

Cyprus Agricultural Payments Organisation (CAPO)

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DEPARTMENT OF FORESTRY

CYPRUS MILK INDUSTRY ORGANISATION

WINE PRODUCTS COUNCIL

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1. Address by the Commissioner of Agricultural Payments, Mr Costas Petrides



The Cyprus Agricultural Payments Organisation (CAPO) was established more than nine years ago and has been implementing the Common Agricultural Policy (CAP) since its establishment providing farmers with substantial support but also offering important benefits to society and to the rural areas.

The implementation of the CAP aims at protecting rural areas throughout the EU and maintaining the sustainability of the rural economy. It ensures a decent living for the EU farmers and improves productivity in the agricultural sector of the economy, thus enabling consumers to enjoy a plethora of high-quality, safe and affordable products. To adjust to the changing economic conditions and demands of EU citizens, the Common Agricultural Policy is undergoing successive reforms.

By participating in the CAP Measures launched by CAPO, Cypriot farmers receive financial aid which is derived both from European funds as well as from national funds. In order to allocate these funds to the farmers, CAPO has the obligation to apply controls and ensure that payments are carried out in accordance with European directives and regulations. From its establishment and up to the end of 2012, CAPO has paid out more than €1 billion to farmers.

In the course of 2012, CAPO received around 43000 applications, approximately 35700 whereof related

to participation in the Single Area Payment Scheme. Total payments amounted to approximately € 79.6 million, of which €43.7 million (54.88%) were disbursed from European Funds, whereas €35.9 million (45.12%) from state funds.

In particular, during the year under review, CAPO managed and made payments of €17.1 million related to the Single Area Payment Scheme, €7,6 million for the support of livestock farmers, €46.1 million for the Rural Development Programme and €3.3 million for the processing of citrus trees and vegetables. In addition, it granted subsidies for the Wine sector measures (€4.6 million), the Fruit and Vegetables sector (€1.9 million) and various other Measures (around €0.5 million).

Throughout the whole year CAPO employees were actively involved in their areas of competence with special focus on the implementation of the vision and the mission of the Organisation and the improvement of the quality and efficiency of the services rendered to the farmers. In the following pages there is a brief description of the Organisation's activities in the course of 2012 reporting amongst others on the completion of the re-digitisation of all plots, the development of a Web-GIS which enables farmers/applicants to have internet access to the Organisation's geographical data and the considerable increase in the rate of electronic submission of Single Area Payment Applications which reached 75%.

In closing my brief overview of the past year, I feel the need to express my deep thanks to the former President of the Republic of Cyprus, Mr Demetris Christofias, the Speaker of the House of Representatives Mr Yiannakis Omirou and all the Members of Parliament for their contribution and support to the work of the Organisation.

I would also like to extend my warm thanks to the successive Ministers of Agriculture, Natural Resources and Environment and the Ministers of Finance who have served since the establishment of the Organi-

sation for providing us with consistent and on-going support and assistance.

It would be an omission not to thank the CAPO personnel, as well as the management and staff of the Delegated Bodies which play a primordial role in the achievement of the Organisation's objectives.

Finally and most importantly, I wish to thank from the bottom of my heart all the farmers for the excellent cooperation they have forged with the Cyprus Agricultural Payments Organisation. Cypriot farmers are consistently making the most of all the opportunities provided to them thanks to our accession to the European Union and the CAP in order to build their future and establish a viable rural economy. The Cyprus Agricultural Payments Organisation shall continue to stand by their side and provide them with the necessary support through the implemented payment schemes to help them face the challenges and obstacles and allow them to prosper.

A handwritten signature in black ink, appearing to be 'Costas Petrides', written in a cursive style.

*Costas Petrides
Commissioner of Agricultural Payments*

2. Mission - Vision

CAPO's mission is to be an appropriately organized and effective body, with an extremely high sense of responsibility for accurate and on-time payments towards our agricultural community.

CAPO's vision is to have its own impact and be respected in Cyprus and the European Union (EU).



3. Profile

The Cyprus Agricultural Payments Organisation was established under Council Regulation (EC) No. 1258/1999 of 17 May 1999 on the financing of the Common Agricultural Policy (CAP). This regulation was amended by the Council Regulation (EC) No. 1290/2005 of 21 June 2005 on the financing of the Common Agricultural Policy.

Within the scope of Cyprus' preparations to enter the European Union, on the 27th of June, 2003, the House of Representatives enacted the Law No. 64(I) 2003 titled "The Establishment and Operation of the Agricultural Payments Organisation and other Related Matters Law". This law laid the foundation for the establishment of CAPO.

According to Law No. 64(I) 2003, CAPO is an independent legal entity that does not come under any Ministry or Department of the Government. It was established and it operates as an autonomous public Organisation based on its own legislation that provides it with valuable flexibility, to respond effectively to the stringent standards and time limits set by the Community.

On the 27th of February 2005, the Organisation was accredited by the Minister of Agriculture, Natural Resources and Environment who is the Competent Authority for Accreditation. In essence, Accreditation is the Organisation's "operating license" and the Competent Accreditation Authority is responsible for monitoring the Organisation's observance of Accreditation conditions. The Advisory Committee for Accreditation advises the Competent Authority on issues that fall within the competences of CAPO. At the same time, this Committee provides advice,

support and help to the Commissioner of Agricultural Payments, if he so requests.

The main responsibility of CAPO is the drawing and management of funds, to which Cyprus is entitled from the community budget. Additionally, CAPO is responsible for managing all other aid granted from national funds in order to support farming and rural areas.

Nowadays, the Organisation is called upon to operate in a new environment characterised by the changing conditions in EU agriculture, including the revision of the CAP, the current financial crisis, the increased complexity and acceleration of technological development.

In order to face up to all these challenges, CAPO is deploying on-going efforts to achieve a more efficient administration and organisation by adopting and applying new technologies, streamlining processes and upgrading the services provided to the farmers, whilst at the same time and insofar as possible limiting the required costs.

Against this background, in the course of 2011 and 2012, two strategic programming workshops were held, during which CAPO re-defined its vision and its mission and set new strategic objectives and new performance indicators.



The General Secretary of AKEL, Mr. Andros Kyprianou visits CAPO, February 29,2012

4. Organisation of CAPO

As it is made evident on the Organisation chart, the Organisation is managed by the Commissioner, who is aided in his work by the Assistant Commissioner.

CAPO has five (5) Divisions:

Integrated Administration and Control System (IACS) Division:

The Division is comprised of the Authorisation of Payments, the Technical Services and the District Offices. It promotes the introduction of contemporary, automated and technological methods for the submission, processing and auditing of the applications submitted for subsidies. It is responsible for the coordination and management of all operations and procedures, related to processing subsidy applications, with the aim of handling applications in a valid and timely manner for the various Measures, Submeasures and Schemes financed by the Organisation, including Measures / Submeasures that are assigned to Delegated Bodies. In relation to this, it promotes the introduction of modern, automated and technological methods for the submission, processing and checking of the applications submitted for payment.

The Authorisation of Payments sector handles all Measures and Schemes that provide subsidies of the European Agricultural Guarantee Fund (EAGF), the European Agricultural Fund for Rural Development (EAFRD) and from national resources. The management of the Common Agricultural Policy (CAP) Measures includes planning their announcement and implementation, issuing the implementation manuals, determining the eligibility criteria and control reports, designing the applications, publication of information bulletins for the public, processing, final control and approval of applications for payment. Moreover, it acts as general coordinator and project manager in tasks related to processing the thousands of applications handled by the Organisation. Furthermore, the division handles all contacts and issues that arise from the European Commission and pertain to correct monitoring and implementation of the Common Agricultural Policy.

The Technical Services sector is competent for the technical control of the area based applications before they are forwarded for payment approval. The technical control ensures the accuracy, quality and

generally the reliability of the data on which payments are based. The purpose of the Technical Services is to create a payment system without discrepancies between declared areas and eligible areas. The technical control of the applications is carried out by using the Geographical Information System (GIS) and conducting classical on the spot controls, as well as controls with remote sensing. These methods are further analysed in Unit 6, "Payment Activities".

The District Offices receive, register, process and approve the applications for all payment Measures / Submeasures and Schemes implemented by the Organisation which it has not assigned to other State Agencies. Moreover, the District Offices serve and guide applicants regarding all Schemes and Measures carried out by the Organisation. The District Offices act as the link between the Organisation and people living in rural areas. They collect and tackle their problems and know the difficulties of the rural area better. CAPO operates District Offices in Nicosia, Limassol, Larnaca, Famagusta and Paphos.

IT Division:

This Division is responsible for the design, development and support of the necessary information technology systems to serve the Organisation, either through an in-house development process, or through outsourcing. It is also responsible for maintaining complete and correct databases to be used by the Organisation's IT systems, as well as for keeping back-up copies of electronic data and information in order to be able to recover it in the event of a disaster and also in order to achieve business continuity.

In addition, the Division is also responsible for providing technical support to the personnel of the Organisation and its Delegated Bodies to enable them to carry out their duties in a smooth and seamless way. Technical support involves maintenance and IT equipment support (servers, PCs, printers, etc), maintenance of telephone connections as well as of network equipment and devices.

Execution of Payments Division:

The functions of the Execution of Payments Division include amongst others the execution of administra-

tive checks on the payment proof lists received from the Authorisation of Payments sector, the issuing of payment instructions to the bank and the final verification of the electronic file prepared for the transfer of the entitled amounts to beneficiaries' accounts as well as the clearance of the transfers returned by the bank as non executed.

The Execution of Payments Division is also responsible to ensure the prompt availability of national funds necessary for the payment of beneficiaries, the management of the funds available, as well as the management of public storage expenses and the transmission of relevant information to the Directorate General of Agriculture and Rural Development of the European Union.

Accounting Division:

The main functions of the Division include amongst others:

Operations Fund - the preparation and monitoring of the utilization of the annual budget, the calculation and processing of the payroll, other employee benefits and allowances, the monitoring and processing of payments for capital and administration expenditure, economic and other analyses with a view of improving the effectiveness and efficiency of the existing procedures and the preparation of the annual financial statements.

Payments Fund - carrying out administrative controls on applications forwarded from the Execution of Payments Division, the posting of transactions in the accounting records, maintaining records concerning guarantees and security deposits, maintaining the Debtors Ledger and monitoring the recovery of all amounts unduly paid and managing the available funds.

Administration and Human Resources Division:

The Administration and Human Resources Division supports the remaining Divisions, Services and District Offices of the Organisation. It aims at maximising the Organisation's efficiency and effectiveness, as well as improving the service delivered to our farmers. In order to accomplish the above, it formulates

and applies the appropriate procedures, utilises human resources and rationally manages the Organisation's human capital.

The Division is responsible for the legal support of CAPO, the organisation, management and training of human resources, labour relations, purchases and supplies, the security of information, physical security, health and safety and all administrative matters that concern buildings, vehicles and equipment. Also, it has the responsibility for the general registry and the library of the Organisation, the coordination of farmers' service and the management of the Organisation's procedures.

The Administration and Human Resources Division provides support to the Commissioner and the Assistant Commissioner for planning and monitors the implementation of decisions through the secretariat of the Management Team.

Furthermore, there are four (4) independent supporting Services:

Internal Audit Service:

The Internal Audit Service comprises the Internal Audit Unit and the Audit Unit 485/2008. Both units are under the supervision of the Head of the Internal Audit Service.

The mission of the Internal Audit Unit is to ascertain whether the risk management networks, the control procedures and the governance processes of the Organisation, as designed by management, are sufficient and they operate in such a way as to ensure that the Organisation functions effectively and efficiently and in accordance with EU and national legislation.

The Audit Unit 485/2008 is responsible for the execution of audits according to Council Regulation (EC) 485/2008 for a sample of beneficiaries, selected on the basis of a risk analysis performed by the Anti - Fraud Service. The scope of these audits is to ensure the correctness and the compliance of payments financed by the European Agricultural Guarantee Fund (EAGF) with relevant legislation, to prevent and pursue any irregularities and to recover any unduly paid amounts as a result of these irregularities.

Anti - Fraud Service:

The protection of the financial interests of the Community has been a matter of the utmost importance and a priority since the first day of CAPO's operation for itself and for the work that it carries out. For this reason it has established a special Service in the Organisation, which, at present, plays an advisory role in this sector.

The Anti - Fraud Service is the Service which is responsible, according to Law 64(I)/2003, for the coordination and the implementation of Council Regulation (EC) No. 485/2008 of 26 May 2008, on scrutiny by Member States of transactions forming part of the system of financing by the European Agricultural Guarantee Fund; in other words, it is the Special Department according to article 11 of the aforementioned regulation. As part of its role, the Service prepares the annual Scrutiny Program, in other words, it selects the undertakings to be scrutinized during each scrutiny period, based, mainly, on risk analysis methodology. The scrutiny is carried out by Unit 485 of the Internal Audit Service.

In addition, it coordinates and advises on, the implementation of the regulation: Commission Regulation (EC) No. 1848/2006 of 14 December 2006, concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the Common Agricultural Policy and the organisation of an information system in this field.

Public and International Relations Service:

Its main objective is to fully inform the farmers on the various Measures in which they can participate. The Service prepared and implemented a plan for Awareness, Publicity, Public and International Relations for the purpose of informing our farmers.

Quality Assurance and Control Service:

The purpose of the Quality Assurance and Control Service is to ensure service quality and to ensure implementation of the relevant laws, regulations, manuals and check lists.

The Quality Assurance and Control Service is mandated to periodically and systematically check the work

of all Departments and Services of the Organisation and its Delegated Bodies. The Service drafts an action plan which the Commissioner approves and which is modified and adjusted according to the needs.

Delegated Bodies:

According to Law 64(I)/2003, the Organisation may delegate some or all of its functions for the authorization of payments, as well as work that concerns the technical service and the Integrated Administration and Control System (IACS). This delegation is assigned to other bodies such as Government Departments or other Organisations of the Public or Private Sector or Private Companies that the Commissioner regards as having the means and the knowledge to carry out the work to be assigned to them.

CAPO maintains six (6) Delegation agreements and one (1) cooperation agreement with the following organisations:

- Department of Agriculture of the Ministry of Agriculture, Natural Resources and Environment
- Department of Forestry of the Ministry of Agriculture, Natural Resources and Environment
- The Cyprus Milk Industry Organisation
- The Wine Products Council
- The Ministry of Commerce, Industry and Tourism
- The Ministry of Interior
- The Customs & Excise Department of the Ministry of Finance (cooperation agreement)

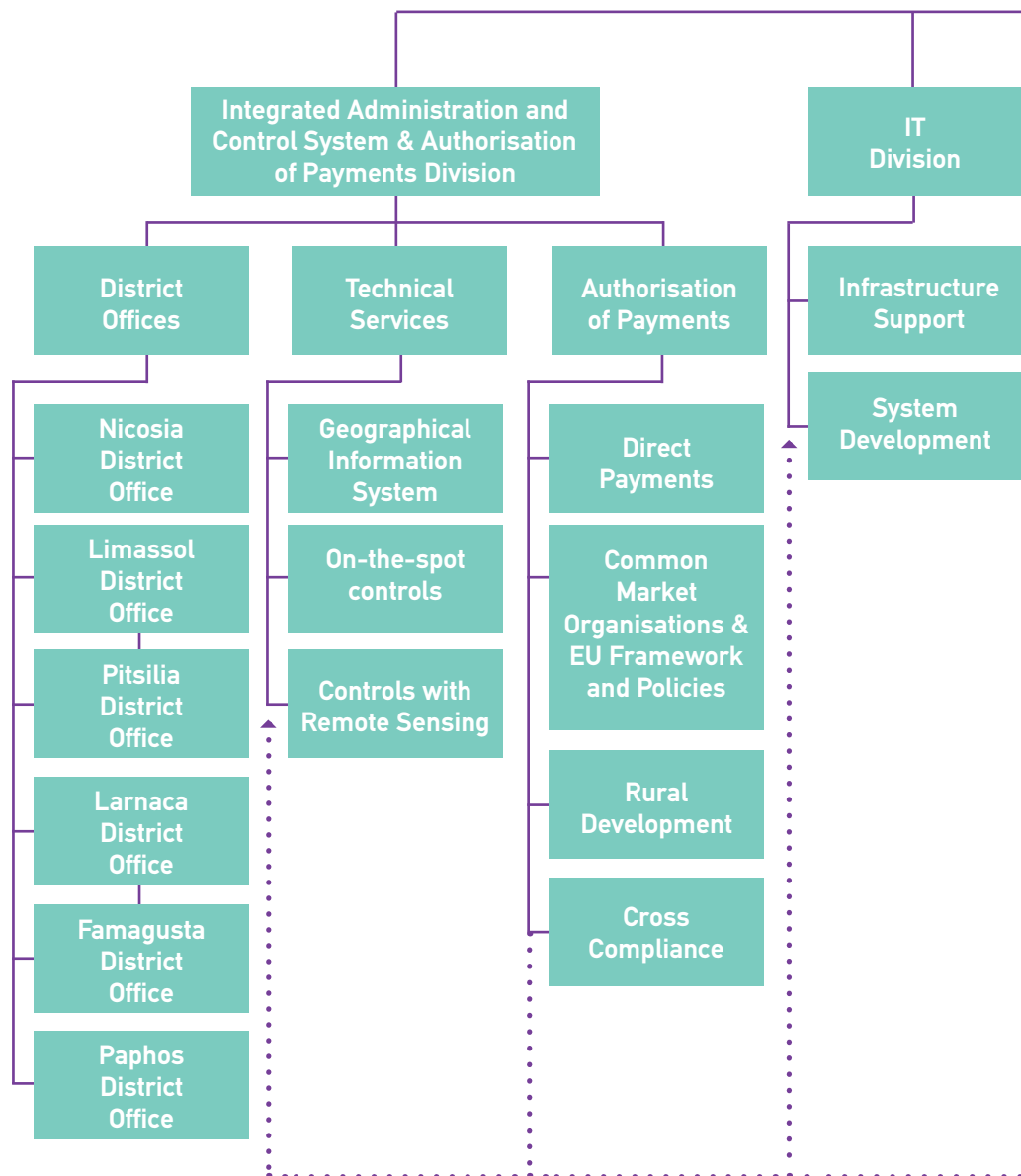
The seven (7) agreements in effect, incorporate several mechanisms for the control and exchange of information to and from CAPO. These mechanisms are in line with Community directives and regulations and according to the Code for effective Communication with the Delegated Bodies which has been in force since 2005. The Delegation agreements are constantly evaluated and modified when necessary. The main revisions arise after the amendment of EU regulations that affect the Accreditation of CAPO, or the introduction of new Measures.

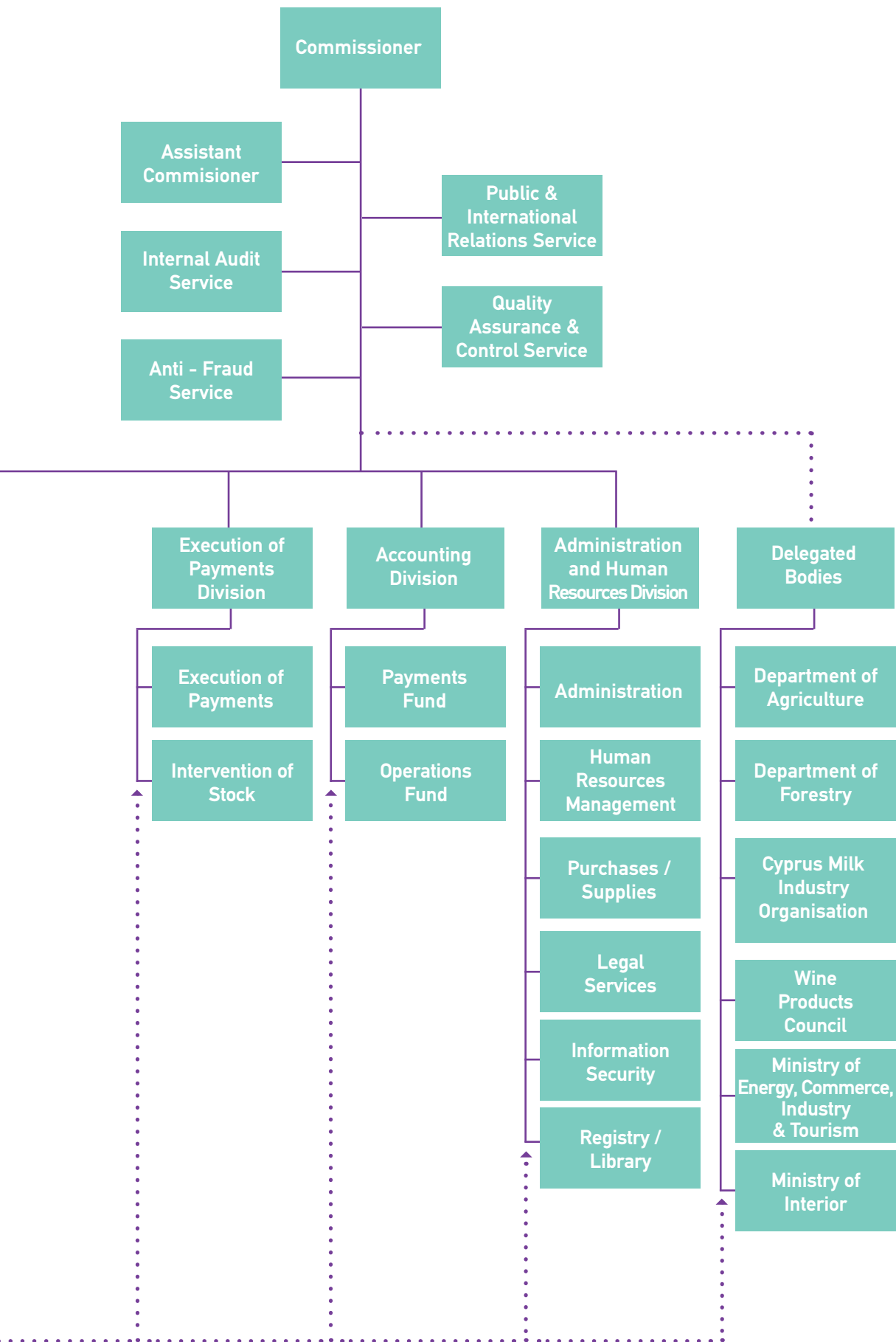
According to the Delegation agreements, the transfer of functions to the Delegated Bodies mainly concerns the authorisation of payments for the Measures that have been assigned to them. The functions that are transferred to the Delegated Bodies are carried out under the supervision of CAPO, which still has the responsibility for the execution of payments for all the Measures and for the accounting of the transactions.





ΚΥΠΡΙΑΚΟΣ ΟΡΓΑΝΙΣΜΟΣ ΑΓΡΟΤΙΚΩΝ ΠΛΗΡΩΜΩΝ (ΚΟΑΠ)
CYPRUS AGRICULTURAL PAYMENTS ORGANISATION (CAPO)





5. Staffing of CAPO

Human resources constitute the Organisation's most important asset. Unavoidably our country has recently been plagued by severe economic challenges which have affected, just as in the entire public sector, the possibility of improving staffing levels in the Organisation. In the case of permanent posts, filling vacancies for first appointment as well as vacancies for first appointment and promotion has been suspended. In the case of temporary posts, section 10 of the Law of 2012 on the Budget of the Agricultural Payments Organisation [N.16(II)/2012] has been applied, by virtue of which it is prohibited to recruit any additional contract/seasonal personnel. It should be noted that similar measures have been implemented both in the Public Service and in the broader Public Sector.

On the basis of the prohibitions applied, bodies governed by Public Law shall not recruit any new staff, nor replace any employees who may leave due to retirement or any other reason.

For all the aforementioned reasons, no new staffing procedures have been undertaken during 2012.

Numerical Data

Compared to the respective figures of 2011, the total number of CAPO personnel was reduced by three persons who retired. So, on 31st December 2012, 235 persons were employed by CAPO [238 in 2011], of whom 103 on a contract basis [105 in 2011].

By the end of 2012, of the 103 contract/seasonal (hired on a fortnightly basis) employees, 89 were awarded an open-ended contract (of indeterminate duration), 30 as Agricultural Payments Officers, 9 as Agricultural Payments Technicians and 50 as clerical staff.

Finally and given the extremely difficult financial conditions Cyprus has been experiencing, the Organisation, based exclusively on its existing staff, shall carry on its efforts to provide the Cypriot farmers with the highest possible standards of services and fulfil its obligations and commitments set by the European Institutions and the Republic of Cyprus, as it acknowledges that today, more than ever before, our farmers will need to have an effective CAPO by their side.



41st Conference of "Panta Rhei" in Lithuania, May 2-4, 2012

6. Payment Activities

COMMON AGRICULTURAL POLICY (CAP) MEASURES

During 2012, CAPO managed Measures of the Common Agricultural Policy related to:

- Direct Payments
- Common Market Organisation and Mechanisms of Trade
- Rural Development Plan (RDP) 2004 – 2006
- Rural Development Program (RDP) 2007 – 2013

More specifically, the following Measures were implemented:

DIRECT PAYMENTS

Direct Payments aim to support the income of the rural population, through the European funds and the national budget, in a simplified manner. These payments are governed by the provisions of various support Schemes and Measures / Submeasures and are set up on the basis of the Common Agricultural Policy and the Accession Treaty of Cyprus to the EU. In this manner farmers are encouraged to continue their activities, mainly for the preservation of the rural environment.

Payments pertaining to Direct Payments are presented in Tables 1, 2 of the Appendices.

Single Area Payment Scheme Application

The Single Area Payment Scheme Application provides applicants with the possibility to take part in the Area Payments Scheme, in the Citrus Fruit and Vegetables Sub-measure and Payment Scheme, in Measure 2.1 [Natural handicap payments in less favoured areas], in Measure 2.2 [Biodiversity and Compensatory payments in the Natura 2000 areas] as well as in twelve (12) Sub-measures under Measure 2.3 [Agri-environmental obligations of the Rural Development Programme RDP 2007-2013]. The RDP Measures are outlined in the section entitled "Rural Development".

The Single Area Payment Scheme Application is submitted once a year. The simultaneous submission of a single application is possible due to the common provisions of the said Measures / Submeasures. This simplifies things for the applicant, who submits one instead of multiple applications. In the course of 2012 the Application could be submitted either in printed form at the District Offices of the Organisation, or in electronic form online. In 2012 a total number of 8718 applications were submitted in

printed form whereas 26060 in electronic form. The aim of the Organisation in 2013 is for all applications to be submitted electronically. During the submission of applications, the Organisation provides guidance and support services to the applicants in order to fill in their applications as correctly as possible.

Area Payment Scheme

The Area Payment Scheme is a direct payment that is provided to farmers and the amount received by the beneficiary is determined based on the surface area cultivated and owned by the farmer. This Scheme attracts the highest participation of applicants. It is worth noting that in 2012, 34 778 applications were submitted for the Area Payment Scheme.

The Area Payment Scheme consists of the following three Sub-schemes:

• Single Area Payment Scheme (SAPS)

This sub-measure provides for the funding of the cultivated agricultural land irrespective of the crop and is 100% funded by the EU.

• Complementary National Payment Scheme (CNPD)

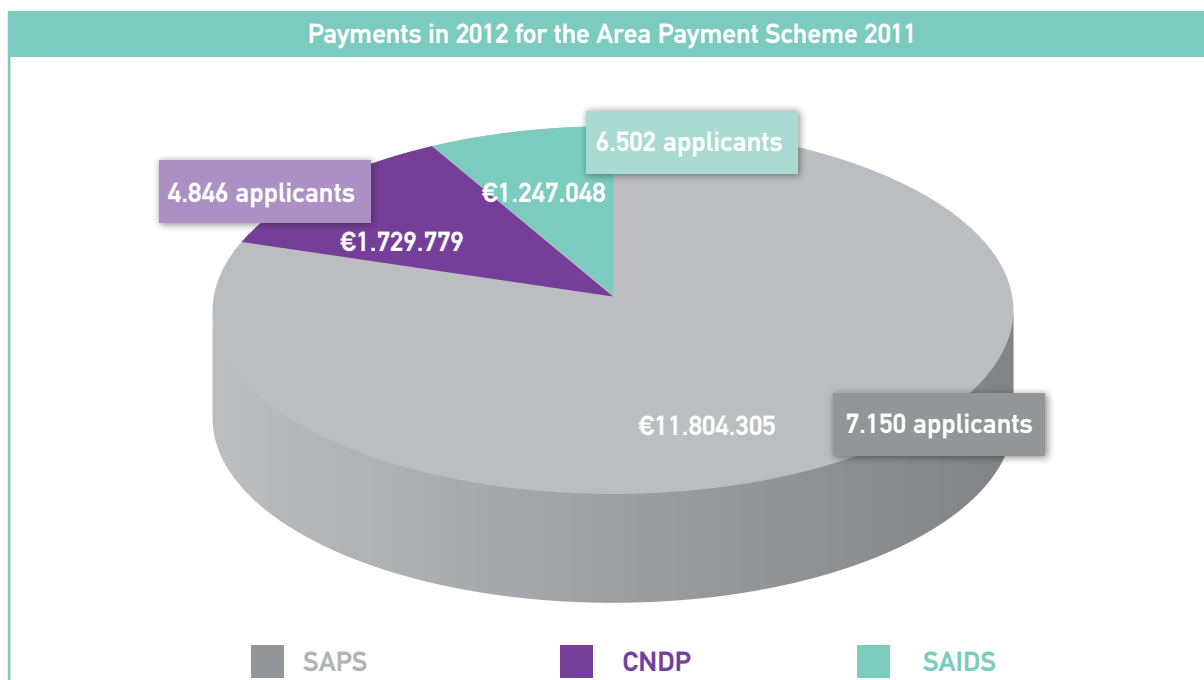
This sub-measure provides for the funding of specific types of crops and aims at gradually reducing the amount of payments given for certain crops in Cyprus prior to EU accession. It is 100% funded by the national budget.

• State Aid Scheme (SAIDS)

This sub-measure provides for an additional funding solely for certain types of crops and is 100% funded by the national budget.

In 2012, a total number of 7269 beneficiaries received payments for the Area Payment Scheme of 2011. A breakdown of the total amount of €14 781 133 paid to the beneficiaries is shown below:

SAPS 2011:	7150 beneficiaries/ €11 804 305
CNPD 2011:	4846 beneficiaries/ € 1 729 779
SAIDS 2011:	6502 beneficiaries/ € 1 247 048



In the course of 2012, payments were made to 22,563 Area Payment Scheme beneficiaries in total. Payments were made to beneficiaries from previous launches of the scheme. The table below presents in detail all payments per year of the Area Payment Scheme launched and Sub-measure.

Application	Number of applicants	Subscheme	Payments €	Recovery of Amounts Paid €
Area Payment Scheme 2008	1	SAPS		3
	2	CNDP	64	
	3	SAIDS	3,977	
Area Payment Scheme 2009	423	SAPS		14,011
	104	CNDP		4,396
	349	SAIDS		42,572
Area Payment Scheme 2010	633	SAPS	130,002	
	237	CNDP	12,068	
	2,313	SAIDS	367,178	
Area Payment Scheme 2011	7,150	SAPS	11,804,305	
	4,846	CNDP	1,729,779	
	6,502	SAIDS	1,247,048	
National Potato Growth Scheme			1,855,989	
Total	22,563 *		17,150,410	60,982

* An applicant is possible to receive aid for more than one application

• **Transitional Fruit and Vegetables Payment Scheme**

The Scheme aims at enhancing competitiveness in the citrus processing sector, in order to make it competitive both within the Community market, as well as in markets abroad. This will contribute to limiting the fluctuations in the producers' income and increasing the consumption of products derived from processing citrus fruits in the Community. In 2012, in the framework of the said Scheme, 1.288 applicants were paid the amount €3.331.106 (3 applicants in 2009 for the amount of €1.757, 10 applicants in 2010 for the amount of €12.920 and 1.275 applicants in 2011 for the amount of €3.316.429.

Animal Products Aid and other Direct Aids

In addition to the Single Area Payment Scheme Application, some national aid Measures were implemented. The implementation of these Measures was made based either on the Accession Treaty of

Cyprus to the EU or on decisions of the Ministerial Council.

The Measures were as follows:

• **Ewe and Goats Measure**

This Measure establishes aid for sheep and goat farmers in order to cover their costs for rearing the sheep and goats. The Measure is 100% financed by national funds. Any natural or legal person who manages a declared animal holding, has a holding code issued by the state's Veterinary Services and has slaughtered cattle during the reference period can be a beneficiary.

The applications for every measure and the amount that every measure was subsidized are given in the following table:

ANIMAL PRODUCT AID FOR 2012		
AID	APPROVED CLAIMS	AMOUNT €
Sheeps and Goats 2012	2.760	5.163.728
Beef Premium 2010	262	1.779.643
TOTAL	3.022	6.943.371

• **Compensatory Aid Measure for the Loss of Income from marketing Bananas**

The Measure aims at further supplementing the income of banana producers by subsidising marketable bananas that will be sold through Producer Groups and/or Organisations, including good quality marketable bananas that will be taken off the market. The Measure is financed 100% from national funds. CAPO receives the applications and performs the controls. The Banana Producer Group is the beneficiary applicant, who submits an application every six months (January – June and July – December). In 2012, €325.677 was paid for second semester application of 2011.

COMMON MARKET ORGANISATION AND MECHANISMS OF TRADE

CAPO implements the Measures derived from the Common Agricultural Policy of the Common Market Organisation and Mechanisms of Trade, with the aim of stabilizing the markets and ensuring a fair living standard for the agricultural population. The Measures / Schemes pertaining to the Trade Mechanism aim to protect community agricultural and animal products from similar Third Country products, as well as improve the competitiveness of those products in Third Countries. The applied quota mechanisms protect the prices of some products, especially animal products, from falling further.

The payments that concern the Measures of Common Market Organisation and Mechanisms of Trade

appear in Tables 1 and 2 and are analysed in greater detail in Table 3 of the Appendices.

In 2012 the following Measures were implemented:

• **Milk quota subsidies**

The Measure is administered by the Cyprus Milk Industry Organisation (CMIO) which is a Delegated Body. The objective of the Measure is to control the production of dairy milk in the EU, in order to reduce milk and milk products surpluses. In conclusion, the Measure aims to balance demand and supply of milk and milk products.

Milk quota refers to the quantity of milk that a producer is allowed to market, without the obligation to pay any supplementary levy on the surplus. In case there is supplementary levy, the Cyprus Milk Industry Organisation collects it and the levy is then forwarded to CAPO, to be paid subsequently to the European Agricultural Fund.

In November 2012, the levy collected on the surplus for the year 2011 – 2012 was €963.706 and 99% (€954.069) of that amount was paid to the EAGF, as provided by the EU regulations. The rest 1% of that amount (€9.637) remained in CAPO funds and can be used to pay future possible levies, mainly in case of bankruptcies of buyers.

• **Scheme for the supply of milk and dairy products to schools**

The Scheme aims at sustaining or increasing the consumption of dairy products by pupils, encouraging a healthy diet and improving their dietary habits. The Scheme allows Suppliers / Industries and schools to supply certain types of milk and certain dairy products at reduced prices to kindergartens and to pupils at primary / middle / high schools and technical schools. Pupils have benefited from the reduced prices since September 2007. The said Scheme has been delegated to the Cyprus Milk Industry Organisation.

• **Import / Export Licenses**

CAPO is the competent Organisation for issuing import / export licenses for agricultural products or products based on agricultural products. The scope of this Measure is to issue import/export licenses pursuant to an application being submitted by those who import/export agricultural products

from/to Third Countries. The entire process is governed by the European Commission and the Council Regulations on the Common Market Organisation of agricultural products. Licenses comprise a control mechanism for protecting the farming and agricultural policy of the land and simultaneously fostering and strengthening farmers' exports towards Third Countries.

• **Export Refunds**

The Export Refund Measure, which is financed 100% by the European Agricultural Guarantee Fund (EAGF), aims at granting the refunds for community agricultural products and goods that are exported from the customs territory of the Community to Third Countries.

The purpose of the Measure is to receive, check, as well as approve or reject the applications submitted for export refunds.

• **Informational and promotional measures for agricultural products in Third Countries**

The programs had a time duration of 2 - 3 years and covered the main products of Cyprus, such as citrus, potatoes, dairy products, wine and commandaria wine, olives, olive oil, raisins, etc. These programs contribute to the increase of exports of Cypriot agricultural products to both Third Countries and EU countries. The Competent Authority for the implementation of the Measures is the Ministry of Commerce, Industry and Tourism.

• **Apiculture Program (Bee-keeping Program) 2011 – 2013**

The Apiculture Program 2011 - 2013 was approved by the Council of Ministers on 16/06/2010 [Commission Regulation (EC) 666/2010]. The Program has a duration of three years and includes technical support to bee-keepers and the Producer Groups of apiculturists related to fighting the varroa mite, support related to the laboratories analysing the physico-chemical properties of honey, support for restocking the hives and fostering collaboration with specialised Organisations for the implementation of applied research programs in the sectors of bee-keeping and its products. The Program is co-financed 50% by the European Agricultural Guarantees Fund and 50% by national resources and provides for total expenditure (subsidies) in the amount of €699.000. This Program has been assigned to the Department

of Agriculture as Delegated Body of CAPO.

• Measures of the Common Market Organisation of wine

The Measures of the Common Market Organisation of Wine are delegated to the Wine Products Council (W.P.C) as a Delegated Body of CAPO.

W.P.C. 1a: Grubbing-up premium of vineyards

The Measure aims to reduce the annual EU production of surplus grapes and to encourage the retirement of producers that find the cultivation of vineyards not economically viable.

W.P.C. 1b: Restructuring and conversion of vineyards

The objective of this Measure is the restructuring and conversion of the variety of vineyards for improved marketing potential and for higher quality wines in the regions of production of specified origin, Vouni Panayias - Ampelitis, Commandaria, Limassol Wine Villages, Laona, Akamas and Pitsilia and production of table wines.

W.P.C. 1c: Green Harvesting

The objective of this Measure is to destroy the surplus production of grapes of grapes of the local black, xynisteri, soultanina, carignan noir and ofthamo varieties. In this manner, besides providing aid to viticulturists, the price of the product on the market is protected.

W.P.C. 3a: Support and payment of financial aid for material or immaterial investments in treatment facilities, wine industry infrastructure and marketing of wine

The Measure aims to stimulate investment activity and bolster competitiveness in the wine industry. This Measure assists wine industry units to modernize their building and technological infrastructures.

W.P.C. 3b: Promotion of wines in Third Countries

The Measure is an important tool for the promotion of the wines of Cyprus in foreign markets. Also, the Measure encourages the efforts of wine makers to find new markets and secure market share.

W.P.C. 3c: Distillation of wine for production of potable alcohol

The objective of the Measure for the distillation of

wine is to facilitate the continuation of the supply of drinking alcohol to certain market sectors.

W.P.C. 3d: Harvest insurance

The purpose of the Measure is the safeguarding of the producers' income against the effects of unfavorable climatic phenomena, plant diseases and harmful organisms.

W.P.C. 3e: Distillation of by-products for production of alcohol

The objective of the Measure is to avoid the practice of producing wine through overpressing and to facilitate the supply of the market with distillation products for the production of traditional alcoholic drinks.

• Measures for the Common Market Organisation of Fruit and Vegetables

The Measures for the Common Market Organisation in the Fruit and Vegetables sector have been assigned to the Department of Agriculture that is the Delegated Body of CAPO.

C.O.M. 3: Measure to provide aid to recognised Producer Organisations based on their operational programs

The objective of the Measure is to provide financial aid to recognised Producer Organisations in order to increase productivity and improve skills in marketing, product quality and the protection of the environment.

C.O.M. 4: Measure to provide aid to fruit and vegetables Producer Groups

The Measure aims to encourage the establishment of Producer Groups of fruit and vegetables to help balance production with demand, increase productivity, improve quality and safety of products, and improve competitiveness. The producers' income is maximised during a transition period of 5 years with a perspective of evolving into Producer Organisations through the pre-recognition and provision of aid to pre-recognised Producer Groups.

C.O.M. 9: School fruit and vegetables Scheme

The Scheme aims at promoting the consumption of fruit and vegetables at primary schools, tackling juvenile obesity and the inculcation of good dietary habits in children of a young age. The Scheme is co-financed 50% by the European Agricultural Guarantee Fund and 50% by national resources.

RURAL DEVELOPMENT ACTIVITIES

The Rural Development Measures provide for support from the European Agricultural Guidance and Guarantee Fund (EAGGF). The Rural Development Program (RDP) 2007 - 2013 is comprised of 4 Priority Axes (set out below) as well as Technical support.

The Rural Development Program 2007 - 2013 was approved by the European Commission on November 23rd, 2007 and includes 39 Measures and Schemes, which are divided into four Priority Axes as follows:

Priority Axis 1: Improving the competitiveness of the agricultural and forestry sector

Priority Axis 2: Improving the environment and the countryside

Priority Axis 3: Diversification of rural economy and improvement of the quality of life in rural areas

Priority Axis 4: Leader

In 2012, the assessment of applications for all Measures of RDP 2007 - 2013, and in particular the Agro-environmental Measures, continued and was intensified. Data on payments related to Rural Development are presented in Tables 1 and 2 of the Appendices. Table 4 of the Appendices sets out the payments made for each Measure of the Rural Development Plan 2004 - 2006 (ongoing commitments) and the Rural Development Program 2007 - 2013.

Below there is an analysis / description of Measures / Submeasures of the Rural Development Program 2007 - 2013 per Axis, that were either launched in 2012 or remain open.

Priority Axis 1: Improving the competitiveness of the agricultural and forestry sector

Measures launched in 2012:

- **Measure 1.6: Adding value to agricultural and forestry products. Establishment and modernization of Plants Processing and Marketing agricultural and forestry products**

Measure 1.6 has been assigned to the Ministry of Commerce, Industry and Tourism as a CAPO Del-

egated Body. The aim of this measure is to provide support through funding aid of investments for the upgrading and rationalization of the processing and marketing of agricultural and forestry products. The ultimate goal is to increase productivity and enhance the added value of these products.

The more specific objectives are to:

- Develop new products with a high added value
- Develop new processes and technologies associated with these products and promote innovative investments
- Maximise the use of agricultural and forestry raw materials
- Improve the income of the rural population
- Adjust production to the forecast market trends or encourage the development of new outlets for agricultural products
- Upgrade or rationalise marketing channels or processing procedures
- Enhance and monitor quality and hygiene conditions and adhere to the necessary standards
- Protect the environment
- Preserve and promote traditional and organic products
- Create new jobs especially in the rural areas

Measures that are ongoing:

- **Measure 1.1: Vocational training and information actions**

Measure 1.1 has been assigned to the Department of Agriculture as a Delegated Body of CAPO and aims at expanding training activities and information and dissemination of knowledge to all adults, including young farmers and those who benefit of the preparation of improvement Schemes who are employed in the sector of agriculture, food and forestry.

- **Measure 1.7: Land development planning for livestock-farming**

As a result of the Turkish invasion, many farmers moved and found temporary establishment in the state-controlled areas next to communities, particularly in the vicinity of large cities.

The setting-up of livestock breeding areas as an emergency solution created problems since the concentration of a large number of animals in one area together with the strong residential development brought on as shortage of space for grazing,

animal diseases, problems with the management and cleanliness of forage land and abandonment, etc.

The Measure establishes aid to cover costs of setting up infrastructure projects aimed at planning and environmental improvement of farms and to reduce the nuisance caused by the specific nature of these activities.

This Measure has been delegated to the Department of Agriculture.

• **Measure 1.9: Encouragement of setting up and administrative operation of Producer Groups**

This Measure has been delegated to the Department of Agriculture. It aims at encouraging the formation of Producer Groups and Associations of Producer Groups through the provision of a lump sum, based on their turnover or the value of production marketed annually.

Priority Axis 2: Improving the environment and the countryside

Measures launched in 2012:

• **Measure 2.1: Natural handicap payments in less favoured areas**

This Measure provides for a system of aid for farmers in less favoured areas to partly compensate for the loss of income due to permanent physical handicaps [high altitude, steep inclinations, shallow/non-fertile land] or adverse natural phenomena [low rainfall/ frost], so to ensure the continued use of agricultural land through farming.

The main objectives of the Measure are to ensure the continued use of agricultural land in less favoured areas, to maintain a viable rural community and to preserve the natural areas and manage the land using methods that contribute to sustainable agricultural development.

In the course of 2012, payments of a total amount of €2 408 169 were made to 4608 beneficiaries of this Measure for 2011. During the same year, an amount of €5 104 937 was paid to the beneficiaries of this Measure for 2012. Payments for 805 beneficiaries of 2012 will be completed in the course of 2013.

• **Measure 2.5: Restoring forestry potential and introducing prevention actions**

Measure 2.5 is carried out by the Department of Forestry.

The main objectives of the Measure are:

- to reduce the number of fires
- to reduce the annual fire-damaged area
- to reduce the average fire-damaged area per fire
- to reduce the time for detection of fires
- to reduce the time between fire detection and fire alarm
- to reduce average intervention time
- reforestation of fire-damaged areas

• **Submeasure 2.6.1: Non-productive investments**
Submeasure 2.6.1 has been assigned to the Department of Forestry as Delegated Body of CAPO.

The principal individual special objectives of the Submeasure are:

- protecting forests from people wandering around
- improving the information and education with respect to forests and the environment and raising public awareness on forest protection
- increasing the capacity of areas for excursions and camping
- improving the quality of services offered at areas for excursions and camping
- improving and expanding the footpath network for studying nature
- increasing the number of spots with a view

Priority Axis 3: Diversification of rural economy and improvement of the quality of life in rural areas

Measures launched in 2012:

• **Measure 3.1: Encouragement of tourist activities and conservation and upgrading of the rural heritage**

Measure 3.1 has been delegated to the Ministry of Interior. This Measure promotes soft tourist development as the main outlet for the economic diversification of rural areas with the aim of:

- retaining the population
- showcasing noteworthy environmental and cultural elements of the countryside and sustainably developing the natural, historical and cultural environment

- creating and maintaining a flow of special interest visitors and tourists
- bolstering the promotion and sale of local products
- complementing and enhancing the sustainability and effectiveness of investment programs and actions financed by other programs focused on agrotourism

• **Measure 3.2: Conservation and upgrading of rural heritage**

The main targets of the Measure are the following:

- improving the structured environment of rural Communities so that they become more attractive to live in and attract financial activities
- carrying out interventions for environmental protection, management and showcasing traditional elements of the manmade agricultural environment in order to conserve our cultural heritage and natural wealth
- protecting, conserving and showcasing the cultural heritage and creating/upgrading social and cultural infrastructure throughout Cyprus as well as revitalising the socioeconomic environment of rural communities and maintaining their population

Measures that are ongoing:

• **Measure 3.3: Skill acquisition, animation and implementation**

This Measure has been delegated to the Department of Agriculture. The objective of this Measure is the acquisition of skills by public-private partnerships in preparing and implementing local development strategies. The ultimate goal for these partnerships is to transform into Local Action Groups and be funded at a later stage through the Leader Axis.

Priority Axis 4: Leader

Measures that are ongoing:

• **Measure 4.1: Implementation of local development strategies**

This Measure has been delegated to the Department of Agriculture. It was introduced to aid Schemes for the implementation of local development strategies to achieve the objectives of one or more of the other three Axes of the Rural Development Program.

The Measure consists of three (3) Submeasures as follows:

Submeasure 4.1.1: Implementing local development strategies to improve the competitiveness of agriculture and forestry sector

Submeasure 4.1.2: Implementing local development strategies to improve the environment and the countryside

Submeasure 4.1.3: Implementing local development strategies to improve the quality of life in rural areas and the diversification of rural economy

• **Measure 4.2: Transnational and inter-regional cooperation**

Measure 4.2 has been delegated to the Department of Agriculture. The aims of the Measure are the implementation of cooperation actions in order to achieve the objectives of one or more Axes of the Rural Development Program. The objective is to enhance cooperation and to exchange best and innovative practices between Local Action Groups (LAGs). LAGs should play an essential role in connecting people with new ideas and approaches, encouraging innovation and entrepreneurship and promoting the integration and provision of local services. LAGs can help disseminate knowledge and exchange best practices and innovation in rural development.

• **Measure 4.3: Running the Local Action Groups (LAGs), acquiring skills and animation**

Measure 4.3 has been delegated to the Department of Agriculture. This Measure establishes a Scheme for the operation of the Local Action Groups (LAGs), the acquiring of skills and offering encouragement in the region. The aim is to assist in the implementation of local development strategies by the LAGs. These strategies will be implemented a bottom-up approach and through innovative approaches and actions.

Technical Assistance

Measures that are ongoing:

• **Measure 5.1: Technical assistance**

The Measure has been delegated to the Department of Agriculture. It establishes a Scheme for technical support which covers the preparation, implementation, monitoring, control and evaluation of Measures

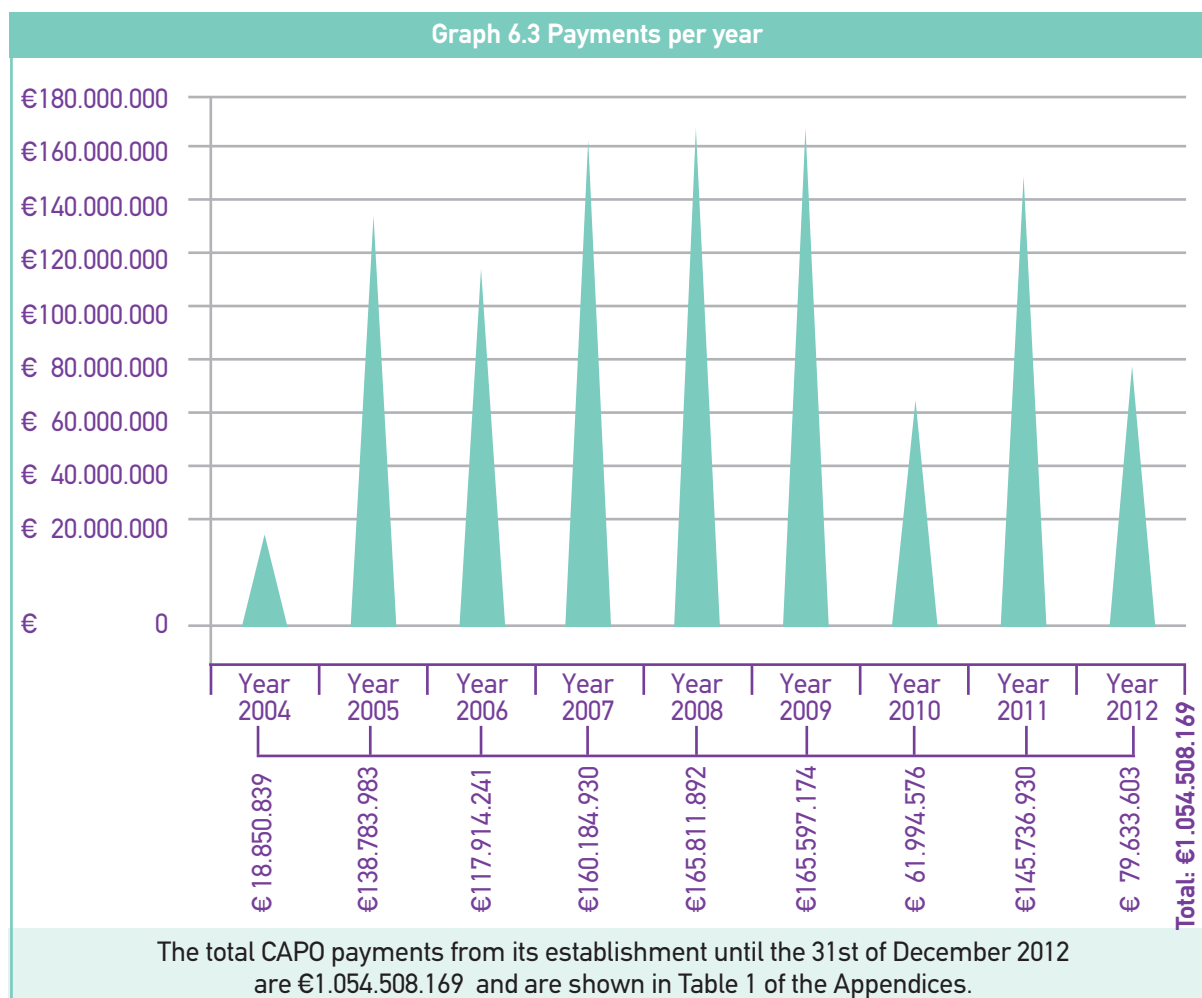
that are necessary for the implementation of Rural Development as well as certain costs of the Management Authority's Plan aimed at ensuring efficient management of the RDP.



PAYMENTS

In 2012 the total amount of payments was €79.633.603 (shown in detail in Table 2 of the Appendices). The total amount of CAPO payments from 2004 until 2012 was €1.054.508.169.

applications out of a total number of 34.777, in other words 75% of all applications. The objective of CAPO is to increase this percentage, so that by 2013 the Single Area Payment Scheme Application can be received entirely through the internet.



ELECTRONIC APPLICATION SUBMISSION (EAS)

For the fifth consecutive year, CAPO provided a web based system for the electronic submission of the Single Area Payment Scheme Application. The system provides applicants with the ability to submit and modify their applications through the internet without having to visit a District Office. All eligible farmers / applicants may have access to the system, if they wish to do so.

In 2012, the system was used for submitting 26.059

UPDATE OF THE GEOGRAPHIC INFORMATION SYSTEM (GIS) DATABASE

The CAPO Geographic Information System (GIS) manages the geographical database in which the information for the identification and eligibility of the land plots declared in the applications for area based subsidy Measures managed by CAPO is kept. The eligible areas of over 400.000 plots are checked through satellite images, digitized and registered in the Land Parcel Identification System (LPIS). The implementation of the Land

Parcel Identification System is based on the Maximum Eligible Area (MEA) for each cadastral plot.

In 2012, the LPIS database and the Maximum Eligible Area were updated and revised based on the following:

- New plot entries and their changes provided by the Lands and Surveys Department (LSD).
- New map data for areas after resurveys and land consolidations.
- The results of measurements from on the spot controls (classical on the spot controls and remote sensing).
- New satellite images, which CAPO procured after requesting proposals.
- Satellite images of remote sensing areas for those plots that were not controlled with remote sensing.
- The review requests that are submitted by interested applicants to check MEA.

The re-digitisation of all plots declared in the applications submitted for subsidies in previous years was completed in 2012. This work started in 2011 and was completed in December 2012. Furthermore, the Organisation proceeded with the separation of the plots which had been claimed on payment applications in the past by more than one applicants. The number of these plots was 10 500 and they were split into 25000 separate entries. In addition, during 2012, the Organisation received satellite images corresponding to almost 20% of the area of Cyprus. Those plots which were declared on payment applications and which were situated in the area for which the Organisation received new satellite images, were inspected and the maximum eligible area of these plots was determined anew. In the cases of deviations from the corresponding claimed area, the provisions of the European legislation on the imposition of sanctions and deviations applied. In total 60 000 plots (entries) were subjected to these controls. The satellite images were provided to the Organisation by a private company selected following a tendering procedure.

ON THE SPOT CONTROLS

According to European Union regulations, CAPO must carry out inspection visits on a predefined percentage of applications submitted each year for the area based subsidy Schemes, in order to ascertain whether the details declared are correct. With on

the spot controls, the crops are identified and the eligible area is measured. Moreover, observance of the Cross Compliance requirements with respect to Good Agricultural and Environmental Conditions and Statutory Management Requirements is checked.

On the spot controls are distinguished into:

- Classical on the spot controls that are conducted with an inspection visit to the plot.
- Controls with the remote sensing method that are conducted using satellite images in conjunction with an on the spot rapid field visit, wherever deemed necessary.

Classical on-the-spot checks

In the course of 2012 classical on-the-spot checks were performed on 150 applications. Classical on-the-spot checks started in April and were completed in August 2012. 1966 plots were inspected.

Additional checks were performed on 716 applications corresponding to 3047 plots involving Agri-environmental commitments under the Sub-measures of Measure 2.3 of the Rural Development Programme implemented by the Organisation. During the inspection of the Rural Development Programme Measures, the inspectors check [by means of an on-the-spot visit] compliance with the obligations undertaken by the applicant upon submission of the application which are different depending on each Measure. Moreover, in the context of Cross Compliance, inspections were carried out on 402 applications. In the case of Cross Compliance, inspectors check [during an on-the-spot visit] whether farmers comply with their obligations in relation to environmental issues, as set forth in the EU directives. The inspections are carried out by joint specialised Control Bodies from the Department of Agriculture, the Veterinary Services, the Department of the Environment and the Game Fund.

CONTROLS WITH REMOTE SENSING

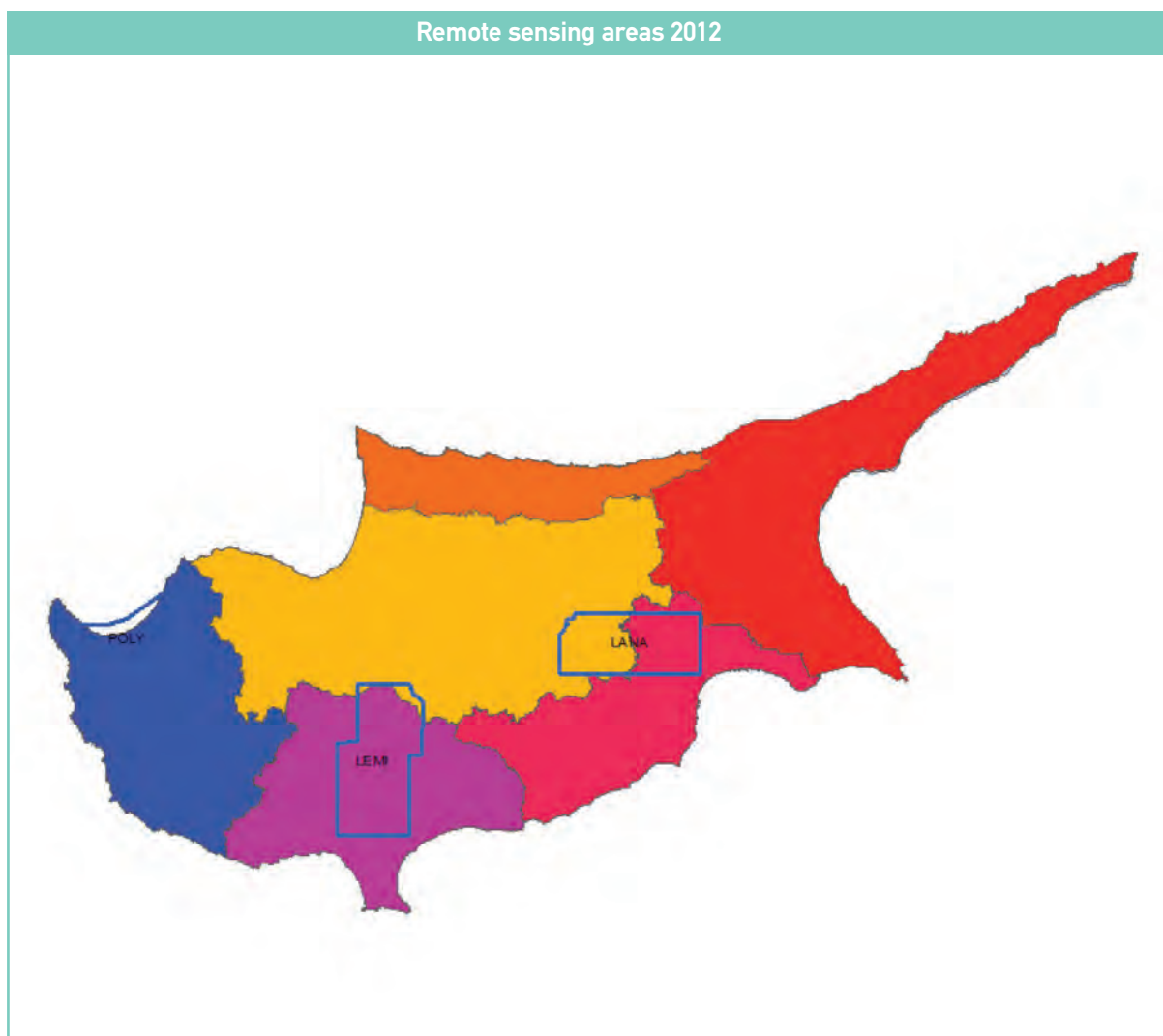
In 2012, on the spot controls were performed with the remote sensing method on 3.457 applications of the SAPS (10% of all applications), 100% of the sample of disadvantaged areas and on 80% of the sample for the Rural Development Program. The controls were performed using 2012 satellite images, funded by the EU. The control was conducted

in three areas that covered parts of the districts of Nicosia, Larnaca, Limassol and Paphos with a total area of approximately 950 km². The choice of the Limassol and Paphos area was the result of a risk analysis, whilst the Nicosia and Larnaca areas were chosen randomly.

Remote sensing control mainly includes measuring the surface areas and identifying the crop on the satellite image, for each plot declared for subsidy on the Single Area Payment Scheme Application. Plots which could not be measured on the satellite image or whose crop could not be identified were controlled by means of a classical on the spot control and their surface area was measured by GPS. In 2012, in total

31.665 plots were controlled by remote sensing. The work was realised by the remote sensing sector of the Organisation's Technical Services.

The results were registered in the CAPO's Area Payment Scheme and detailed information was sent to applicants when differences were identified with respect to the surface areas measured and the declared crops. The applicants were entitled to object in the event of disagreement with the remote sensing findings.



FARMER'S SERVICES

In the remit of its mission, CAPO attaches great importance to informing and serving Cypriot farmers, striving to ensure the complete disbursement of the funds Cypriot farmers are entitled to, always acting in accordance with the European Regulations.

Aiming to provide a complete and fast service, to respond to all farmers' demands and offer high quality services, the Organisation ensures to apply multiple and modern methods of communication which are constantly being assessed and upgraded also taking into consideration proposals made by farmers with regard to improving their service.

Once again this year, farmers were notified of the various CAPO announcements via written updates, publications/ presentations in the mass media and via information campaigns in the various communities. Farmers were also served at the various District CAPO Offices as well as by telephone by its modern call centre (7777 1999) and the District Offices.

CAPO attaches special importance to the provision of electronic services which are constantly being upgraded. For the first time, 75% of the farmers submitted their Single Area Payment Scheme Application electronically, through the online system which was developed for this purpose. Amongst the other methods of electronic communication with the farmers imple-

mented by the Organisation in 2012 was the dispatch of SMS messages on their mobile telephones and information through the website [www.capo.gov.cy]. It is worth noting that several applicants receive services through the website by sending their questions to the contact page info@capo.gov.cy.

PUBLIC AND INTERNATIONAL RELATIONS / COLLABORATIONS AND OTHER EVENTS

The 32nd Meeting of Directors of EU Paying Agencies took place from 11-13 September 2012 in the framework of the Cypriot Presidency of the EU Council. The meeting was held at the Intercontinental Aphrodite Hills Resort in Pafos and was chaired by the Commissioner of Agricultural Payments, Mr Costas Petrides. Delegates from all twenty seven (27) Member States and candidate member states, as well as representatives from the European Commission, the Court of Auditors and OLAF attended the meeting. The main focus of the Meeting was the reform of the Common Agricultural Policy for 2014-2020 as well as experiences from the implementation of the RDP 2007-2013 and how these can contribute to the campaign for 2014-2020.

For the fifth consecutive year the Cyprus Agricultural Payments Organisation provided Cypriot farmers with the possibility to submit their Single Area Payment Scheme application online.

To promote the electronic submission of applications



32nd Conference of Directors of EU Paying Agencies in Paphos, Cyprus, September 11-13, 2012

several regional information meetings were organised at the premises of Community Authorities, Municipalities, Cooperative Institutions and Agricultural Organisations that are equipped with computers and internet access and are able to cooperate with CAPO to offer these services to their members.

The Cyprus Agricultural Payments Organisation has undertaken the Presidency of the "Panta Rhei" Organisation under the chairmanship of Commissioner of Agricultural Payments, which is a great honour of the Republic of Cyprus. "Panta Rhei" is a specialised agency for the promotion and development of information technology in the Paying Agencies of all Member States. It is worth noting that the work of "Panta Rhei" is funded by the European Union.

During the year under review, the Cyprus Agricultural Payments Agency was selected and awarded by an American multinational company, ESRI (Environmental Systems Research Institute) for the development and efficient implementation of the Geographical Information System - GIS.

TRAINING AND DEVELOPMENT OF HUMAN RESOURCES

Training and development of human resources constitutes an important factor for the operation of the Organisation and is included amongst the Accreditation criteria for the Organisation.

During 2012, the Organisation hosted 17 in-house

training programmes and 31 open seminars. All the in-house training seminars were conducted at the Organisation's Training Centre.

The implementation of the training programme of the Organisation for 2012 was low due to the economic crisis which also affected the execution of the Organisation's budget.

AUDITS PERFORMED ON CAPO IN 2012

During 2012, CAPO was subjected to the following audits:

- Annual audit by the Auditor General of the Republic of Cyprus.
- Interim and annual audit by the Certifying Body (Grant Thornton) for the certification of the annual financial statements of CAPO.
- Annual financial statement audit by Grant Thornton

It should be noted that in the year 2012, the Agency was not informed of any imposition of a financial correction on the checks received in previous years.

PARTICIPATION IN MANAGEMENT COMMITTEE MEETINGS AND OTHER COMMITTEES

Through its participation in Management and other Committees, CAPO receives important information regarding its day-to-day operation, as well as developments in the agricultural and livestock sector in the European Union and particularly developments in the European Commission and the European Council.



32nd Conference of Directors of EU Paying Agencies in Paphos, Cyprus, September 11-13, 2012

The Organisation participates in the meeting of the Agricultural Funds Committee, in which budgetary issues related to the agricultural funds, i.e. the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD), are discussed.

In the meetings of the Direct Payments Committee, the participants discuss the implementation of the Direct Payments Measures, the implementation of the Integrated Administration and Control System (IACS) and the implementation of Cross Compliance.

CAPO participates in the meetings of the Management Committee for the Common Organisation of Agricultural Markets (CMO) - Horizontal Questions which are held at the Directorate General for Agriculture. In addition, when needed, the officers responsible for the issuance of import / export licenses attend meetings and training courses for the information communication systems ISAMM (Information System for Agricultural Market Management and Monitoring) and AMIS (Agriculture Web Applications Interface).

The meetings of the Management Committees for Agricultural Funds, Direct Payments and Common Organisations of Agricultural Markets (CMO) - Horizontal Questions are carried out monthly, in Brussels.

CAPO, through its Anti-Fraud Service, participated in meetings for the fight against fraud and the protection of the financial interests of the Community, both on national and on European level. On a national level, it attended AFCOS (Anti-Fraud Coordinating Structure) meetings. On a European level, it participated in meetings organised by OLAF (European Anti-Fraud Office) and the Directorate General for Agriculture and is a member of the Member States' Group of Experts on the implementation of Regulation (EC) No. 485/2008.



The Commissioner Mr. Costas Petrides receives an award at CAPO offices from Mr. Yiannis Kontos, Director of Marathon Data Systems, which represents ESRI company in Greece and Cyprus.

7. Developmental Activities

PLOT MAP APPLICATION (WEB-GIS)

In the course of the year CAPO initiated and completed the development of a software web application which allows farmers/ applicants to have access to the Organisation's geographical data, as well as to satellite images, cadastral points, eligible area polygons, animal husbandry holdings and others, via a browser without having to install any other software on their PC. This application is part of the Electronic Application Submission (EAS) system. The objective of CAPO for 2013 is for farmers/ applicants to consult the data provided by this application for completing correctly and fully their declaration both when renewing the Agricultural Land Register but also during the submission of the Single Area Payment Scheme Application.

IMPLEMENTATION OF ISO 27002 STANDARD ON INFORMATION SECURITY

In the context of adhering to the criteria for its Accreditation, in September 2007 CAPO complied with the ISO/IEC 27002:2005 standard on information security. This standard considers information in all its forms to be an important asset and aims at safeguarding the confidentiality, integrity and availability of information. As of 2011, the operation of the Organisation's information security management system (ISMS) and the production of the appropriate evidence/proof is carried out exclusively by CAPO.

During 2012 special emphasis was given to the application of the system's procedures and the production of the relevant evidence/proof. These procedures support and reinforce the existing procedures of the Organisation for the processing and final payment of subsidy applications as far as information security is concerned. Other important work carried out on the ISMS in 2012 included investigation of safety incidents, compilation of annual reports and regular staff training.

CAPO's Information Security Steering Committee which is composed of the Commissioner, the Assistant Commissioner and senior executives of the Organisation held regular meetings in the course of 2012 playing an important part in the implementation of the ISMS and the communication of its provisions to the entire Organisation. During these meetings decisions were taken on steering the work of the ISMS on the basis of CAPO's priorities and main objectives, including the approval of the plans for the Organisation to continue its business operation without any interruptions. This

approval of the plans allows CAPO to continue processing applications and paying subsidies during any severe incidents that may affect either housing or the operation of the Organisation's information systems, or both.

It is therefore concluded that the development of an information security management system offers CAPO a multitude of benefits: beyond the achievement of its aim for information security protection, it also succeeds in increasing farmers' trust vis-à-vis the Organisation, as to the efficiency of handling and protecting their personal data. Moreover, it safeguards the public image of CAPO as a reliable and consistent Organisation. In the long term this will also achieve cost limitations for the recovery of losses that may have occurred from any information security incidents.

ENERGY SAVING MEASURES

Energy is a vital good in our daily lives; this is why we all have the duty to save energy. Almost from its inception the Organisation has been applying simple measures to reduce the consumption of electricity, such as:

- Regular maintenance work on the equipment
- Smaller lamps in the corridors and common areas and energy-saving lamps in all buildings
- Motion sensors in areas where no permanent lighting is required
- Springs on doors for automatic closing
- Replacement of halogen spot-lights with LED lamps
- Total shut-down of electrical and electronic equipment such as PCs and printers instead of keeping them on stand-by mode
- Continuous updates, reminders and regular staff training for establishing an energy saving culture

GREEN PUBLIC PROCUREMENT

The Organisation laid the foundations for green purchasing from the day it was established. In 2008, it drafted a programme of actions for applying green public procurement in accordance with the general framework set by the Republic of Cyprus in compliance with its relevant obligations towards the European Union.

This programme was enriched, expanded and developed and the Organisation is now applying practices, such as:

- Including environmental criteria in tendering procedures for the purchase of consumables (cleaning products, hygiene material, stationery, paper, ink, etc.)
- Including environmental criteria in tendering procedures for the purchase of equipment such as PCs, fax machines, air-conditioning units etc
- Recycling of paper, PMD, batteries, ink
- Assessing tenders for the purchase of equipment, such as photocopying machines etc, based on a life cycle cost approach

As of 2013 the Organisation shall adopt and apply the revised Action Plan for Green Public Procurement drawn up by the Department of the Environment and approved by the Ministerial Council.





Extract of Audited Financial Statements

For the year ended 31 December 2012





STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

		2012	2011
	Note	€	€
Income	15	90.055.589	155.919.413
Payments to beneficiaries		<u>(79.836.009)</u>	<u>(145.786.746)</u>
		10.219.580	10.132.667
Other operating income	16	236.059	107.251
Administration and operating expenses	17	<u>(11.748.105)</u>	<u>(11.971.888)</u>
Deficit from operations		(1.292.466)	(1.731.970)
Finance income	19	254.294	434.386
Finance costs	19	<u>(1.731)</u>	<u>(1.786)</u>
Deficit from operations before tax		(1.039.903)	(1.299.370)
Taxation expense	20	<u>(37.610)</u>	<u>(49.538)</u>
Deficit for the year		<u>(1.077.513)</u>	<u>(1.348.908)</u>
Other comprehensive income		-	-
Total comprehensive deficit for the year		<u>(1.077.513)</u>	<u>(1.348.908)</u>

STATEMENT OF FINANCIAL POSITION

31 December 2012

2012

2011

	Note	€	€
ASSETS			
Non-current assets			
Property, plant and equipment	7	542.931	740.874
Intangible assets	8	556.158	920.439
		<u>1.099.089</u>	<u>1.661.313</u>
Current assets			
Inventories	9	-	201.474
Other receivables	10	10.426.131	22.567.320
Cash at bank and in hand	11	6.060.667	6.443.466
		<u>16.486.798</u>	<u>29.212.260</u>
Total assets		<u>17.585.887</u>	<u>30.873.573</u>
EQUITY AND LIABILITIES			
Own funds			
Accumulated deficit		<u>(9.312.980)</u>	<u>(8.235.467)</u>
Total own funds		<u>(9.312.980)</u>	<u>(8.235.467)</u>
Non-current liabilities			
Deferred income	14	514.224	1.130.639
Provisions for liabilities	12	9.815.712	8.667.077
		<u>10.329.936</u>	<u>9.797.716</u>
Current liabilities			
Amounts payable	13	14.660.775	27.000.004
Deferred income	14	1.908.156	2.311.320
		<u>16.568.931</u>	<u>29.311.324</u>
Total liabilities		<u>26.898.867</u>	<u>39.109.040</u>
Total own funds and liabilities		<u>17.585.887</u>	<u>30.873.573</u>

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

General
Reserve

	€
At 1 January 2011	<u>(6.886.559)</u>
Comprehensive income	
Deficit for the year	<u>(1.348.908)</u>
Total comprehensive income for 2011	<u>(1.348.908)</u>
At 31 December 2011 / 1 January 2012	<u>(8.235.467)</u>
Comprehensive income	
Deficit for the year	<u>(1.077.513)</u>
Total comprehensive income for 2012	<u>(1.077.513)</u>
At 31 December 2012	<u>(9.312.980)</u>

STATEMENT OF CASH FLOWS

Year ended 31 December 2012

		2012	2011
	Not.	€	€
Operating activities			
Deficit from operations before tax		(1.039.903)	(1.299.370)
Adjustments:			
Depreciation of property, plant and equipment	7	254.539	245.963
Amortation of intangible assets	8	424.809	266.755
Pension scheme		1.266.808	1.366.734
Interest income	19	(254.294)	(434.386)
Interest expense	19	589	271
Amortation of deferred income	14	(988.029)	(1.374.442)
Write offs of property, plant and equipment		861	-
		<u>(334.620)</u>	<u>(1.228.475)</u>
Changes in working capital:			
Inventories		201.474	42.577
Amounts receivable		12.141.189	(18.594.116)
Amounts payable		<u>(12.339.229)</u>	<u>(36.026.007)</u>
Cash flows used in operations		<u>(331.186)</u>	<u>(55.806.021)</u>
Tax paid		<u>(37.610)</u>	<u>(54.191)</u>
Net cash used in operating activities		<u>(368.796)</u>	<u>(55.860.212)</u>
Investing activities			
Payment for purchase of intangible assets	8	(60.528)	(482.560)
Payment for purchase of property, plant and equipment	7	(57.457)	(259.684)
Interest received		<u>254.294</u>	<u>479.880</u>
Net cash (used in) / from financing activities		<u>136.309</u>	<u>(262.364)</u>
Financing activities			
Transfers of pension benefits		(44.509)	136.903
Government Grant due to write offs of assets		(149.532)	(473)
Interest paid		(589)	(271)
Membership contributions to Pension Scheme		96.224	38.048
Government grant received for capital expenditure		117.981	742.246
Pension payments		<u>(169.887)</u>	<u>(19.176)</u>
Net cash (used in) / from financing activities		<u>(150.312)</u>	<u>897.277</u>
Net decrease in cash and cash equivalents		(382.799)	(55.225.299)
Cash and cash equivalents:			
At beginning of the year		<u>6.443.466</u>	<u>61.668.765</u>
At the end of the year	11	<u><u>6.060.667</u></u>	<u><u>6.443.466</u></u>

Notes to the Financial Statements

For the year ended 31 December 2012

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Incorporation

The Cyprus Agricultural Payments Organisation (the "Organisation") is an independent legal entity which was established on 27 June 2003. It operates according to the provision of the Law No.64(I) entitled "The Establishment of the Agricultural Payments Organisation and Other Related Matters Law" of 2003 and its amendments and in accordance with the Council Regulation (EC) No 1290/2005 on the financing of the Common Agricultural Policy.

Mission of the Organisation

The mission of the Organisation is the management of agricultural funds within the scope of the Common Agricultural Policy of the European Union.

2. 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.

2.1 Compliance with the provisions of the institutional framework

From 1 January 2012, the Organisation has implemented all the provisions (and amendments) that have become applicable and have also been approved by the House of Representatives, which are related to its operations in accordance with 'The Establishment of the Agricultural Payments Organisation and Other Related Matters Law' (64 (I)/2003).

2.2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU). In addition, the financial statements comply with the provision of the 'The Establishment of the Agricultural Payments Organisation and Other Related Matters Law' (Law 64 (I) / 2003) and its amendments. These Financial Statements have been prepared under the historical cost concept.

2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

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:

%	%
Renovations to rented property	20
Computer hardware	20
Motor vehicles	20
Furniture, fixtures and office equipment	10 & 20

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

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

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognized in the Statement of Comprehensive Income.

Notes to the Financial Statements

For the year ended 31 December 2012

Repairs, maintenance, and renovations

Expenditure for repairs and maintenance of property, plant and equipment is charged to the Statement of Comprehensive Income in the year in which it is incurred. The cost of major improvements and renovations and other subsequent expenditure are included in the carrying amount of the asset 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. Major improvements and renovations capitalised are depreciated over the remaining useful life of the related asset. On disposal of fixed assets, the difference between the selling price and the net carrying amount is charged or credited in the Statement of Comprehensive Income.

2.4 Government grants

Government grants on non current assets acquisitions are recorded as deferred income and recognised as income on a systematic basis over the useful life of the asset.

Government grants that relate to expenses occurred are recognised in the Statement of Comprehensive Income when they are received. If the relevant expense has not yet occurred the grant received is carried as deferred income in the Statement of Financial Position until the expense occurs.

2.5 Intangible assets

• 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 recognised as an expense when incurred.

Computer software costs are amortised using the straight line method over their useful live, which commences when the computer software is available for use. Their amortisation expense is included in Administration and operating expenses.

The annual amortisation rates used are as follows:

	%
Computer software	33 1/3

2.6 Financial instruments

• Financial assets

Regular way purchases and sales of financial assets are recognised on the trade date which is the date on which the Organisation commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the Statement of Comprehensive Income.

A financial asset is derecognised when:

1. the rights to receive cash flows from the asset have expired;
2. the Organisation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full to a third party; or
3. the Organisation has transferred its rights to receive cash flows from the asset or has assumed an

Notes to the Financial Statements

For the year ended 31 December 2012

obligation to pay them in full to a third party and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Receivables

Receivables are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method.

Other receivables

Other receivables represent amounts to be recovered, which resulted from post payment checks. Other receivables are presented net of the provision for bad debts. Provision for bad debts is made only for accounts receivable that is considered uncertain whether they will be recovered. Recovery risk is reviewed continuously and assumptions made for calculating the provision for bad debts are revised on a regular basis and adjusted accordingly.

Trade receivables are written off, where it is considered appropriate.

Amounts receivable from European funds

Amounts receivable from European funds are the balance of the expenditure declared by the Organisation for payments made to beneficiaries, reduced by the amount of special purpose revenue which the Organization included in the same declaration of expenditure. The compensation amounts to a collection of the corresponding revenue.

• **Financial liabilities**

Financial liabilities are obligations to pay cash or other financial assets. The financial liabilities are recorded initially at fair value, net of direct transaction costs, and are subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or it expires.

When an existing financial liability is replaced by another on substantially different terms, such an exchange is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

(i) Amounts payable for the implementation of new and existing measures

After adopting a rural development programme, the Commission shall pay a single prefinancing amount for that programme to the Member State. This shall represent 7 % of the EAFRD contribution to the programme concerned. It may be split between two financial years depending on resource availability.

The total amount paid as prefinancing shall be reimbursed to the Commission if no declaration of expenditure for the rural development programme is submitted within twenty four months of the date on which the Commission pays the first installment of the prefinancing amount. Interest generated on the prefinancing shall be posted to the rural development programme concerned and deducted from the amount of public expenditure indicated on the final declaration of expenditure. The total prefinancing amount shall be cleared when the rural development programme is closed.

(ii) Amounts payable to European Funds

The following sums shall be deemed to be assigned revenue in the same way as sums recovered following the occurrence of an irregularity or negligence:

(a) sums payable to the Community budget, which have been collected as a consequence of penalties or

Notes to the Financial Statements

For the year ended 31 December 2012

sanctions in accordance with specific rules laid down in sectoral agricultural legislation;
(b) amounts corresponding to reductions or exclusions of payments applied in accordance with the rules on cross compliance deferred.

(iii) Other Liabilities

All other liabilities are initially measured at fair value and subsequently measured at amortized cost using the effective interest method. Where the liabilities are of a short term nature the fair value is determined as equal to the nominal amount without any discounting.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and deposits. The Organisation considers as cash equivalents all highly liquid short term investments with maturities up to three months.

2.8 Impairment of non financial assets

At each reporting date, the Organisation reviews the carrying amounts of its depreciable tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Organisation estimates the recoverable amount of the cash generating unit to which the asset belongs.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of the fair value less selling costs and value in use of the asset (or cash generating unit). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash generating unit).

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.9 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 a reliable estimate of the amount can be made. Where the Organisation expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.10 Revenue

• Revenues from government grants

Funds provided from national sources for the payment of operational expenses are recognised in the Statement of Comprehensive Income of the period in which related expenses have been charged. Any funds pro-

Notes to the Financial Statements

For the year ended 31 December 2012

vided in excess of the part of the operational expenses not financed by any other income of the period under consideration, are presented in the Statement of Financial Position as "Funds held for future operational expenses" (deferred income).

Funds provided from national sources for capital expenditure are recognised as income in the year in which these assets are depreciated and to the extent of the amount of the depreciation charged.

Funds provided from national sources, from the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD), are recognised as income for the year, only to the extent that these funds are used for the payment of aids to the beneficiaries. Any unspent amounts are included in the Statement of Financial Position at the year end as "Amounts payable for the implementation of new and current measures"(deferred income).

• Interest income

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

2.11 Retirement benefit costs

Payments made to state managed retirement benefit schemes (e.g. Government Social Insurance Fund) are dealt with as payments to defined contribution plans where the Organisation's obligations under the plans are equivalent to those arising in a defined contribution plan. 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 government scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Organisation operates a Pension Scheme for permanent employees which is based on the pensionable earnings and the years of service (defined benefit scheme). The Organisation has not made any contributions to the Pension Scheme yet.

In order to transfer the right to pension, in the case of a member's death, the employees make a contribution of 0,75% on their pensionable earnings up to the level of insurable earnings and 1,75% on the remaining amount exceeding the insurable earnings. As from 1 October 2011 the above contribution rate has changed to 2% of pensionable earnings, while, as from the same date, the permanent employees contribute 3% of pensionable earnings for pension purposes.

In defined benefit plans a lump sum payable upon termination of the employee services is defined taking into account factors such as years of service and salary. The cost of providing such benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses that exceed 10% of the greater of the present value of the Organisation's defined benefit obligation and the fair value of plan's assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, otherwise it is amortised on a straight line basis over the average period until the benefits become vested.

The carrying amount of the retirement benefit obligation represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan's assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

2.12 Expense recognition

Payments to beneficiaries are recognised in the financial statements as expenses in the year in which they are approved.

Notes to the Financial Statements

For the year ended 31 December 2012

Operational expenses are recognised in the financial statements on the accruals basis.

2.13 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

Borrowing costs include interest expense on loans, finance leases and bank overdrafts on an effective rate basis as well as other bank charges.

2.14 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 entity operates ("the functional currency").

The financial statements are presented in Euro (€), which is the Organisation's functional and presentation currency.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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.

Current economic conditions

The Commissioner assessed whether any impairment allowances are deemed necessary for any of the assets, whether financial or non financial in nature, by considering the economic situation and outlook at the reporting date. Based on the evaluation performed, no further provisions or impairment charges are deemed necessary as at the reporting date.

3.1 Estimation uncertainty

The Organisation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of depreciable assets

The Commissioner reviews the useful lives of depreciable assets at each reporting date and revises them, if necessary, so that the useful lives represent the expected utility of the assets to the Organisation. Actual results, however, may vary due to technological obsolescence, mis usage and other factors that are not easily predictable.

Retirement benefits

The cost of benefits for defined benefit plans using actuarial assumptions, in which assumptions are made regarding discount rates, expected rates of return, rate of wage growth, mortality rates and future pension increases where necessary. The Organisation makes these assumptions based on market expectations at the reporting date using the best estimates for each parameter covering the period by which the liability will be settled. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Notes to the Financial Statements

For the year ended 31 December 2012

4. FINANCIAL ASSETS AND LIABILITIES

4.1. Carrying amount

The carrying amount of financial assets and liabilities included in the Statement of Financial Position are as follows:

		2012	2011
	Note	€	€
<u>Financial assets</u>			
Cash and receivables	10, 11	<u>16.175.625</u>	<u>28.621.706</u>
		<u>16.175.625</u>	<u>28.621.706</u>
<u>Financial liabilities</u>			
At amortised cost	13	<u>14.652.302</u>	<u>26.986.034</u>
		<u>14.652.302</u>	<u>26.986.034</u>

4.2. Fair values

The fair values of the Organisation's financial assets and liabilities measured at amortised cost approximate their carrying amounts at the reporting date.

5. FINANCIAL RISK MANAGEMENT

The Organisation is exposed to interest rate risk, credit risk and liquidity risk arising from the financial instruments held.

The Commissioner has the overall responsibility for the establishment and oversight of the management framework of the financial risks of the Organisation.

The financial risk management policies of the Organization are established to identify and analyze the risks faced by the Organisation, to set appropriate risk limits and controls and monitor risks and adherence to those limits. Policies and financial risk management systems are reviewed regularly to reflect changes in economic conditions and the activities of the Organisation.

5.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

Sensitivity analysis

Possible changes in interest rates at 31 December 2012 would not result in any significant increase / (decrease) in profit or loss and other comprehensive income.

5.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets in hand at the reporting date. The Organisation monitors on a continuous basis the aging profile of its receivables. The Organisation also has policies to limit its exposure to credit risk in relation to any financial institution, taking into account along with other factors, the credit quality of banks that held deposits. Credit quality information in relation to those banks is provided in note 11.

Notes to the Financial Statements

For the year ended 31 December 2012

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date, without taking account of any collateral obtained, was:

	2012	2011
	€	€
Debtors	1.649.105	1.051.689
Other receivables	38.852	45.802
European Agricultural Funds	8.427.001	21.080.749
Bank balances	<u>6.058.567</u>	6.441.266
	<u><u>16.173.525</u></u>	28.619.506

5.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position can potentially increase the risk of losses. The Organisation has procedures with the objective 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.

31 December 2012	Carrying amounts	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
	€	€	€	€	€	€
Ammounts Payable	<u>14.652.302</u>	<u>14.652.302</u>	<u>14.652.302</u>	-	-	-
	<u>14.652.302</u>	<u>14.652.302</u>	<u>14.652.302</u>	-	-	-
31 December 2012	Carrying amounts	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
	€	€	€	€	€	€
Ammounts Payable	<u>26.986.034</u>	<u>26.986.034</u>	<u>12.333.732</u>	<u>14.652.302</u>	-	-
	<u>26.986.034</u>	<u>26.986.034</u>	<u>12.333.732</u>	<u>14.652.302</u>	-	-

Notes to the Financial Statements

For the year ended 31 December 2012

6. OTHER RISK MANAGEMENT

6.1 Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Organisation's information technology and control systems as well as the risk of human error and natural disasters. The Organisation's systems are evaluated, maintained and upgraded continuously.

6.2 Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non compliance with laws and regulations of the State and of the European Commission. This risk is limited to a significant extent due to the supervision applied by the Commissioner, as well as by the monitoring controls applied by the Organisation.

6.3 Economic environment

The general economic environment prevailing in Cyprus and internationally may affect the Organisation's operations to a considerable extent. The Cyprus economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. During 2012 there was a considerable tightening of the liquidity available for lending by the Cypriot banking institutions, mainly resulting from financial instability in relation to the Greek sovereign debt crisis and its impact on the Cyprus economy. In addition, after credit downgrades the ability of the Republic of Cyprus to borrow from international markets has been significantly affected. The Cyprus government is in negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), in order to obtain financing. The negotiations are ongoing as a result of which there are uncertainties prevailing over the development of the economic environment in Cyprus.

The limited availability of liquidity for lending, coupled with the negative growth rate of the economy, could affect (1) the Organisation's ability to obtain new state funding on terms and conditions similar to those applied to past transactions and / or (2) the ability of the Organisation's debtors to repay their obligations to the Organisation.

The deterioration of the operating conditions could have an impact on the cash flow projections of the Organization and on the assessment of the impairment of financial and non financial assets.

Management is unable to predict all developments which could have an impact on the Cyprus economy and consequently what effect, if any, could have on future financial performance, cash flows and financial position of the Organisation.

The Management believes it is taking all the necessary measures to maintain the sustainability and expansion of the Organisation's operations in this economic environment.

Notes to the Financial Statements

For the year ended 31 December 2012

7. PROPERTY, PLANT AND EQUIPMENT

	Conversions to rented property	Computer hardware	Motor Vehicles	Furniture, fixture & office equipment	Total
Cost	€	€	€	€	€
At 1 January 2011	223.892	1.081.639	440.956	1.368.345	3.114.832
Additions	5.439	78.900		175.345	259.684
Write offs	-	-		(472)	(472)
At 31 December 2011 / 1 January	229.331	1.160.539	440.956	1.543.218	3.374.044
Additions	-	11.064		46.393	57.457
Write offs	-	(138.302)		(11.231)	(149.533)
At 31 December 2012	229.331	1.033.301	440.956	1.578.380	3.281.968
Depreciation					
At 1 January 2011	179.900	808.027	390.843	1.008.909	2.387.679
Charge for the year	18.054	90.958	13.555	123.396	245.963
Write offs	-	-		(472)	(472)
At 31 December 2011 / 1 January	197.954	898.985	404.398	1.131.833	2.633.170
Charge for the year	12.307	92.405	9.970	139.857	254.539
Write offs	-	(138.302)	-	(10.370)	(148.672)
At 31 December 2012	210.261	853.088	414.368	1.261.320	2.739.037
Net book amount					
At 31 December 2012	19.070	180.213	26.588	317.060	542.931
At 31 December 2011	31.377	261.554	36.558	411.385	740.874

Remaining Useful Life
as at 31 December 2012:

2 years 2 years 3 years 3 years

Depreciation expense for the year has been recognised in the Statement of Comprehensive Income as follows:

	2012	2011
	€	€
Administration and operating expenses	254.539	245.963
Total	254.539	245.963

Notes to the Financial Statements

For the year ended 31 December 2012

8. INTANGIBLE ASSETS

	Computer software
	€
Cost	
At 1 January 2011	1.968.077
Additions	<u>482.560</u>
At 31 December 2011 / 1 January 2012	2.450.637
Additions	60.528
At 31 December 2012	<u>2.511.165</u>
Amortisation	
At 1 January 2011	1.263.443
Charge for the year	<u>266.755</u>
At 31 December 2011 / 1 January 2012	1.530.198
Charge for the year	424.809
At 31 December 2012	<u>1.955.007</u>
Net book value	
At 31 December 2012	<u>556.158</u>
At 31 December 2011	<u>920.439</u>

The remaining useful life of intangible assets is estimated at 2 years. Amortisation expense for the year has been recognised in the Statement of Comprehensive Income as follows:

	2012	2011
	€	€
Administration and operating expenses	<u>424.809</u>	<u>266.755</u>
Total	<u>424.809</u>	<u>266.755</u>

9. INVENTORIES

	2012	2011
	€	€
Public storage products	-	829.782
Accumulated provision for impairment	-	(585.731)
Provision for impairment	<u>-</u>	<u>(42.577)</u>
	<u>-</u>	<u>201.474</u>

The amount of public storage products for the year 2011 is stated at purchasing cost (at agreed prices) after the deduction of EAGF funding amounting to €628.308.

Notes to the Financial Statements

For the year ended 31 December 2012

10. AMMOUNTS RECEIVABLE

	2012	2011
	€	€
Financial items		
Amounts receivables	1.649.105	1.051.689
Other receivables	38.852	45.802
European Agriculture Guarantee Fund	-	5.200.274
European Agriculture Fund of Rural Development	<u>8.427.001</u>	<u>15.880.475</u>
	<u>10.114.958</u>	<u>22.178.240</u>
Non-financial items		
Prepaid expenses	118.817	196.724
Rent deposits	48.268	48.268
Tax receivable	<u>144.088</u>	<u>144.088</u>
	<u>10.426.131</u>	<u>22.567.320</u>

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

10.1 Neither past due nor impaired balances

The credit quality of the beneficiaries that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates, since no external ratings exist. The Organisation for this purpose allocates its neither past due nor impaired accounts receivables as follows:

	2012	2011
	€	€
Existing debtors with no defaults in the past	<u>1.649.105</u>	<u>1.051.689</u>
	<u>1.649.105</u>	<u>1.051.689</u>

11. CASH AND CASH EQUIVALENTS

	2012	2011
	€	€
Cash in hand	2.100	2.200
Cash at Bank	<u>6.058.567</u>	<u>6.441.266</u>
	<u>6.060.667</u>	<u>6.443.466</u>

11.1 Cash and cash equivalents in the Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the cash and cash equivalents include:

	2012	2011
	€	€
Bank deposits and cash in hand	<u>6.060.667</u>	<u>6.443.466</u>
	<u>6.060.667</u>	<u>6.443.466</u>

Notes to the Financial Statements

For the year ended 31 December 2012

11.2 Credit quality of bank deposits

The credit quality of the banks in which the Organisation keeps its deposits is assessed by reference to the credit rating of these banks. The bank balances of the Organisation are allocated based on the credit ratings of the corresponding banks as follows:

	2012	2011
	€	€
Lower than B- / B3	<u>6.058.567</u>	<u>6.441.266</u>
	<u>6.058.567</u>	<u>6.441.266</u>

12. RETIREMENT BENEFITS

Based on the last actuarial valuation which has been completed in April 2013 by an independent actuary, the actuarial liability for retirement benefits as at 31 December 2012 amounted to €9.815.712 (2011: €8.667.077).

The independent actuarial valuation was based on the following assumptions:

	2012	2011
	%	%
Discount rate	2,69	4,60
Inflation rate	2,00	2,00
General salaries increase		
- 2013-2016 (2011: 2012 - 2013)	0,00	0,00
- 2017 και μετά (2011: 2014 και μετά)	5,75	5,75
Increase in pensions		
- 2013-2016 (2011: 2012 - 2013)	0,00	0,00
- 2017 και μετά (2011: 2014 και μετά)	3,00	3,00
Increase in basic insurable earnings	3,00	3,00

12.1 Actuarial position

The amounts recognised in the Statement of Financial Position related to the Pension Scheme (defined benefits scheme) are shown below:

	2012	2011	2010	2009	2008
	€	€	€	€	€
Present value of non funded defined benefit obligations	12.954.697	7.357.260	7.509.761	5.510.049	4.616.795
Unrecognised cost of transitional provisions					(4.616.795)
Unrecognised actuarial gains / (losses)	(3.138.985)	1.309.817	(365.193)	385.177	-
	<u>9.815.712</u>	<u>8.667.077</u>	<u>7.144.568</u>	<u>5.895.226</u>	<u>-</u>

Notes to the Financial Statements

For the year ended 31 December 2012

12.2 Fair value movement of the Pension Scheme obligations

The movement of Pension Scheme obligations, presented in the Statement of Financial Position, consists of the following:

	2012	2011
	€	€
At 1 January	8.667.077	7.144.568
Current service cost	953.597	991.246
Members' contributions	96.224	38.048
Recognition of actuarial gains	(25.102)	-
Interest cost	338.313	375.488
Transfer of retirement benefits	(44.510)	136.903
Benefits paid by the plan	(169.887)	(19.176)
At 31 December	9.815.712	8.667.077

12.3 Amounts recognised in the Statement of Comprehensive Income

The amounts recognized in the Statement of Comprehensive Income related to the Pension Scheme of the Organisation (defined benefits scheme) are shown below:

	2012	2011
	€	€
Current service cost	953.597	991.246
Interest cost	338.313	375.488
Recognition of actuarial gains	(25.102)	-
	1.266.808	1.366.734

According to article 29(a) of the Law 64(I)/2003 entitled "The Establishment of the Agricultural Payments Organisation and Other Related Matters Law" and its amendments, the retirement benefits obligations eventually lays with the Republic of Cyprus, which is responsible to finance the payment of employees' remunerations and other benefits.

Notes to the Financial Statements

For the year ended 31 December 2012

13. Amounts Payable

	2012	2011
	€	€
Financial items		
Accounts and other payables	180.256	120.932
Sundry creditors	27.103	42.061
Funds payable for the implementation of new and current measures	12.905.557	24.503.828
European Agricultural Guarantee Fund	656.266	-
Accrued expenses	131.387	123.237
Prefinancing interest due to EAFRD	749.171	618.807
Amounts payable for the effects of drought	2.562	1.577.169
	14.652.302	26.986.034
Non financial items		
Value Added Tax	8.473	13.970
	14.660.775	27.000.004

Funds payable for the implementation of new and current measures represent funds received from Cyprus Government and the European Agricultural Fund for Rural Development (EAFRD) which are to be used for the payment of new and current measures.

Interest generated on the prefinancing shall be posted to the rural development programme concerned and deducted from the amount of public expenditure indicated on the final declaration of expenditure.

The fair value of amounts due within one year approximate to their carrying value at the reporting date.

14. DEFERRED INCOME

14.1 Government funds used for the acquisition of capital assets

	2012	2011
	€	€
Balance 1 January	1.661.314	1.431.786
Government grants	117.983	742.247
Write offs of fixed assets	(149.533)	(472)
Amortisation for the year	(530.675)	(512.247)
Balance 31 December	1.099.089	1.661.314
Deferred Income over one year	(514.224)	(1.130.639)
Deferred Income within one year	584.865	530.675

Deferred income consists of government grants used for the acquisition of capital assets and is amortised taking into consideration the estimated useful life of those assets.

Notes to the Financial Statements

For the year ended 31 December 2012

14.2 Government funds to cover future operational expenses

	2012	2011
	€	€
Balance 1 January	1.780.645	2.642.840
Amortization for the year	(457.354)	(862.195)
Balance 31 December	<u>1.323.291</u>	<u>1.780.645</u>

The above amount represents government grants provided to the Organisation from national sources for the payment of operational expenses not used in the year under review.

15. REVENUE

	2012	2011
	€	€
European Agricultural Funds	43.587.306	86.640.176
National Funds (Payments Fund)	36.248.704	58.724.761
Government grant (Operational Fund)	10.219.579	10.132.667
National aid for the effect of drought 2008	- 421.809	
	<u>90.055.589</u>	<u>155.919.413</u>

16. OTHER INCOME

	2012	2011
	€	€
National fund received regarding the management of compensations paid in respect of drought 2008	120.000	-
Subsidies received in respect of seminars and conferences and income in relation to the forfeiture of guarantees	116.059	107.251
	<u>236.059</u>	<u>107.251</u>

Notes to the Financial Statements

For the year ended 31 December 2012

17. ADMINISTRATION EXPENSES

	2012	2011
	€	€
Staff costs (Note 18)	9.034.372	8.974.904
Rent (Note 23)	581.676	593.070
Lighting, heating and fuel	152.336	131.435
Water supply	9.621	8.360
Employees' insurance	32.579	34.889
Buildings and offices insurance	16.401	16.701
Sundry expenses	10.798	47.524
Telephone and postages	162.761	203.184
Advertising and publications	1.366	8.232
Stationery and printing	89.737	206.602
Informational campaigns	77.364	208.142
Newspapers and publications	6.346	8.059
Equipment maintenance	336.518	320.230
Staff training	91.089	82.376
Computer supplies and maintenance	11.410	18.905
Computer software expenses	84.798	171.123
Audit fees for statutory audit	59.554	53.474
Legal fees	37.049	34.394
Other professional fees	13.258	40.337
Inland travelling and accommodation	11.130	11.205
Entertaining	1.546	811
Motor vehicle running costs	85.877	93.434
Office cleaning	81.258	77.513
Advisory committee's members compensation	1.281	1.281
Loss on disposal of fixed assets	860	-
Motor vehicles and machinery rent expense	40.303	66.640
Satellite images	37.468	46.345
Amortisation of intangibles	424.810	266.755
Depreciation property, plant and equipment (Note 7)	254.539	245.963
	11.748.105	11.971.888

Maintenance of equipment

Consists of expenditure for maintenance of buildings and offices, motor vehicles, electromechanical installations, computer equipment and office equipment (2012: €336.518, 2011: €320.230).

Notes to the Financial Statements

For the year ended 31 December 2012

18. STAFF COSTS

	2012	2011
	€	€
Wages and salaries	6.136.643	6.110.382
Social insurance contributions	527.049	513.363
Allowances	12.110	15.873
Medical fund	847.932	737.308
Other contributions	223.590	222.254
Retirement benefits (Note 12)	1.266.808	1.366.734
Retirement benefits to non - pensionable employees	20.240	8.990
	<u>9.034.372</u>	<u>8.974.904</u>
Staff costs are allocated as follows:		
Administration expenses	<u>9.034.372</u>	<u>8.974.904</u>
	<u>9.034.372</u>	<u>8.974.904</u>
Average number of employees (including Directors in their executive capacity):		
Government officials	2	2
Permanent	126	127
Temporary	103	105
Hourly rate	4	4
	<u>235</u>	<u>238</u>

19. FINANCE INCOME AND COSTS

	2012	2011
	€	€
Finance income		
Interest income	<u>254.294</u>	434.386
	<u>254.294</u>	<u>434.386</u>
Finance costs		
Interest expense	589	271
Sundry finance expenses	<u>1.142</u>	1.515
	<u>1.731</u>	<u>1.786</u>
Net finance income	<u>252.563</u>	<u>432.600</u>
Interest revenue is analysed as follows:	2012	2011
	€	€
Bank deposits and receivables	<u>254.294</u>	434.386
	<u>254.294</u>	<u>434.386</u>

Notes to the Financial Statements

For the year ended 31 December 2012

20. TAXATION EXPENSE

	2012	2011
	€	€
Defence contribution - current year	37.610	49.538
Charge for the year	37.610	49.538

The Organisation is subject to special defense contribution on income from interest rate of 15% (10% to 30 August 2011). From 18 April 2013, the rate has increased to 30%.

21. FUNCTIONING AS A GOING CONCERN CONCEPT

The Organization incurred a deficit of €1.077.513 for the year ended 31 December 2012 and at that date its liabilities exceeded its assets by €9.312.980. This deficit resulted entirely from its obligations in relation to the Pension Scheme. According to the Law 64(I)/2003 entitled "The Establishment of the Agricultural Payments Organisation and Other Related Matters Law", the Organisation receives an annual grant from the State budget to cover its operational expenses including pensions payable to members of the staff and/or their dependents and families, as well as salaries and other benefits of the Commissioner, Assistant Commissioner, staff and members of the Advisory Committee. The Organisation depends on national funding to continue its operations. The Commissioner considers that the deficit will be covered from the state budget before or when an obligation for payment under the Pension Plan provisions will be incurred.

22. LEGAL CASES AND CONTINGENT LIABILITIES

22.1 Legal cases

On December 31, 2012 the following litigations against the Organisation in connection with its activities were pending:

Pancyprian Organisation of Cattle Farmers

The litigation from the "Pancyprian Organisation of Cattle Farmers (POCF)" against the Organisation, is directed against the decision of the Organisation not to approve the application for payment of various sums to plaintiffs. According to the legal advisors of the Organisation there is a possibility that the litigation will be successful. In such a case the financial obligation of the Organisation will vary between €1.500.000 €2.000.000. The case is set for hearing on 3 October 2013.

Other legal cases

The success of other pending litigations is not likely to result in any significant financial obligation for the Organisation. The total amount of these litigations varies between €235.000 €250.000.

The outcome of the above cases is uncertain at this stage.

22.2 Other contingent liabilities

The Organisation had no other contingent liabilities as at 31 December 2012.

Notes to the Financial Statements

For the year ended 31 December 2012

23. COMMITMENTS

23.1 Capital commitments

Capital expenditure contracted for at the reporting date but not yet incurred are as follow:

	2012	2011
	€	€
Software	50.980	87.715
Satellite images	46.650	-

23.2 Operating lease commitments

The non cancellable operating leases of the Organisation concern rentals payable as described below.

The total operating lease expenses for the year amounted to €581.676 (2011: €593.070).

The future aggregate minimum lease payments under non cancellable operating leases are as follow:

	2012	2011
	€	€
Within one year	495.067	626.168
Between one and five years	1.310.702	1.862.416
	1.805.769	2.488.584

Agreement Terms

In April 2011, the Organisation completed the negotiations in respect of the rental agreement of its head offices in Nicosia for the period ending September 30, 2018. Based on the conditions that existed during the negotiations of the agreement, and with the intention of securing a long term rental agreement in order to avoid the costs of a possible relocation of offices, the Organisation managed to safeguard the right to extend the rental lease period up to 5 additional years. According to the underlying agreement the extension of the rental period can be achieved by informing the owner through a written notice at least 6 months before the expiration date of the rental period. If the Organisation exercises its right for the extension, the written consent of the owner must be notified to the Organisation within a 30 days period commencing on the day of the receipt of the notice from the Organisation for extension, except if reasonably not possible to do so.

In respect of the period commencing on 1 October 2013 until 30 September 2015 the annual rent will be € 278.520. For the period commencing on 1 October 2015 until 30 September 2017 the annual rent will increase by 8% compared to the rent of the previous period. For the period commencing on 1 October 2017 to 30 September 2018 the annual rent will increase by 8% compared to the rent of the previous period.

However, in view of the economic crisis and the conditions prevailing now in the property market, the Organisation has set up a committee to renegotiate rents in order to achieve reductions in rents paid by the Organisation.

Notes to the Financial Statements

For the year ended 31 December 2012

24. EVENTS AFTER THE END OF THE REPORTING YEAR

The following events occurred after the end of the reporting year:

The Cyprus and the Eurogroup (together with the International Monetary Fund) have come on March 25, 2013 to an agreement on the key elements necessary for a future program of macroeconomic adjustment which includes the provision of financial assistance to the Republic of Cyprus to €10 billion. The decision of the Eurogroup for Cyprus includes plans to restructure the financial sector and safeguard the deposits under €100.000, in accordance with Community legislation. Furthermore, the Cypriot authorities have confirmed their commitment to intensify their efforts in the areas of fiscal consolidation, structural reforms and privatizations. The Eurogroup has requested the Cypriot authorities and the European Commission, in liaison with the European Central Bank and the International Monetary Fund, to finalize the Memorandum of Understanding in April 2013 to pursue formal approval by the Board of the European Stability Mechanism and the ratification by euro area Member States through national parliaments or equivalent approvals. On 12 April 2013 the Eurogroup welcomed the agreement reached between Cyprus and institutions of Troika on a macroeconomic adjustment program for Cyprus and said that the essential elements have been completed to launch the relevant national procedures required for the formal approval of the agreement of financial support by the European Stability Mechanism.

On 29 March 2013 the Central Bank of Cyprus issued a decree concerning the Marfin Laiki Bank and Bank of Cyprus by implementing measures pursuant to the Resolution and Other Credit Institutions Law of 2013.

The Organisation's bank deposits are not deposited in the banks affected by the above measures and therefore not currently affected.



9 Appendices



9. Appendices

Table 1: Payments by CAPO (for the period 31/12/2012)

Description	Amounts paid		
	EU Funds (€)	National Funds (€)	Total (€)
COMMON MARKET ORGANISATION & MECHANISM OF TRADE			
Refunds on non-Annex 1 Products & Sugar	145.074	0	145.074
Fruit and Vegetables	23.587.442	1.414.512	25.001.954
Product of the Wine Sector	59.765.259	0	59.765.259
Promotion Measures	6.040.072	3.624.044	9.664.116
Milk & Milk Products	3.872.976	0	3.872.976
Beef	302.381	0	302.381
Pigmeat, Eggs and Poultry, Bee-keeping and other Animal Products	1.280.646	737.408	2.018.054
TOTAL PAYMENTS FOR COMMON MARKET ORGANISATION & MECHANISMS OF TRADE	94.993.851	5.775.964	100.769.815
Percentage	94.27%	5.73%	
DECOUPLED DIRECT AIDS			
Area Payment Scheme	176.252.731	193.151.240	369.403.971
Processing of citrus fruits & vegetables	12.190.647	0	12.190.647
Cow Milk Premium	0	26.184.939	26.184.939
Slaughter Premium - Beef	0	25.298.779	25.298.779
Ewe & Goat Premium	0	102.424.277	102.424.277
Poultry & Pig Farms	0	17.153.547	17.153.547
Financial aid for the effects of drought in 2008	0	62.422.831	62.422.831
Superlevy from milk producers Revenue	-4.288.391 -1.694.784	-43.941 -961.761	-4.332.331 -2.656.545
TOTAL PAYMENTS FOR DECOUPLED DIRECT AIDS	182.460.204	425.629.911	608.090.115
Percentage	30.01%	69.99%	
RURAL DEVELOPMENT			
Rural Development Measures 2004 - 2006	73.083.570	93.310.192	166.393.761
Rural Development Measures 2007 - 2013	89.262.973	89.254.402	178.517.376
TOTAL PAYMENTS FOR RURAL DEVELOPMENT	162.346.543	182.564.594	344.911.137
Percentage	47.07%	52.93%	
CLEARANCE OF ACCOUNTS			
Aid adjustments between funds	-12.023.520	12.760.622	737.102
GRAND TOTAL	427.777.078	626.731.091	1.054.508.169
Percentage	40.57%	59.43%	

Table 2: Payments 2013

Description	Amounts paid		
	EU Funds (€)	National Funds (€)	Total (€)
COMMON MARKET ORGANISATION & MECHANISM OF TRADE			
Refunds on non-Annex 1 Products & Sugar	0	0	0
Fruit and Vegetables	1.682.553	258.199	1.940.752
Product of the Wine Sector	4.696.730	-144.930	4.551.801
Promotion Measures	8.714	5.229	13.943
Milk & Milk Products	260.555	0	260.555
Beef	0	0	0
Pigmeat, Eggs and Poultry, Bee-keeping and other Animal Products	117.494	116.214	233.709
TOTAL PAYMENTS FOR COMMON MARKET ORGANISATION & MECHANISMS OF TRADE	6.766.047	234.712	7.000.759
Percentage	96.65%	3.35%	
DECOUPLED DIRECT AIDS			
Area Payment Scheme	11.920.293	5.169.763	17.090.056
Processing of citrus fruits & vegetables	3.331.106	0	3.331.106
Cow Milk Premium	0	0	0
Slaughter Premium - Beef	0	1.779.643	1.779.643
Ewe & Goat Premium	0	5.163.728	5.163.728
Poultry & Pig Farms	0	682.863	682.863
Financial aid for the effects of drought in 2008	0	0	0
Superlevy from milk producers Revenue.	-954.069 -439.251	-9.637 -155.025	-963.706 -594.276
TOTAL PAYMENTS FOR DECOUPLED DIRECT AIDS	13.858.079	12.631.335	26.489.414
Percentage	52.32%	47.68%	
RURAL DEVELOPMENT			
Rural Development Measures 2004 - 2006	-84.921	-121.181	-206.102
Rural Development Measures 2007 - 2013	23.178.946	23.170.585	46.349.531
TOTAL PAYMENTS FOR RURAL DEVELOPMENT	23.094.025	23.049.404	46.143.430
Percentage	50.05%	49.95%	
CLEARANCE OF ACCOUNTS			
Aid adjustments between funds	-17.823	17.823	0
GRAND TOTAL	43.700.328	35.933.275	79.633.603
Percentage	54.88%	45.12%	

Table 3: Payments for Measures of the Common Market Organisation and Mechanisms of Trade for 2012

Measures	No. of Claims	National Funds (€)	EU Funds (€)	Total (€)
W.P.C. 1b: Grant for the restructuring and conversion of vineyards	386	0	3.367.015	3.367.015
W.P.C. 1c: Green Harvesting	4	0	4.558	4.558
W.P.C. 3a: Support and payment of financial aid for material or immaterial investments in treatment facilities, wine industry infrastructure and marketing of wine	8	0	951.260	951.260
W.P.C. 3d: Harvest Insurance	1	0	200.558	200.558
C.O.M. 3: Measure to provide aid to recognised Producer Organisations based on their operational programs	15	0	928.439	928.439
C.O.M. 4: Measure to provide aid to fruit and vegetables Producer Groups	5	116.006	613.747	729.753
C.O.M. 9: School fruit scheme	3	140.367	140.367	280.734
Export Refunds	17	0	24.059	24.059
Bee keeping Program 2011 - 2013	409	116.213	116.213	232.426
Scheme for the supply of milk and dairy products to schools	80	0	260.555	260.555
TOTAL	928	372.586	6.606.771	6.979.357

Table 4: Payments concerning Rural Development Program 2007 – 2013 for 2012

Measure - Submeasure	Total (€)
PRIORITY AXIS 1: Improving the competitiveness of the agricultural and forestry sector	17.020.066
Measure 1.1: Vocational training and information actions	0
Measure 1.2: Setting up of young farmers	580.000
Measure 1.3: Early retirement	1.397.693
Measure 1.4: Use of agricultural advisory services	0
Measure 1.5: Modernization of agricultural holdings	
Submeasure 1.5.1: Modernization of agricultural holdings	10.205.009
Submeasure 1.5.2: Management of waste in agricultural holdings	0
Measure 1.6: Adding value to agricultural and forestry products. Processing and Marketing	3.925.138
Measure 1.7: Land development planning for livestock-farming	457.62
Measure 1.8: Participation of farmers in food quality schemes and information and promotion activities	
Submeasure 1.8.1: Participation of farmers in food quality schemes	199.803
Submeasure 1.8.2: Publicity activities and promotion of products in the framework of the food quality schemes	0
Measure 1.9: Encouragement of setting up and administrative operation of Producer Groups	253.672
Measure 1.10: Meeting standards based on community legislation	989

**Table 4: Payments concerning Rural Development Program
2007 – 2013 for 2012**

Measure - Submeasure		Total (€)	
PRIORITY AXIS 2: Improving the environment and the countryside		23.716.041	
Measure 2.1: Natural handicap payments in less favoured areas	# Region 1	1.055.602	
	# Region 2	6.339.066	
Measure 2.2: Reinforcement of biodiversity in Natura 2000 Areas		0	
Measure 2.3: Agri-environmental commitments	Submeasure 2.3.1: Agri-environmental commitments in vineyards	3.316.064	
	Submeasure 2.3.2: Agri-environmental commitments in potatoes	2.946.268	
	Submeasure 2.3.3: Agri-environmental commitments in citrus fruits	2.250.110	
	Submeasure 2.3.4: Agri-environmental commitments in arable crops	803	
	Submeasure 2.3.5: Preservation of traditional vineyard varieties and endangered species	A) Preservation of traditional endangered species	283.974
		(B) Preservation of traditional vineyard varieties	87.476
	Submeasure 2.3.6: Agri-environmental obligations for traditional trees and bushes with an emphasis in disadvantaged areas	2.445.404	
	Submeasure 2.3.7: Development of organic production for agricultural products	1.705.730	
	Submeasure 2.3.8: Support for the conservation of natural habitats and wildlife	0	
Measure 2.4: Afforestation	Submeasure 2.4.1: Afforestation of agricultural land	68.002	
	Submeasure 2.4.2: First establishment of agro forestry systems	0	
	Submeasure 2.4.3: Afforestation of non-agricultural land	45.451	
Measure 2.5: Restoring forestry potential and introducing prevention actions		702.669	
Measure 2.6: Maintenance and improvement of the social and ecological role of the forests	Submeasure 2.6.1: Non-productive investments	2.414.670	
	Submeasure 2.6.2: Forest-environment payments	53.695	
	Submeasure 2.6.3: Forest-environment payments in Natura 2000 areas	1.058	

**Table 4: Payments concerning Rural Development Program
2007 – 2013 for 2012**

Measure - Submeasure	Total (€)	
PRIORITY AXIS 3: Diversification of rural economy and improvement of the quality of life in rural areas	4.991.027	
Measure 3.1: Encouragement of tourist activities and conservation and upgrading of the rural heritage	1.029.674	
Measure 3.2: Conservation and upgrading of rural heritage	Submeasure 3.2.1: Development of communal / social centres promoting culture	3.041.262
	Submeasure 3.2.2: Village renewal and development	741.797
	Submeasure 3.2.3: Conservation maintenance, re-establishment and upgrade of the cultural heritage	178.294
Measure 3.3: Skill acquisition, animation and implementation	0	
Measure 3.4: Broadband infrastructure in rural areas	0	
PRIORITY AXIS 4: LEADER	316.965	
Measure 4.1: Implementation of local development strategies	Submeasure 4.1.1: Implementing local development strategies to improve the competitiveness of agriculture and forestry sector	0
	Submeasure 4.1.2: Implementing local development strategies to improve the environment and the countryside	0
	Submeasure 4.1.3: Implementing local development strategies to improve the quality of life in rural areas and diversification of rural economy	0
Measure 4.2: Transnational and inter-regional cooperation	24.847	
Measure 4.3: Running the Local Action Groups (LAGs), acquiring skills and animation	292.118	
TECHNICAL ASSISTANCE	305.433	
Measure 5.1: Technical Assistance	305.433	
TOTAL	46.349.531	

