571</u>	<u>60.521.274</u>
		<u>99.675.571</u>	<u>60.521.274</u>
Current liabilities			
Trade and other payables	17	3.365.536	7.916.153
Borrowings	16	<u>5.199.644</u>	<u>2.500.000</u>
		<u>8.565.180</u>	<u>10.416.153</u>
Total liabilities		<u>108.240.751</u>	<u>70.937.427</u>
Total equity and liabilities		<u>135.206.663</u>	<u>93.468.775</u>

On 1 February 2010 the Board of Directors of Cyprus Organisation for Storage and Management of Oil Stocks authorised these financial statements for issue.



George Demetriou, Chairman, Director



Christos Malikkides, Vice Chairman, Director

The notes on pages 8 to 27 are an integral part of these financial statements.

Cyprus Organisation for Storage and Management of Oil Stocks

Statement of changes in equity for the year ended 31 December 2008

	Retained earnings €	Total €
Balance at 1 January 2007	<u>14.264.668</u>	<u>14.264.668</u>
Surplus for the year	<u>8.266.680</u>	<u>8.266.680</u>
Balance at 31 December 2007	22.531.348	22.531.348
Balance at 1 January 2008	<u>22.531.348</u>	<u>22.531.348</u>
Surplus for the year	<u>4.434.564</u>	<u>4.434.564</u>
Balance at 31 December 2008	<u>26.965.912</u>	<u>26.965.912</u>

The notes on pages 8 to 27 are 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 2008

	Note	2008 €	2007 €
Cash flows from operating activities			
Surplus before tax		4.510.146	8.317.232
Adjustments for:			
Depreciation of property, plant and equipment	12	12.059	6.740
Interest income	6	(755.818)	(504.634)
Interest expense	8	5.411.344	3.027.520
Deficit/(Surplus) from renewal of strategic inventory		<u>4.216.892</u>	<u>(2.506.754)</u>
		13.394.623	8.340.104
Changes in working capital:			
Trade and other receivables		(8.261.959)	(805.447)
Trade and other payables		(4.550.617)	6.226.940
Strategic Inventory		<u>(36.409.933)</u>	<u>(2.478.660)</u>
Cash (used in)/generated from operations		(35.827.886)	11.282.937
Tax paid		<u>(75.582)</u>	<u>(50.556)</u>
Net cash (used in)/from operating activities		<u>(35.903.468)</u>	<u>11.232.381</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	12	(31.881)	(17.318)
Interest received		<u>755.818</u>	<u>504.635</u>
Net cash from investing activities		<u>723.937</u>	<u>487.317</u>
Cash flows from financing activities			
Proceeds from bank borrowings		41.853.941	3.797.930
Interest paid		<u>(5.411.344)</u>	<u>(3.027.520)</u>
Net cash from financing activities		<u>36.442.597</u>	<u>770.410</u>
Net increase in cash and cash equivalents		1.263.066	12.490.108
Cash and cash equivalents at beginning of year		<u>21.141.663</u>	<u>8.651.555</u>
Cash and cash equivalents at end of year	15	<u>22.404.729</u>	<u>21.141.663</u>

The notes on pages 8 to 27 are an integral part of these financial statements.

Cyprus Organisation for Storage and Management of Oil Stocks

Notes to the financial statements

1 General information

Country of incorporation

The Organisation is established in Cyprus as public law organisation in accordance with the provisions of the Maintenance of Oil Stock Laws 2003 to 2005. The headquarters of the Organisation are in Nicosia and the offices of the Organisation are at 20 Themistocles Dervis Street, 4th Floor, CY-1066 Nicosia, Cyprus.

Principal activities

The principal activities of the Organisation, which are unchanged from last period, are the Storage and Management of the national oil stocks, in order to ensure the smooth supply of energy to the Republic.

Operating environment – Recent volatility in global financial markets

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and higher interbank lending rates. The uncertainties in the global financial market have also led to bank failures and bank rescues in the United States of America and Western and Eastern European countries. Such circumstances could affect the ability of the Organisation to obtain new borrowings or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. The debtors or borrowers of the Organisation may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed. Deteriorating operating conditions for debtors or borrowers may also have an impact on the Organisation's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, Management has reflected revised estimates of expected future cash flows in its impairment assessments.

The uncertainty in the global markets combined with other local factors has during 2008 led to very high volatility in the stock markets and at times much higher than normal interbank lending rates. Management, bearing in mind the legal framework in which the Organisation operates, is unable to reliably estimate the effects on the Organisation's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability of the Organisation's business in the current circumstances.

2 Summary of significant accounting policies

The principal accounting policies applied 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.

Cyprus Organisation for Storage and Management of Oil Stocks

2 Summary of significant accounting policies (continued)

Basis of preparation

The financial statements of the Cyprus Organisation for Storage and Management of Oil Stocks have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Maintenance of Oil Stock Law 2003 to 2005.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2007 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of (a) certain provisions of IAS39 'Financial Instruments: Recognition and Measurement' relating to portfolio hedge accounting and (b) the amendment to IAS39 and IFRS7 on the effective date and transition of the 'Reclassification of financial assets'.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Organisation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Adoption of new and revised IFRSs

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 2008. This adoption did not have a material effect on the accounting policies of the Organisation.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

(i) Adopted by the European Union

New standards

- IFRS 8 "Operating Segments" (effective for annual periods beginning on or after 1 January 2009).
- IAS 1 (Revised) "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009).
- IAS 23 (Revised) "Borrowing Costs" (effective for annual periods beginning on or after 1 January 2009).
- IFRS 3 (Revised) "Business Combinations" (effective for annual periods beginning on or after 1 July 2009).
- IAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009).

Cyprus Organisation for Storage and Management of Oil Stocks

2 Summary of significant accounting policies (continued)

Amendments

- Amendments to IFRS 1 “First time adoption of IFRS” and IAS27 “Consolidated and separate financial statements” on the “Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate” (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRS 2 “Share Based Payment: Vesting Conditions and Cancellations” (effective for annual periods beginning on or after 1 January 2009).
- Amendments to IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of financial statements on “Puttable Financial Instruments and Obligations arising on Liquidation” (effective for annual periods beginning on or after 1 January 2009).
- Improvements to IFRSs 2008 (effective for annual periods beginning on or after 1 January 2009).

New IFRICs

- International Financial Reporting Interpretation Committee (IFRIC) 12 “Service Concession Arrangements” (effective for annual periods beginning on or after 29 March 2009).
- IFRIC 13 “Customer Loyalty Programmes” (effective for annual periods beginning on or after 1 July 2008).
- IFRIC14 “IAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction” (effective for annual periods beginning on or after 1 January 2008).
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” (effective for annual periods beginning on or after 1 October 2008).

(ii) Not adopted by the European Union

New standards

- IFRS 1 (Revised) “First Time Adoption of International Financial Reporting Standards” (effective for annual periods beginning on or after 1 January 2009).
- IFRS 3 (Revised) “Business Combinations” (effective for annual periods beginning on or after 1 July 2009).
- IAS 27 (Revised) “Consolidated and Separate Financial Statements” (effective for annual periods beginning on or after 1 July 2009).

Amendments

- Amendment to IAS 39 “Eligible Hedged Items” (effective for annual periods beginning on or after 1 July 2009).

Cyprus Organisation for Storage and Management of Oil Stocks

2 Summary of significant accounting policies (continued)

- Amendment to IFRS 7 - "Financial Instruments: Disclosures: Improving disclosures about financial instruments" (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRIC 9 and IAS 39 regarding embedded derivatives (effective for annual periods beginning on or after 1 July 2009).
- Annual Improvements 2009 (effective for annual periods beginning on or after 1 July 2009).

New IFRICs

- IFRIC 15 "Agreements for the Construction of Real Estate" (effective for annual periods beginning on or after 1 January 2009).
- IFRIC 17 "Distributions of Non cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 18 "Transfers of Assets from Customers" (effective for annual periods beginning on or after 1 July 2009).

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 except from the application of IAS 1 (Revised) 'Presentation of Financial Statements' which will have a material effect on the presentation of the financial statements and the application of IFRS 7 (Amendments) - 'Financial Instruments: Disclosures: Improving disclosures about financial instruments' which will enhance disclosures about fair value measurements and liquidity risk.

Revenue recognition

The revenue of the Organisation comprises of members' subscriptions, as defined the Maintenance of Oil Stock Laws 2003 to 2005. Revenues earned by the Organisation are recognised on the following bases:

(i) Members subscriptions

Members' subscriptions are calculated using a fixed proportion on quantities of sales from companies selling petroleum products. The proportion used is determined based on the group of the petroleum products.

Member subscriptions are recognised on an accrual basis in accordance with sale of petroleum products from Organisation's members.

(ii) Interest income

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

Cyprus Organisation for Storage and Management of Oil Stocks

2 Summary of significant accounting policies (continued)

Foreign currency translation

(i) 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. At 1 January 2008 the Organisation has changed its functional currency from Cyprus Pounds to Euro after the accession of Republic of Cyprus to Eurozone.

(ii) 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 the income statement.

Tax

The Organisation is not subject to tax on surplus from its trading activities, but is subject to special defence contribution on interest income.

Plant and equipment

All plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of plant and equipment.

Depreciation on all plant and equipment is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

	%
Furniture and fixtures	10
Office equipment	10
Computer Software	33 1/3
Motor vehicles	20

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Cyprus Organisation for Storage and Management of Oil Stocks

2 Summary of significant accounting policies (continued)

Plant and equipment (continued)

Expenditure for repairs and maintenance of plant and equipment is charged to the income statement of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Organisation and the cost of the item can be measured reliably.

Gains and losses on disposal of plant and equipment are determined by comparing proceeds with carrying amount and these are included in the income statement.

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 programmes 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 programmes are charged to the income statement of the year in which they were incurred. Computer software costs are amortised using the straight-line method over their estimated useful lives, not exceeding a period of five years. Amortisation commences when the computer software is available for use and is included within administrative expenses.

Impairment of assets

Assets that are subject to depreciation or amortisation 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).

Cyprus Organisation for Storage and Management of Oil Stocks

2 Summary of significant accounting policies (continued)

Strategic Inventories

Strategic inventories are stated at cost. Cost is determined using the weighted average cost method and includes raw materials and other expenses except from borrowing costs. 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 a need of renewal of stock.

Strategic Inventories are sold when:

- (a) a seasonal adjustment in specification is necessary; or
- (b) the Organization needs to upgrade inventories as a result of changes in specifications required by Law.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Organisation will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Provisions

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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 balance sheet date.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. In the balance sheet bank overdrafts are shown within borrowings in current liabilities.

Cyprus Organisation for Storage and Management of Oil Stocks

2 Summary of significant accounting policies (continued)

Comparatives

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

3 Financial risk management

(i) Financial risk factors

The Organisation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

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

- i) statements of policy regarding market risk (foreign exchange risk, cash flow and fair value interest rate 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.

- **Market risk**

- **Foreign exchange risk**

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Organisation's functional currency. Since the Organisation's functional currency has changed from Cyprus Pounds to Euro the foreign exchange risk is minimised and it is considered immaterial.

The organisation handles foreign currency risk by denominating transactions in its home currency, i.e. the euro. Oil purchases and sales are usually denominated in US dollars. The Organisation mitigates the exposure to fluctuation in the US dollar by limiting the period between invoicing and payment in US dollars to less than one calendar month. Where any exposure to foreign exchange risk is likely to persist for a longer period the organisation, on a case by case basis considers the use of appropriate financial hedging instruments. The organisation does not hedge against long term movements of the US dollar exchange rate and the price of oil as oil price adjustments usually contain an element for such currency fluctuations and because it is not possible to predict safely currency and price fluctuations or future oil stock requirements.

Cyprus Organisation for Storage and Management of Oil Stocks

3 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Market risk (continued)**

Cash flow and fair value interest rate risk

As the Organisation has significant interest-bearing assets, the Organisation's income and operating cash flows are substantially dependent of changes in market interest rates. At 31 December 2008, if the rates on the Euro deposits had been 0,1% higher/lower with all other variables held constant, post-tax profit for the year would have been €80.098 (2007: €14.897) higher/lower.

The Organisation's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Organisation to cash flow interest rate risk. Borrowings issued at fixed rates expose the Organisation to fair value interest rate risk. At 31 December 2008, if the rates on the Euro borrowings had been 0,1% higher/lower with all other variables held constant, post-tax surplus for the year would have been €21.773 (2007: €64.621) lower/higher.

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
- iv) obtaining credit rating from a recognised credit rating agency
- (v) monitoring positions and taking appropriate measures in each circumstance including:
 - a) early repayments without penalty
 - b) refinancing
 - c) use of hedging instruments

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

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

Cyprus Organisation for Storage and Management of Oil Stocks

3. Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. Failure by the above counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Organisation has no significant concentrations of credit risk.

The Organisation does not undertake any credit risk other than that involved in allowing credit to its members as provided by existing legislation.

The Organisation uses all necessary collection measures provided by law in order to ensure the implementation of this policy.

All the members of the organisation are either government owned bodies or significant multinational corporations, or publicly listed companies with substantial credit standing.

Deposits with any bank do not exceed Euro 5 million, except with banks from which the Organisation has raised loans. 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.

The table below shows the credit limit and balance of the major counterparties at the balance sheet date.

	Rating	<u>31 December 2008</u>		<u>31 December 2007</u>	
		Maximum limit (€)	Balance (€)	Maximum limit (€)	Balance (€)
Bank of Cyprus	A2	-	9.890.091	-	11.201.608
Marfin Popular Bank	A3	-	5.811.050	-	9.940.055
		-	<u>15.701.141</u>	-	<u>21.141.663</u>
	Rating	<u>31 December 2008</u>		<u>31 December 2007</u>	
		Credit limit (€)	Balance (€)	Credit limit (€)	Balance (€)
Electricity Authority of Cyprus		-	1.827.142	-	1.830.076
Exxon Mobil Cyprus		-	1.323.049	-	687.495
Hellenic Petroleum Cyprus		-	3.519.642	-	784.990
Petrolina Holdings (Public) Ltd		-	2.439.114	-	682.540
PPT Aviation Services		-	183.532	-	179.340
BP Eastern Mediterranean Ltd		-	525.956	-	199.337
Lukoil Cyprus		-	797.087	-	70.388
		-	<u>10.615.522</u>	-	<u>4.434.166</u>

Cyprus Organisation for Storage and Management of Oil Stocks

3 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk (continued)**

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

- **Liquidity risk**

The table below analyses the Organisation's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	Over 5 years
	€	€	€	€	€	€
At 31 December 2007						
Borrowings	-	1.250.000	1.250.000	2.633.000	8.761.810	58.950.814
Trade and other payables	<u>3.785.281</u>	<u>-</u>	<u>4.130.872</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3.785.281</u>	<u>1.250.000</u>	<u>5.380.872</u>	<u>2.633.000</u>	<u>8.761.810</u>	<u>68.950.814</u>
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	Over 5 years
	€	€	€	€	€	€
At 31 December 2008						
Borrowings	-	1.942.175	3.257.469	4.097.989	13.683.493	116.013.312
Trade and other payables	<u>3.365.537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3.365.537</u>	<u>1.942.175</u>	<u>3.257.469</u>	<u>4.097.989</u>	<u>13.683.493</u>	<u>116.013.312</u>

The Organisation is by law a not for profit organisation. Surpluses (other than short term surpluses) are maintained for use in:

- Additional stock purchases
- Unforeseen changes in the payment of interest or storage fees

Short term surpluses are returned to consumers by reducing subscriptions or financing expenditure without further borrowing.

The level of income required to finance the operations of the organisation is planned as per the organisation's Medium Term Financial Plan (MTFS), first developed in 2005 and revised in 2007. The assumptions of the MTFS are reviewed annually.

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

Cyprus Organisation for Storage and Management of Oil Stocks

3 Financial risk management (continued)

The Organisation maintains an ongoing 12-month cash flow rolling projection.

(ii) Capital risk management

The capital as defined by management at 31 December 2008 and 2007 was as follows:

	2008 €	2007 €
Total borrowings (Note 16)	104.875.215	63.021.274
Less: cash and cash equivalents (Note 15)	<u>(22.404.729)</u>	<u>(21.141.663)</u>
Net debt	82.470.486	41.879.611
Total equity	<u>26.965.912</u>	<u>22.531.348</u>
Total capital as defined by management	<u>109.436.398</u>	<u>64.410.959</u>
Gearing ratio	75%	65%

The increase in the gearing ratio during 2008 resulted primarily from borrowings taken during the year for financing the strategic inventories.

The capital as defined by management at 31 December 2008 and 2007 consists of equity as shown on the face of the balance sheet.

The Organisation, by law, has no capital and is a not for profit Organisation. However, long term surpluses are created as the Organisation's loans are repaid.

Eventually the Organisation shall have an accumulated long term surplus equal to the cost of its strategic inventory. Given the above and the organisation's ability to vary its levy/subscription in order to cover its expenditure no further capital requirements are considered necessary.

(iii) Fair value estimation

The Organisation does not invest in financial instruments traded on an active market or whose capital amount may vary. Appropriate valuation methods are used for the determination of the fair value of these instruments.

4 Critical accounting estimates and judgements

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

4 Critical accounting estimates and judgements (continued)

(i) 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. At the balance sheet date the accounting estimates of the Organisation were not material.

5 Income

	2008 €	2007 €
Income from members' subscriptions	<u>28.957.602</u>	<u>17.770.851</u>

6 Other income

	2008 €	2007 €
Interest income:		
Bank balances	755.818	504.634
Other income	-	1.471
	<u>755.818</u>	<u>506.105</u>

7 Expenses by nature

	2008 €	2007 €
Depreciation, amortisation and impairment charges (Note 12)	12.059	6.739
Auditors' remuneration	8.400	9.500
Trade receivables - impairment charges for receivables	-	-
Travelling and transportation expenses	3.636	9.806
Other expenses	236.975	191.854
Fees of the members of the Board of Directors	7.231	8.697
Office rentals	35.662	31.575
Strategic Inventory storage expenses	15.096.145	7.867.662
Cost of purchase of staff services	<u>174.930</u>	<u>104.558</u>
Total cost of goods sold, selling and marketing costs, administrative expenses and other expenses	<u>15.575.038</u>	<u>8.230.391</u>

8 Finance costs

	2008 €	2007 €
Interest expense:		
Bank borrowings	<u>5.411.344</u>	<u>3.027.520</u>
Net foreign exchange transaction loss	-	1.208.567
	<u>5.411.344</u>	<u>4.236.087</u>

Cyprus Organisation for Storage and Management of Oil Stocks

9 Tax

	2008	2007
	€	€
Current tax charge:		
Defence contribution	<u>75.582</u>	<u>50.552</u>

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

Under certain conditions interest may be subject to defence contribution at the rate of 10%.

10 Financial instruments by category

	Loans and receivables €	Total €
31 December 2008		
Assets as per balance sheet		
Trade and other receivables ⁽¹⁾	13.881.879	13.881.879
Cash and cash equivalents	<u>22.404.729</u>	<u>22.404.729</u>
Total	<u>36.286.608</u>	<u>36.286.608</u>
	Other financial liabilities €	Total €
Liabilities as per balance sheet		
Borrowings	104.875.215	104.875.215
Trade and other payables ⁽¹⁾	<u>3.365.536</u>	<u>3.365.536</u>
Total	<u>108.240.751</u>	<u>108.240.751</u>
	Loans and receivables €	Total €
31 December 2007		
Assets as per balance sheet		
Trade and other receivables ⁽¹⁾	5.619.920	5.619.920
Cash and cash equivalents	<u>21.141.663</u>	<u>21.141.663</u>
Total	<u>26.761.583</u>	<u>26.761.583</u>
	Other financial liabilities €	Total €
Liabilities as per balance sheet		
Borrowings	63.021.274	63.021.274
Trade and other payables ⁽¹⁾	<u>7.906.024</u>	<u>7.906.024</u>
Total	<u>70.927.298</u>	<u>70.927.298</u>

(1) The rest of the balance sheet item 'trade and other receivables' is prepayments.

(1) The rest of the balance sheet item 'trade and other payables' is accruals.

Cyprus Organisation for Storage and Management of Oil Stocks

11 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	2008 €	2007 €
Fully performing trade receivables		
Counterparties without external credit rating		
Group 1	<u>10.667.142</u>	<u>4.439.292</u>
Total fully performing trade receivables	<u>10.667.142</u>	<u>4.439.292</u>
Fully performing other receivables		
Group 2	<u>3.219.863</u>	<u>1.185.754</u>
Cash at bank and short-term bank deposits		
A2	9.890.091	11.201.608
A3	5.811.050	9.940.055
Without rating	<u>6.703.588</u>	<u>-</u>
	<u>22.404.729</u>	<u>21.141.663</u>

Group 1 – existing customers (more than 6 months) with no defaults in the past.

Group 2 – VAT receivable

12 Property, plant and equipment

	Furniture, fixtures and office equipment €	Motor vehicles €	Computer hardware and software €	Total €
At 1 January 2007				
Cost	9.302	-	7.210	16.512
Accumulated depreciation	<u>(1.825)</u>	<u>-</u>	<u>(2.144)</u>	<u>(3.969)</u>
Net book amount	<u>7.477</u>	<u>-</u>	<u>5.066</u>	<u>12.543</u>
Year ended 31 December 2007				
Opening net book amount	7.477	-	5.066	12.543
Additions	5.235	-	12.084	17.319
Depreciation charge	<u>(1.454)</u>	<u>-</u>	<u>(5.285)</u>	<u>(6.739)</u>
Closing net book amount	<u>11.258</u>	<u>-</u>	<u>11.865</u>	<u>23.123</u>
At 31 December 2007				
Cost	14.537	-	19.294	33.831
Accumulated depreciation	<u>(3.279)</u>	<u>-</u>	<u>(7.429)</u>	<u>(10.708)</u>
Net book amount	<u>11.258</u>	<u>-</u>	<u>11.865</u>	<u>23.123</u>

Cyprus Organisation for Storage and Management of Oil Stocks

12 Property, plant and equipment (continued)

	Furniture, fixtures and office equipment	Motor vehicles	Computer hardware and software	Total
Year ended 31 December 2008				
Opening net book amount	11.258	-	11.865	23.123
Additions	-	31.881	-	31.881
Depreciation charge	(1.461)	(5.313)	(5.285)	(12.059)
Closing net book amount	<u>9.797</u>	<u>26.568</u>	<u>6.580</u>	<u>42.945</u>
At 31 December 2008				
Cost	14.537	31.881	19.294	65.712
Accumulated depreciation	(4.740)	(5.313)	(12.714)	(22.767)
Net book amount	<u>9.797</u>	<u>26.568</u>	<u>6.580</u>	<u>42.945</u>

13 Strategic Inventory

	2008 €	2007 €
Finished goods	<u>98.871.984</u>	<u>66.678.943</u>

All of the above stock items belong to the Organisation and are stated at cost. The stocks of oil are classified in the following groups:

Group A:	Comprises of petrol for motor vehicles and aircraft fuel
Group B:	Comprises of diesel and kerosene
Group C:	Comprises of fuel oil

On 31 December 2008, the Organisation owned or had secured the following quantities of oil:

	Quantity of Category I Metric Ton	Quantity of Category II Metric Ton	Quantity of Category III Metric Ton
Stocks in the Republic of Cyprus (including stocks of petroleum companies which according to legislation are available to the Organisation in crisis situations)	70.612	108.851	345.646
Stocks of the Organisation in Greece & Netherlands	<u>17.963</u>	<u>99.795</u>	<u>19.780</u>
Total at 31 December 2008	<u>88.575</u>	<u>208.646</u>	<u>365.426</u>
Minimum quantity that should have been secured based on legislation	<u>86.760</u>	<u>199.989</u>	<u>308.520</u>

The Organisation as at the year end 31 December 2008 was in compliance with the Maintenance of Oil Stocks Laws, 2003 - 2005, paragraph 7(3)(b), the requirement to maintain stocks for each category of oil products, so that the national stocks of oil products are not less than the prescribed level i.e. 90 days of the average daily consumption of oil products.

Cyprus Organisation for Storage and Management of Oil Stocks

13 Strategic Inventory (continued)

	2008 €	2007 €
Stocks at 1 January	66.678.944	61.693.530
Purchases of finished goods	56.431.527	15.386.935
Sales	<u>(24.238.487)</u>	<u>(10.401.521)</u>
Stocks at 31 December	<u>98.871.984</u>	<u>66.678.944</u>

(Deficit)/Surplus from renewal of strategic inventories:

The deficit/surplus from sale of strategic inventories relates to the recycling of strategic inventories in order to be consistent with national or EU legislation. The deficit/surplus arises from the difference between cost of inventory and their selling price. It also includes surplus/deficit arising from the storage and transfer of products.

Strategic Inventories are sold when:

- (a) A seasonal adjustment in specification is necessary
- (b) The Organization needs to upgrade inventories as a result of changes in specifications required by Law.

In 2008 the Organization has disposed of stocks of diesel oil and gasoline as required by changes in specification (reduction of sulphur content from 50 ppm to 10 ppm) coming into effect on 1 January 2009.

(i) Diesel oil

In November and December 2008 23.620 MT of diesel stored in Cyprus were sold. The inventories sold were purchased in 2005. The average cost of the diesel stocks sold at the time of sale was €516 per MT.

During the second half of 2008 prices of diesel oil fell substantially and sales were made at an average price of €361,32 per MT. This resulted in an accounting loss of €3.653.542.

The Organization replaced the stocks in March 2009 by purchasing 38.734 MT at an average price of €298,70 per MT.

From the sale and repurchase of these inventories:

- (a) The Organization realized a cash surplus of €1.479.084, resulting from the sale of 23.620 MT of diesel at €361,32 per MT and replacing them at a cost of €298,70 per MT; and
- (b) The final cost of the upgraded strategic inventories of diesel oil was reduced from €516 per MT to €298,87 per MT.

(ii) Gasoline

In May 2008 the Organization sold 6.856 MT of gasoline stored in Cyprus at a selling price of €669.67. The inventories sold were purchased in 2005 at an average cost of €514 per MT.

In November and December 2008 a further quantity of 16.590 MT was sold at a price of €368,43.

The above sales resulted in an accounting loss of €646.684.

Cyprus Organisation for Storage and Management of Oil Stocks

13 Strategic Inventory (continued)

The Organization replaced the stocks by purchasing 16.590 MT in December 2008 at an average price of €371,42 per MT and 6.757 MT in July 2009 at a price of €457,96.

As a result of the sale and repurchase of gasoline inventories:

(a) The Organization realized a cash surplus of €1.447.218, resulting from the sale of 6.856 MT at €669,67 per MT and repurchasing 6.757MT at €457,96 per MT and the sale of 16.590MT of gasoline at €368,43 per MT and repurchasing the same quantity at €371,42; and

(b) The final cost of the upgraded strategic inventories of gasoline stored in Cyprus was reduced from €516 per MT to €415 per MT.

14 Trade and other receivables

	2008 €	2007 €
Trade receivables	10.615.522	4.434.166
Other receivables	46.494	-
Prepayments	5.126	5.126
VAT recoverable	<u>3.219.863</u>	<u>1.185.754</u>
	<u>13.887.005</u>	<u>5.625.046</u>

The fair value of trade and other receivables which are due within one year approximates their carrying amount at the balance sheet date.

As of 31 December 2008, trade receivables of €10.615.522 (2007: €4.434.166) were fully performing.

Concentrations of credit risk with respect to trade receivables are limited due to the Organisation's members' solvency. The Organisation's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Organisation's trade receivables.

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	2008 €	2007 €
Euro	<u>13.887.005</u>	<u>5.625.046</u>

15 Cash and cash equivalents

	2008 €	2007 €
Cash at bank and in hand	<u>22.404.729</u>	<u>21.141.663</u>

Cyprus Organisation for Storage and Management of Oil Stocks

15 Cash and cash equivalents (continued)

Cash\Bank overdrafts include the following for the purposes of the cash flow statement:

	2008 €	2007 €
Cash and cash equivalents	<u>22.404.729</u>	<u>21.141.663</u>

16 Borrowings

	2008 €	2007 €
Current		
Bank borrowings	<u>5.199.644</u>	<u>2.500.000</u>
Non-current		
Bank borrowings	<u>99.675.571</u>	<u>60.521.274</u>
Total borrowings	<u>104.875.215</u>	<u>63.021.274</u>
Maturity of non-current borrowings		
Between 1 and 2 years	3.884.350	2.500.000
Between 2 and 5 years	11.653.050	7.500.000
Over 5 years	<u>84.138.171</u>	<u>50.521.274</u>
	<u>99.675.571</u>	<u>60.521.274</u>

The above borrowings are given for a period up to 25 years. The bank loans are secured as follows:

- (i) By pledging of Oil Stocks acquired
- (ii) By pledging of income of the Organisation as included in the budget every year
- (iii) By pledging of all rights of the Organisation that derive from insurances

The carrying amounts of borrowings approximate their fair value.

The carrying amounts of the Organisation's borrowings are denominated in the following currencies:

	2008 €	2007 €
Euro	<u>104.875.215</u>	<u>63.021.274</u>

Cyprus Organisation for Storage and Management of Oil Stocks

17 Trade and other payables

	2008	2007
	€	€
Trade payables	2.730.794	7.856.326
Other payables	634.742	49.698
Accrued expenses	-	10.129
	<u>3.365.536</u>	<u>7.916.153</u>

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

18 Commitments

The Organisation has signed agreements with the Cyprus Petroleum Storage Company, the Hellenic Petroleum A.E, Motor Oil Hellas A.E, Total Netherlands, for the storage of Oil Stocks in the plants of the companies. Additionally, the Organisation entered into agreement with Electricity Authority of Cyprus (EAC) to secure the availability of fuel oil at the required level. Under agreements the Organisation will pay to the companies and EAC predetermined fees for the quantities of Oil Stocks that are stored/secured in their plants. The agreement with Motor Oil Hellas A.E is valid until 24 February 2010, with Cyprus Petroleum Storage Company until 31 December 2010, while all other agreements are valid until 31 December 2009.

19 Related party transactions

(i) Directors' remuneration

The total remuneration of the Directors (included in key management personnel compensation above) was as follows:

	2008	2007
	€	€
Emoluments as fees	<u>7.231</u>	<u>8.697</u>

20 Events after the balance sheet date

There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

Independent Auditors' Report on pages 2 to 3.

Cyprus Organisation for Storage and Management of Oil Stocks

Cost of goods sold for the year ended 31 December 2008

	2008 €	2007 €
Direct expenses		
Insurance	-	140.056
Storage fees for inventory	<u>15.096.145</u>	<u>7.727.606</u>
	<u>15.096.145</u>	<u>7.867.662</u>

Cyprus Organisation for Storage and Management of Oil Stocks

Analysis of expenses for the year ended 31 December 2008

	2008 €	2007 €
Selling and marketing costs		
Advertising	324	-
Travelling local expenses	3.636	2.922
Telephone and fax charges	4.112	2.993
Hospitality expenses	<u>37</u>	<u>-</u>
	<u>8.109</u>	<u>5.915</u>

	2008 €	2007 €
Administrative expenses		
Directors' remuneration	7.231	8.697
Salaries and related costs	174.930	104.558
Depreciation of property, plant and equipment	12.059	6.739
Auditors' remuneration	8.400	9.500
Legal fees	32.000	89.426
Professional fees	2.750	36.359
Legalisation of documents	17.086	-
Repairs and maintenance	2.666	-
Printing and stationery	375	-
Postages and courier	796	2.612
Cleaning expenses	183	-
Water and sewerage expenses	38	-
Insurance	1.469	-
Electricity	4.762	5.020
Staff training	1.230	-
Travelling abroad expenses	-	6.884
Non-recoverable VAT	13.191	-
Bank charges	110.854	26.188
Sundry expenses	16.183	29.256
Rent	35.662	31.575
Publication expenses	380	-
Port dues	15.728	-
Demurrages	<u>12.811</u>	<u>-</u>
	<u>470.784</u>	<u>356.814</u>

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Cyprus Organisation for Storage and Management of Oil Stocks as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Maintenance of Oil Stocks Laws, 2003 to 2005.

Other Matter

This report, including the opinion, has been prepared for and only for the Organisation's members as a body in accordance with the Maintenance of Oil Stocks Laws, 2003 to 2005 and for no other purpose. 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.

PricewaterhouseCoopers Limited
Chartered Accountants

Nicosia, 1 February 2010