



<b>TECHNICAL CIRCULAR:</b>	<b>2/2022 [TC 2_2022]</b>
<b>To:</b>	<b>ALL MEMBERS OF THE INSTITUTE</b>
<b>From:</b>	<b>Accounting Standards Committee &amp; Auditing Standards Committee</b>
<b>Date:</b>	<b>5 April 2022</b>
<b>Subject:</b>	<b>Implications of the conflict between Russia and Ukraine on financial reporting and auditors' work tailored to Cyprus reality</b>

The Institute of Certified Public Accountants of Cyprus (ICPAC) wishes to provide guidance on the effects of the conflict between Russia and Ukraine on financial statements for reporting periods ended on or before 31 December 2021 and with a year-end after the event took place and the impact on the auditors' work thereon.

Preparers and auditors of financial statements need to consider the impact of the conflict between Russia and Ukraine on the operations of the entities and assess the implications on the financial statements, including implications on the going concern assessment.

Entities that are directly or indirectly affected by the conflict between Russia and Ukraine, need to provide adequate disclosures in their financial statements, both qualitative and quantitative, explaining existing and anticipated/the possible impacts of the ongoing uncertainties on their operations and on their assets and liabilities.

Audit firms should assess the impact of the conflict on their audits. The appropriateness and sufficiency of the disclosures in the financial statements, the appropriateness of the basis of preparation as a going concern and the ability to obtain sufficient and appropriate audit evidence could affect the independent auditor's report.

This circular provides information on the:

- **Financial reporting considerations**
  1. Events after the reporting date
  2. Going concern implications
  3. Additional disclosures depending on the impact of the conflict
  4. Reporting periods that have a year-end after the event took place
- **Audit considerations**
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- **Compliance with laws & regulations**
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  - Appendix 2 Illustrative disclosure for the operating environment of a company in Cyprus
  - Appendix 3 Illustrative disclosure for the events after the reporting date note for periods that have a year-end after the event took place

It is emphasized that:

- at each signing date preparers and auditors should take into consideration available information that exist at the time of issuing the financial statements.
- each entity should tailor the disclosures to its specific circumstances and update the disclosures accordingly based on events and conditions that are relevant at the time of issuing the financial statements.
- the illustrative disclosures are not exhaustive and their applicability depends on the facts and circumstances of each entity.
- the financial reporting and audit considerations are not limited to the ones described in the circular. There may be other considerations that entities may need to consider as the impact of the conflict between Russia and Ukraine on

entities will differ.

- all professional accountants in public practice will need to exercise professional skepticism and professional judgement considering the unique circumstances and challenges as a result of the conflict between Russia and Ukraine.

ICPAC continues to monitor developments regarding these financial reporting and auditing considerations and will provide revised or additional guidance to members if necessary.

## Financial reporting considerations

### 1. Events after the reporting date

Is the conflict between Russia and Ukraine an adjusting or non-adjusting event?

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Such events are subject to the provisions of IAS 10 *Events after the Reporting Period* (“IAS 10”). IAS 10 makes a distinction between adjusting and non-adjusting events after the reporting period as follows [IAS 10:3]:

- Adjusting events after the reporting period are those that provide evidence of conditions that existed at the end of the reporting period;
- Non-adjusting events after the reporting period are those that are indicative of conditions that arose after the reporting period.

The critical judgement is whether the conditions that existed as at the year-end would render the conflict between Russia and Ukraine an adjusting or non-adjusting event.

**For reporting periods ending on or before 31 December 2021**, it is generally appropriate to regard the effects of the conflict between Russia and Ukraine as consequence of events that arose after the reporting date. The conflict between Russia and Ukraine would therefore be treated as a non-adjusting event (with the exception of going concern – see [Section 2 “Going concern implications”](#)). This is because the significant adverse changes in economic conditions and the political/business environment developed as a direct consequence of events occurring after the reporting date i.e., with the escalation of the conflict between Russia and Ukraine on 24 February 2022 and the resulting implementation of economic sanctions by the international community.

The following considerations are appropriate for non-adjusting events:

- The entity should first assess whether the going concern assumption is appropriate and whether material uncertainties exist (see [Section 2 “Going concern implications”](#)). IAS 10 states that events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern may arise after the reporting period [IAS 10:16] and refers to IAS 1 *Presentation of Financial Statements* (“IAS 1”) for the required disclosures.
- If it is concluded that the going concern assumption is appropriate (see [Section 2 “Going concern implications”](#)), there should be no impact on recognition and measurement of assets and liabilities as at 31 December 2021 [IAS 10:10].
- Assumptions used in impairment calculations for financial and non-financial assets at the reporting date need to reflect reasonable and supportable information available as of 31 December 2021. As such, caution should be exercised to avoid inappropriately using hindsight or developing valuation inputs that are not consistent with the conditions or reasonable expectations as of 31 December 2021.

Outcomes that would not have been reasonably expected as of 31 December 2021 should not be reflected in the recoverable amount calculations of non-financial assets under IAS 36 *Impairment of Assets* or expected credit loss calculations of financial assets under IFRS 9 *Financial Instruments*.

### Disclosures

- When the impact of non-adjusting events is material, the entity is required to disclose the nature of the event and an estimate of its financial effect. Due to the high level of uncertainties arising from the conflict between Russia and Ukraine management may not be able to predict the outcome of the conflict and to what extent it may impact the entity, and therefore, it may be difficult for management to estimate the financial effects of the conflict. If an estimate cannot be made, then the entity is required to disclose that fact [IAS 10:21].
- Entities are also reminded about the requirement to disclose abnormally large changes after the reporting period in asset prices in the financial statements [IAS 10.22].
- Please refer to [Appendix 1](#) for the illustrative disclosures for the events after the reporting date note for the year ended 31 December 2021 (available in Greek and English language).

## **2. Going concern implications**

### Assessment of going concern assumption

Management is required to assess the entity’s ability to continue as a going concern, and whether the going concern assumption is appropriate. If relevant, management takes into consideration the existing and anticipated effects of the conflict between

Russia and Ukraine on the entity's activities and the activities of its foreign operations in its assessment of the appropriateness of the use of the going concern assumption.

In assessing whether the going concern assumption is appropriate, IAS 1 requires that all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period, should be considered. This assessment takes into account events and conditions after the end of the reporting period up to the date on which the financial statements are authorised for issue.

Management should consider all available information about the future, which was obtained after its year-end, including the impact of the conflict between Russia and Ukraine on customers, suppliers, and staff, as well as actual and projected foreseeable impact from various factors, such as the following:

- Reliance on financing from Russian, Belarusian or Ukrainian financial institutions or related parties
- Whether and how it will be affected by the sanctions on Russia and Belarus (i.e., possible restrictions on activities because of sanctions on companies and/or individuals)
- Consideration of the entity's business model and related risks
- Loss of significant customer base/decrease in demand for products or services (i.e., whether the entity can continue to operate) and whether there have been any concerns on the continuation of receipt of goods/services from suppliers based in Ukraine, Russia, Belarus
- The duration that the entity could continue operating given the availability of cash resources and the flexibility of its cost base (e.g., impact on rising commodity prices)
- Whether there has been a significant decline in revenue and/or erosion of profits due to higher costs or incurrance of unforeseen expenses
- The results of stress testing on assumptions that are most sensitive and could adversely affect operations and the likelihood of such adverse scenarios
- Impact on loan covenants
- Loss of significant production sites/critical suppliers.

The Management takes into consideration the existing and anticipated effects of the current situation on the entity's activities in its assessment of the appropriateness of the use of the going concern basis. In this context, the management would need to consider a wide range of factors relating to the current adverse situation including, expected impact on liquidity and profitability before it can satisfy itself that the going concern basis is appropriate. IAS 1 requires management to consider all available information about the future, obtained after the reporting period and up to the date the financial statements are authorised for issue.

An entity is no longer a going concern if management intends to liquidate the entity or cease trading or has no realistic alternative but to do so. If management concludes that the consequences of the conflict between Russia and Ukraine result in a deterioration in the entity's results operating results and financial position that is so

severe that the going concern assumption is no longer appropriate, then the financial statements must not be prepared on a going concern basis, even if the assessment at the end of the reporting period supported the application of the going concern basis.

### Disclosures

As per IAS 1, disclosures are required if either the financial statements are not prepared on a going concern basis, or management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern [IAS1:25].

Given the unpredictability of the potential impact of the conflict between Russia and Ukraine, there might be material uncertainties that cast significant doubt on the entity's ability to operate under the going concern basis. In such a scenario, even if the entity prepares the financial statements under the going-concern assumption, it is required to disclose these material uncertainties in its financial statements to explain to readers that the going concern assumption drawn by the management is subject to such material uncertainties.

The events or conditions requiring disclosure might arise after the reporting period, such as the conflict between Russia and Ukraine as indicated in [Section 1 "Events after the reporting date"](#) above.

The forecasts used for going concern purposes should also consider, amongst other, any potential impact on:

- increase in commodity prices
- loss of significant portion of customers
- impairment of non-financial assets (e.g., PPE, Intangibles)
- revenue recognition
- recoverability deferred tax assets
- valuations
- expected credit losses
- inventory obsolescence
- loss of control over joint ventures, associates and/or subsidiary entities.

***The extent of the analysis required, the conclusion reached, and the required level of disclosure will depend on the facts and circumstances in each case, because not all entities will be affected in the same manner and to the same extent. Significant judgement and ongoing updates to the assessments up to the date of issuance of the financial statements might be required given the evolving nature of the conflict and the uncertainties involved.***

### 3. Additional disclosures depending on the impact of the conflict

#### **Operating environment of an entity**

Depending on the impact of the conflict between Russia and Ukraine, an entity may decide to include related information in the *Operating environment note*.

An illustration of the disclosures for the operating environment of an entity in Cyprus for the year ended 31 December 2021 because of the conflict between Russia and Ukraine is provided in [Appendix 2](#) (available in Greek and English language). This illustration can be considered in preparing the necessary disclosures in the financial statements.

It is noted that companies need to consider additional disclosures depending on the impact of sanctions imposed to the entity and/or its shareholders including the ultimate beneficial owner.

#### **Risk disclosures**

Examples of risk assessment considerations are noted below. While the list is not exhaustive, the economic impacts and considerations of these current – and evolving – events include:

##### **Supply chain & operations**

###### *Supply chain*

- Is the entity/group experiencing (or expecting) supply chain impact such as shortages related to the import/export of machinery, components or raw materials?
- Is the entity/group making new arrangements to purchase goods from alternative sources? Will there be significant costs or other risks associated with those alternative arrangements?
- Is the entity/group experiencing (or expecting) issues with the flow of goods and trade due to travel restrictions, canceled passenger and cargo shipments by airlines or ship, or border closings?

###### *Suppliers*

- Do the entity's/group's key suppliers have contingency plans in place to ensure the continuation of supply?

###### *Physical logistics*

- Has the entity/group liaised with its logistics providers to understand the potential impact and any mitigation plans in place?
- What are the entity's/group's contingency plans if supply routes are cancelled?

### *Contracts*

- Has the entity/group reviewed its contracts with key customers and suppliers to understand its potential liability in the event of supply shortages, and how best to manage its legal risks?
- How will the entity/group respond if suppliers invoke force majeure clauses?

### *Inventory*

- Has the entity/group assessed its inventory cover? Does it need to ring-fence inventory for particular customers if shortages occur?
- Does the entity/group have the ability to track shipments in real time and therefore manage customer expectations?

### *Customer loyalty and demand*

- Is the entity/group experiencing (or expecting) any changes in demand from customers or products?
- How sensitive is demand and pricing to exchange rates and/or commodity indices (e.g., volatility of crude oil prices)?

### *Products and services*

- Are there risks of production delays for products manufactured in countries affected by the conflict?
- Does the entity/group anticipate product shortages?
- Is the entity/group impacted by rent concessions or abatements associated with office and/or retail closings?

### Business impact

#### *Workforce availability*

- Does the entity/group have a large workforce in the countries affected by the conflict (not only in Cyprus)?
- Are there employee remuneration matters that will result in material costs?
- Are there relocation matters?

#### *Technology & system resilience*

- Have the entity's/group's third-party IT suppliers been impacted? Will this impact its service-level agreements and system support?

#### *Commercial plans*

- How will the entity's/group's change plans and programs be impacted?
- Will project deadlines and investments need to be delayed?
- What impact does this have on the entity's/group's strategy?

#### *Board governance*

- How will travel bans applicable to the sanctioned persons impact the entity's/group's board governance, meetings and the way it runs its business?



- For legal coverage, has the entity/group identified how to document the additional requirements to meet commitments?

### Financial & external factors

#### *Cash flow*

- Has the entity/group reviewed and revised cash flow, working capital management and inventory forecasts alongside supply and demand predictions?
- Is there any impact from capital controls and/or limitations in transactions in foreign currency?
- Are there any restrictions such that cash is not freely transferable around the group/access to cash accounts is restricted and is there any impact on settlement of obligations?

#### *Financial stability*

- Has the entity/group assessed the impact of the increased economic uncertainty, reflected in more volatile asset prices and currency exchange rates?
- How are further stock market declines and availability of funding expected to impact the entity's/group's financial stability?
- Will there be any delay in the completion of the entity's/group's financial statements? Is this likely to cause a delay in the issue of the auditor's report thereon and consequently in market communications?

#### *Global trade & protectionism*

- How has the disruption to business operations in affected countries impacted on upstream and downstream foreign supply chains?
- Is the entity/group aware of government mitigation plans which could impact its supply chain?
- Does the entity/group have any domestic alternatives for suppliers?

#### *Sector disruption*

- Has the entity assessed the impact of the significant disruption to businesses in certain sectors, including trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance and education?
- How will a drop in demand impact the entity's/group's cost base and profitability?

#### *Market*

- Is the entity/group heavily invested in the affected countries stocks?
- To what extent does the entity/group have exposure to the global economy?
- Is the entity/group exposed to volatility in commodities markets impacted by current events?

### *Foreign currency fluctuations*

- Does the entity/group have exposure to the foreign currencies affected by the conflict e.g., Russian rubles, Ukrainian hryvnia?
- Has the significant devaluation of Russian rubles against the United States Dollar and the Euro from the beginning of the military operation in Ukraine and after the sanctions came into effect been considered in cases of entities/groups that are significantly impacted where applicable?

## **4. Reporting periods that have a year-end after the event took place**

For reporting periods that have a year-end after the event took place (24 February 2022), the following should be considered:

- The event will ordinarily be considered as an event that existed in the reporting period and therefore, the impact of the conflict should now be factored in the recognition and measurement of assets and liabilities in the financial statements. However, given the economic environment and the likelihood that events may change/further develop rapidly or unexpectedly, all entities will remain subject to some uncertainty for the foreseeable future. Entities should carefully evaluate information that becomes available after the reporting date but before the date of authorisation of the financial statements. In these instances, such events will be adjusting events since the conditions existed at the reporting date.
- Entities should assess whether the going concern assumption is appropriate and whether material uncertainties exist (see [Section 2 “Going concern implications”](#)).
- Entities will need to consider all areas of the financial statements that involve judgment and information uncertainty. The list below provides with examples of such areas, although it should not be considered an exhaustive list:
  - Accounting estimates (for example, when estimating the expected credit loss on receivables, inventory obsolescence, and impairment analyses);
  - Fair value measurements;
  - Asset impairment;
  - Expected credit loss assessments;
  - Hedge accounting;
  - Interests in other entities and impact on control, joint control and significant influence, e.g., from government restrictions;
  - Foreign currency matters;
  - Other financial statements disclosure requirements;
  - Liquidity risk management;
  - The impact of breaches of covenants and onerous contracts provisions;

- Implications in the context of abandoned assets that constitute a discontinued operation.
- Please refer to [Appendix 3](#) for the illustrative disclosures for the events after the reporting date note for reporting periods that have a year-end after the event took place (24 February 2022) (available in Greek and English language).
- For these reporting periods, it is expected that more detailed information will be included in the operating environment note than what is provided by companies with reporting periods ending on or before 31 December 2021.

## Useful Resources

- [What European accountants need to know in relation to the conflict between Russia and Ukraine, Accountancy Europe](#)
- [Coordination of regulatory response to the war in Ukraine and its impact on EU financial markets, ESMA](#)
- [ICPAC Russian Sanctions hub](#)

## Audit considerations

### 1. Overall audit approach and audit evidence

The impact of the conflict will need to be considered by the auditors in several ways as it is likely to raise challenges such as delays or inability in obtaining sufficient and appropriate audit evidence. Indicatively, the following areas, amongst others, need to be treated with higher degree of professional scepticism:

- It is the auditor's responsibility to obtain sufficient and appropriate audit evidence before issuing their audit reports. Auditors under the current circumstances may need to explore alternative means, including technology to the extent possible. Authenticity, authorization, and integrity risks of audit evidence exist for both manually signed and electronically signed as well as manually received and electronically received documents. The auditor must be alert and extra vigilant to address this risk.
- Source documents/ other supporting audit evidence may not be available (e.g., due to limitations on access to the work site, people, or information) in which cases the auditor would need to assess whether alternative sources of information exist that could provide an equivalent level of comfort. Accordingly, the auditor would need to assess the impact this may have on both the timing of the audit and the type of audit report to be issued.

- Risk assessment and the extent to which it needs to be updated to reflect current circumstances; teams should obtain an understanding of whether, and if so how, the effects arising from the conflict in Ukraine have affected the entity, including the broader macroeconomic effects. This includes inquiring of management about changes to the entity's business activities or environment to understand if these events, conditions, or activities might reasonably be expected to give rise to potential risk of material misstatements (RoMMs).
- Potential inability of audit clients to leverage the competencies of management experts (such as real estate valuers, professional legal advisors etc) whose input may be paramount especially in areas of higher estimation uncertainty and inherent judgement. Early identification of any such restrictions and a viable audit time plan would need to be determined.
- Cybersecurity related risks: The conflict has increased the threat of active cyber warfare and in turn the prevalent cybersecurity risks faced by entities. Some entities may, by nature, be more prone to the risks than others yet there is a general need to remain vigilant. Auditors should obtain an understanding over the management's risk assessment process and update their assessment of the cybersecurity risks including understanding the related internal controls. Specialist risk assurance and cybersecurity expert competencies may be warranted depending on the complexity of the entity's environment and/or where cybersecurity incidences have taken place. The following should be considered:
  - Assessment of contingency plans and levels of protection from cyber-attacks.
  - Assessment of whether the audited entity's supply chain, financial processes and products are sufficiently protected from cyber-attacks (e.g., are services dependent on the audited entity or service providers' technology which is at risk of cyber-attack, are their banks at risk of cyber-attack)?
- Legal and regulatory compliance: Economic sanctions imposed may introduce new legal and regulatory compliance matters for the entities to consider. In turn, auditors would need to thoroughly evaluate these in the context of their understanding of relevant laws and regulations, assess and respond to the risk of material misstatement due to non-compliance in accordance with ISA 250 "Considerations of laws and regulations in an audit of financial statements". Auditors need to remain constantly alert given the rapid evolution of sanctions and their wide-spread applicability and continuously update the pertinent risk assessment throughout the course of the audit engagement - refer also to the ['Compliance with laws & regulations' Section](#).
- The extent and content of management representations would need to be assessed as the auditor may seek to rely on additional representations from management where there are inability in obtaining audit evidence, albeit such representations

would not be a substitute for obtaining the required audit evidence or for any warranted modifications in the audit report.

- Going-concern assumptions and assessments considering the volatility and uncertainties in the current economic environment. Refer to additional considerations in [Section 3 “Audit considerations in relation to Going Concern”](#).
- Considerations with respect to group audits whereby the group auditor will be required to review the work of component auditors (subject to the conflict and current travel restrictions imposed) and how the group auditor can ensure that adequate procedures are performed so that the relevant auditing standards are adhered to. Refer to additional considerations in [Section 2 “Group audit considerations”](#).
- The auditor should assess the level and sufficiency of possible disclosures, both qualitative and quantitative, to be made in the financial statements whereby the impact of the conflict between Russia and Ukraine is outlined in accordance with the entity’s business and future plans and how these might be impacted going forward.
- Review for events after the end of the reporting period should be enhanced. The auditor should consider any transactions that take place subsequent to 31 December 2021 year ends that are outside the normal course of business and evaluate them – refer also to the [‘Compliance with laws & regulations’ Section](#) of this circular for an indicative list of Red Flags.
- Potential impact on audit report would need to be critically evaluated. Refer to additional considerations in [Section 4 “Implications for the auditor’s report”](#).

### Other matters to consider

#### *Audit Considerations in relation to Fraud:*

Engagement teams should consider the need and the appropriate extent of fraud specialist involvement in identifying and assessing fraud opportunities, incentives, and risks included in areas such as Regulatory, Operational and Financial Statements (including disclosures).

#### *Audit Considerations in relation to Internal Controls:*

Where relevant, engagement teams should perform inquiries, in addition to other procedures, to obtain an understanding of how Internal control over financial reporting (ICFR) has been affected, including understanding the following areas:

- Management’s ability to close its financial reporting process or prepare its financial statements.
- Management’s ability to meet regulatory filing deadlines.
- Management’s determination of whether disclosures about material changes in ICFR need to be included in interim or annual filings.

- Management’s considerations related to disclosures of events after the reporting period.
- Controls that are not operating effectively (e.g., breakdowns in review controls or the inability of individuals to perform control duties because of absences), either identified by management or the auditor.

## 2. Group audit considerations

Group auditors will need to consider the implications of the potential inability to visit component teams in Cyprus and also foreign component teams based in Russia, Belarus and in Ukraine, for purposes of review of the component team’s work. If visits by the group auditors are not feasible, then the group auditors can discuss with clients to amend reporting timescales, if possible, and/or can undertake other measures to allow them to meet the requirements of ISA 600 “Special considerations- audits of group financial statements (including the work of component auditors)”. Other measures that can be applied to obtain sufficient and appropriate audit evidence can include the following:

- Consider alternative activities to demonstrate the review and evaluation of the component team where originally a visit by the group auditor was planned (the below alternatives should be considered in order):
  - Can the component auditor be asked to complete a detailed questionnaire or include additional detail in the issued memorandum on the work they have performed?
  - Can a more detailed memorandum be provided to the component auditor on what work should be done for group reporting?
  - Can group auditors be given access to the electronic audit file of component auditors to allow for review?
- Can key audit documentation be provided to the group auditors remotely by, for example, videoconference or skype meeting in order to ensure that sufficient and appropriate audit evidence was obtained from the audit procedures performed by the component auditor?
- The auditor needs to consider updating the evaluation of the competence and capabilities of component teams for any changes in the executives of the component teams in Russia, Ukraine, and Belarus.

It is noted that group auditors should also consider the provisions of Article 68 of the Auditor’s Law of 2017.

## 3. Audit considerations in relation to Going Concern

It is critical to understand how new events and conditions impact the entity’s operations and forecast cash flows, with the key immediate issue being whether an entity still has sufficient liquidity to continue to meet its obligations as they fall due.

When the auditor evaluates management's assessment and the feasibility of their plans for future actions in respect of going concern, the key considerations are:

- to objectively challenge management's plans and significant assumptions and to obtain evidence that they have realistically factored in the effects of events and conditions affecting the entity (including its operations in Russia and Ukraine) and its environment, including, as applicable, uncertainties associated with the conflict;
- when management's plans are in part dependent on the actions of others, to evaluate whether sufficient appropriate audit evidence is obtained that the other party has the intent and ability to take the expected actions, recognizing that actions in the past may not be a reliable predictor of future actions given the significant change in the economic outlook;
- to seek objective evidence that either confirms or challenges management's representations; – assessing the need to consider events and conditions beyond the period of management's assessment;
- to evaluate whether assumptions are realistic and achievable in view of the entity's circumstances and are consistent with the general economic environment and our understanding of the entity;
- to assess the impact on compliance with bank covenants in case of a delay in being able to report or in case a qualified opinion is given. Whilst audit clients should be talking to banks to obtain waivers these may not be able to be obtained;
- to evaluate the impact of reduced ability to raise new capital due to market volatility;
- to evaluate and objectively challenge transaction flows: whether the transactions flows relied upon for cashflows to support the going concern assumption are impacted by any of sanctioned banks, ruble currency or commodity backed transaction values;
- to assess the funding source i.e., where funding is coming from;
- to understand and evaluate the sanctions: whether any of the entities, funding sources, investments or people involved with the business are subject to sanctions; and
- to assess the credit risk: whether any of the credit providers and debtors are impacted by the sanctions or the conflict.

Auditors should ensure that the review of the going concern and viability is updated to the date of signing the audit report, includes a period of at least twelve months from the reporting date, and has been challenged sufficiently, and sensitivities considered are severe but plausible to make the assessment. Finally, auditors need to evaluate the adequacy of the disclosures, including whether information related to the going concern assessment is complete and accurate.

#### 4. Implications for the auditor's report

Following the assessment of the impact of the developments, the auditors need to consider any implications for the auditor's report. In considering the effect on the auditors' report it is important to remember that the inclusion of a key audit matter, an Emphasis of Matter paragraph or Other Matter paragraph is not substitute for:

- A qualified opinion when required by the circumstances of a specific audit engagement;
- Disclosures in the financial statements that the applicable financial reporting framework requires management to make, or that are otherwise necessary to achieve fair presentation; or
- Reporting when a material uncertainty exists relating to events and conditions that may cast significant doubt on an entity's ability to continue as a going concern.

The implications for the auditors' report may include the following:

a) A new key audit matter

For audit clients which are Public Interest Entities (PIEs) or circumstances when the auditors decide to communicate key audit matters in the auditor's report in accordance with ISA 701 (applies to all listed entities) and Article 10 of the [EU Regulation 537/2014](#) (applies to all EU PIEs), the auditors need to assess whether the developments need to be reported as a key audit matter in the auditor's reporting.

Given the timing of the recent events, the uncertainties that arise from them may not have a significant effect on the key audit matters related to specific areas that were identified for the 31 December 2021 financial statements, because they are generally considered to be a non-adjusting event for this period (see above section for discussion on non-adjusting vs adjusting subsequent events). However, it may give rise to key audit matters related to more pervasive matters such as in relation to performing the audit (e.g., group audits that have significant components in Russia/Belarus and Ukraine) and going concern in close-call scenarios as management's going concern assessment takes into account all information about the future that is available up to the date the financial statements are issued. Also, if an entity has significant direct or indirect exposure to Russia/Belarus and Ukraine (e.g., they have significant operations in either country) consideration may need to be given as to whether audit work related to the subsequent events disclosure represents a key audit matter.

b) A qualified or a disclaimer of opinion as a result of inability to obtain sufficient and appropriate audit evidence



If auditors are unable to obtain sufficient, appropriate and reliable audit evidence, even after considering any possible alternative actions, they may need to modify the audit report and issue either a qualified opinion modified for inability to obtain sufficient and appropriate audit evidence (for example if a single balance cannot be audited, restriction of access to group audit engagements with subsidiaries) or a disclaimer if the matter is pervasive throughout the accounts.

c) An adverse opinion in case the going concern basis is not appropriate

If the financial statements have been prepared using the going concern basis of accounting but, in the auditor's judgment, management's use of the going concern basis of accounting in the preparation of the financial statements is inappropriate, the auditor shall express an adverse opinion.

d) A qualified or adverse opinion in respect of inadequate disclosures in the financial statements

For example, if management is unwilling to disclose material uncertainties in relation to the Going Concern, or if the subsequent events disclosures with respect to the potential effects of the conflict in Ukraine on the entity are inadequate.

e) A Material Uncertainty in Relation to Going Concern

As discussed in [Section 3 "Audit considerations in relation to Going Concern"](#), every entity needs to perform an impact assessment for going concern and their auditors need to consider the going concern assessment of the management. The implications for the auditor's report will depend on the audit evidence obtained, the basis of preparation adopted, and the disclosures made by management in the financial statements, including disclosures relevant to the material uncertainty related to going concern.

For example, where management concludes that the entity is a going concern but is aware there is a material uncertainty: if the auditors agree that the entity is a going concern, and the material uncertainty is adequately disclosed in the financial statements, a 'material uncertainty related to going concern' paragraph shall be included in the auditor's report.

f) An Emphasis of Matter paragraph

If the auditors consider it necessary to draw users' attention to the disclosures made in the financial statements (for example in the note for events after the reporting period (see [Appendix 1 & 3](#)) or other operating environment narratives in the notes (see [Appendix 2](#))), that in the auditors' judgment, is of such importance that it is fundamental to users' understanding of the financial statements, the auditors can include an 'Emphasis of Matter' paragraph in the auditor's report.

In cases of a listed entity or an EU PIE, for which there is no material uncertainty over going concern and provided that this would qualify as a key audit matter under ISA 701, then this should be part of the Key Audit Matters and not the Emphasis of Matter paragraph.

g) ISA 720 “Other information”

ISA 720 describes the auditor’s responsibilities in respect of other information included in the annual report (other than the financial statements). The auditor is required to read that information and consider whether there is a material inconsistency between the other information and the audited financial statements, or between the other information and the auditor’s knowledge obtained in the audit.

Such other information could include management discussion and analysis of the financial performance, statements from those charged with governance and management, and other parts of the annual report.

When performing procedures in respect of other information included in the annual report, the auditor should, among other matters, focus on the disclosures in respect of the recent conflict in Ukraine and their impact on the entity, including whether the current period financial statements may be affected.

In the cases of audits of PIEs where auditors conclude that they will modify their audit report or include a reference to a material uncertainty relating to the going concern, the auditors should report this to the respective PIE supervisors (being CYSEC for listed entities, Central Bank of Cyprus for banks, or Superintendent of Insurance for insurance entities) before the issuance of the auditor’s report, in accordance with the [Technical Circular 12/2018](#) issued by the Cyprus Public Audit Oversight Board (CyPAOB). This should also be communicated to the Audit Committee of the PIEs in the additional report issued by the auditors to the Audit Committee in accordance with Article 11 of the EU Regulation 537/2014.

For non-PIE entities, when there are circumstances that affect the form and content of the auditor’s report, communication with those charged with governance should be done on the basis of ISA 260 “Communication with those charged with Governance”.

## **5. Potential effects on the auditor’s acceptance or continuance of the engagement**

In cases whereby the auditor becomes aware that the client (audited entity) is linked to individuals or entities listed by the EU/UN restrictive measures, the continuance or the acceptance of the audit engagement must be reassessed.

## 6. Reporting periods that have a year-end after the event took place

*ICPAC is closely monitoring the developments and will provide additional guidance to members in this area if necessary. In the meantime, where auditors perform interim reviews of 2022 interim periods, the following considerations should be made:*

- The auditors that will be undertaking reviews of interim financial statements for the quarter ending 31 March 2022 should consider the matters below when designing and performing their review procedures. In addition, the accounting matters outlined above would generally also apply for interim financial statements prepared under IAS 34 “Interim financial reporting”.

### Materiality

- In the current context, it is important to re-consider and challenge specific aspects when setting materiality for the review of the interim financial statements.
- Stakeholders and those charged with governance may have different expectations in the current environment. The auditor may need to discuss any changes in their expectations and consider the effects of any significant changes in the entity on its financial results to determine the appropriate measurement basis, and percentage, when setting materiality.
- The auditor may need to consider whether there is a need to revise the thresholds for analytical procedures to respond to the increased risk of material misstatement in the interim financial information arising from the current environment and the impact on the entity. The nature, timing and extent of the interim review procedures may need to be revisited.

### Review procedures

- An interim review consists primarily of performing inquiries of management, as well as analytical and other review procedures. It is important that the auditor updates the understanding of the entity and its environment, including its system of internal control, to assess the impact of the recent events in Ukraine, Russia and Belarus on the entity, including on the entity’s current financial performance and financial condition, impairment of assets, recoverability etc. The auditor would need to design the review procedures so that they are appropriately focused on determining whether the interim financial information may not be prepared in accordance with the applicable financial reporting framework.

## Compliance with laws & regulations

### Monitor sanctions

Firms should pay attention to the restrictive measures imposed, which include an **asset freeze** and a **prohibition from making funds available** to the listed individuals and entities. In addition, a **travel ban** applicable to the listed persons prevents them from entering or transiting through EU territory. It is noted that restrictive measures are imposed both on physical and legal persons.

### Assess exposure to sanctions

Members are required to:

- i. Study the list of **designated persons** and the type of restrictive measures imposed and assess the extent to which these measures affect their clients and their firms;
- ii. Background check their clients by using the internet and reliable client screening platforms as well as check any transactions, including funds, assets and goods;
- iii. Assess the risks attached to their direct or indirect involvement in the processing of transactions;
- iv. Assess the validity of any changes in the business activities and transactions and consider whether they are suspicious;
- v. Assess whether any of their clients have **activities** that are captured under the sanctions regime, e.g., sanctions for agriculture activities;
- vi. Keep an open communication line with the Compliance Officer of the firm, and in the eventuality of a suspicious transaction or behaviour of the client, proceed to file an STR or a SAR accordingly to MOKAS and be careful not to alert the client of this to avoid tipping-off;
- vii. In case of a business relationship with sanctioned individuals or entities, each firm and its clients should freeze those individuals' assets and stop providing any kind of services to the listed entities and individuals;
- viii. Report any true matches to ICPAC based on paragraph 5.2.5. of [Directive for compliance with the provisions of UN Security Council Resolutions \(Sanctions\) and the Decisions/Regulations of the Council of the European Union \(Restrictive Measures\)](#) as well as any identified breaches to the restrictive measures.

If firms are unsure of the actions that need to be taken, they should seek legal advice.

## Red Flags<sup>1</sup>

Below is a non-exhaustive list of red flags to assist in identifying potential sanctions evasion activity. The red flags cover both evasion attempts through the use of the financial system as well as virtual currencies.

Please see below a list of the relevant Red Flags:

1. Use of corporate vehicles (i.e., legal entities, such as shell companies, and legal arrangements) to obscure (i) ownership, (ii) source of funds, or (iii) countries involved, particularly sanctioned jurisdictions.
2. Use of shell companies to conduct international wire transfers, often involving financial institutions in jurisdictions distinct from company registration.
3. Use of third parties to shield the identity of sanctioned persons and/or PEPs seeking to hide the origin or ownership of funds, for example, to hide the purchase or sale of real estate.
4. Accounts in jurisdictions or with financial institutions that are experiencing a sudden rise in value being transferred to their respective areas or institutions, without a clear economic or business rationale.
5. Jurisdictions previously associated with Russian financial flows that are identified as having a notable recent increase in new company formations.
6. Newly established accounts that attempt to send or receive funds from a sanctioned institution or an institution removed from the Society for Worldwide Interbank Financial Telecommunication (SWIFT).
7. Non-routine foreign exchange transactions that may indirectly involve sanctioned Russian financial institutions, including transactions that are inconsistent with activity over the prior 12 months. For example, the Central Bank of the Russian Federation may seek to use import or export companies to engage in foreign exchange transactions on its behalf and to obfuscate its involvement.
8. A customer's transactions are initiated from or sent to the following types of Internet Protocol (IP) addresses: non-trusted sources; locations in Russia, Belarus, FATF-identified jurisdictions with AML/CFT/CP deficiencies, and

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<sup>1</sup> <https://www.fincen.gov/sites/default/files/2022-03/FinCEN%20Alert%20Russian%20Sanctions%20Evasion%20FINAL%200508.pdf>

comprehensively sanctioned jurisdictions; or IP addresses previously flagged as suspicious.

9. A customer's transactions are connected to Virtual Currency addresses listed on OFAC's Specially Designated Nationals and Blocked Persons List.
10. A customer uses a Virtual Currency exchanger or foreign-located MSB in a high-risk jurisdiction with AML/CFT/CP deficiencies, particularly for Virtual Currency entities and activities, including inadequate "know-your-customer" or customer due diligence measures.

### Useful Resources

- 1) [Directive for compliance with the provisions of UN Security Council Resolutions \(Sanctions\) and the Decisions/Regulations of the Council of the European Union \(Restrictive Measures\)](#)
- 2) [Sanctions and Restrictive measures section in ICPAC's website](#)
- 3) [EU Sanctions Map](#)
- 4) [Ministry of Finance announcement on competent authority for derogations](#)

## Appendix 1 Illustrative disclosure for the events after the reporting date note for the year-ended 31 December 2021

### English version:

#### Illustrative disclosure for events after the reporting date note

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia, Ukraine, or Belarus or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The United Nations, European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian and Belarussian government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevents them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Emerging uncertainty regarding global supply of commodities due to the conflict between Russia and Ukraine conflict may also disrupt certain global trade flows and place significant upwards pressure on commodity prices and input costs as seen through early March 2022. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

The impact on the Company/Group largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome *(the next step is to conclude if the financial effect is assessed as material or not and accordingly adopt one of the two disclosure options that follow)*.

The event did not exist in the reporting period and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2021 as it is considered as a non-adjusting event.

*Additional disclosures when the effect is **not** assessed as material*

The Company/Group has limited direct exposure to Russia, Ukraine, and Belarus and as such does not expect significant impact from direct exposures to these countries.

Despite the limited direct exposure, the conflict is expected to negatively impact the tourism and services industries in Cyprus. Furthermore, the increasing energy prices, fluctuations in foreign exchange rates, unease in stock market trading, rises in interest rates, supply chain disruptions and intensified inflationary pressures may indirectly impact the operations of the Company/Group. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.

Management has considered the unique circumstances and the risk exposures of the Company/ Group and has concluded that *[there is no significant impact in the Company's / Group's profitability position.] or [the main impact in the Company's / Group's profitability position may arise from [please complete accordingly]]*. The event is not expected to have an immediate material impact on the business operations. Management will continue to monitor the situation closely and will assess the need for *[please complete accordingly]* in case the crisis becomes prolonged.

*Additional disclosures (extended) when the effect **is** assessed as material*

The Company/ Group has the following exposures in Ukraine, the Russian Federation and Belarus:

- Subsidiaries and associates
- Loans receivables
- Financial interests at fair value
- Bonds
- Bank accounts
- Clients
- Supply chain
- Financing
- Other

*(to be tailored as relevant and include specific details on the existing and anticipated impact on each of the above, to the extent material)*



Operating in Russia, Belarus and Ukraine involves some risk of political instability, which may include changes in government, negative policy shifts and civil unrest. Financial and economic sanctions imposed by the global community on certain sectors of the Russian economy as well as businesses and individuals in Russia in the first quarter of 2022, and the counter-measures imposed by Russia on the United States of America, United Kingdom and European Union, may potentially pose a risk to the Company's/Group's operations. These factors may have a negative impact on the Company's/Group's supply arrangements, capital flows and ability of the Company/Group to secure external financing.

The Company/Group actively monitors political developments on an ongoing basis. However, the macroeconomic situation in Ukraine, Russia and Belarus is out of Management's control. The scope and impact of any new potential sanctions (and any counter-sanctions) is yet unknown, however they might further affect key Russian financial institutions as well as companies operating in the Russian Federation and Belarus. Going concern implications and a description of the impact to the Company's/Group's financial statements are addressed in note [x]. *(to be tailored as relevant)*

Fluctuations in foreign exchange rates may also impact the operations of the Company/Group. From the beginning of the military operation in Ukraine and after the sanctions came into effect, the Russian ruble (RUB) was materially devalued against the United States Dollar and the Euro. The Russian central bank had raised the key rate of interest from 9,5% to 20% as a preventive measure to stop the devaluation of the RUB. As of the authorization date of the financial statements, the XX/RUB foreign exchange rate has decreased by X% compared to 31 December 2021. *(to be added if relevant)*

Management has considered the unique circumstances that could have a material impact on the business operations and the risk exposures of the Company / Group and has concluded that the main impacts on the Company's / Group's profitability/liquidity position may arise from:

- interruptions or stoppage of production in affected areas and neighboring countries
- damage or loss of inventories and other assets e.g., buildings in conflict zones in Ukraine
- closure of roads and facilities in affected areas
- disruption in banking systems and capital markets
- supply-chain and travel disruptions in Eastern Europe
- seizure of assets by government authorities
- unavailability of personnel

- reductions in sales and earnings of business in affected areas
- increased costs and expenditures
- cyberattacks
- restriction on cash balances
- impairments of financial and non-financial assets
- delays in planned business expansion
- increased volatility in the value of financial instrument
- reduced tourism
- disruption in travel and other leisure activities
- increase in expected credit losses from trade receivables, debt investments and intercompany loans
- failure to meet contractual obligations
- breach of loan covenants, triggering of subjective covenants (e.g., material adverse change clauses), amendments, or waivers in lending agreements, and/or debt default
- volatility/abnormally large changes in equity or debt securities, prices, commodity prices, foreign currency exchange rates, and/or interest rates after 31 December 2021 that will significantly impact the measurement of assets in the next 12 months
- announcing plans of discontinuance of major assets disposals  
*(to be tailored as relevant)*

As of the authorization date of the financial statements, the fair value of the Company's/Group's investment in listed company XX has decreased by X% compared to 31 December 2021. *(to be added if relevant)*

Management is in the process of reassessing their trading and relevant cash flows using revised assumptions and incorporating downside scenarios in assessing actual and potential financing needs, taking into consideration the main impacts identified above.

From the analysis performed *[no]* additional liquidity needs/impact on financial covenants have been identified. Management is already negotiating with the financial institutions covenant resets/waivers and has already assessed/is assessing future measures and alternative sources of financing such as:

- group financial support
- additional drawdown from existing credit facilities
- later payment to suppliers
- factoring of receivables

- additional financing
- cost cutting measures
- sale of investments

*(to be tailored as relevant)*

Management will continue to monitor the situation closely and assess/seek additional measures/committed facilities as a fall-back plan in case the crisis becomes prolonged.

*[Note: If any of the disclosures in the note for the operating environment are included in the note for the events after the reporting date then a cross-reference can be made.]*

*[Note: Depending on each company's facts and circumstances, relevant disclosures should be provided describing the expected financial impact on the company taking into account all information available as of the date of issuing the financial statements.]*

**Greek version:***Παράδειγμα γνωστοποίησης για γεγονότα μεταγενέστερα της ημερομηνίας αναφοράς*

Η γεωπολιτική κατάσταση στην Ανατολική Ευρώπη κορυφώθηκε στις 24 Φεβρουαρίου 2022 με την έναρξη της διαμάχης μεταξύ της Ρωσίας και της Ουκρανίας. Κατά την ημερομηνία έγκρισης αυτών των οικονομικών καταστάσεων η διαμάχη μεγαλώνει καθώς η στρατιωτική δραστηριότητα συνεχίζεται. Επιπρόσθετα της επίδρασης των γεγονότων σε οντότητες που έχουν δραστηριότητες στην Ρωσία, Ουκρανία ή την Λευκορωσία ή που έχουν επιχειρηματικές σχέσεις με εταιρείες σε αυτές τις χώρες, η διαμάχη επηρεάζει όλο και περισσότερο τις οικονομίες και τις χρηματοοικονομικές αγορές παγκοσμίως επιδεινώνοντας τις συνεχιζόμενες οικονομικές προκλήσεις.

Τα Ηνωμένα Έθνη, η Ευρωπαϊκή Ένωση καθώς και οι Ηνωμένες Πολιτείες Αμερικής, η Ελβετία, το Ενωμένο Βασίλειο και άλλες χώρες επέβαλαν μια σειρά περιοριστικών μέτρων (κυρώσεων) κατά της Ρωσικής και Λευκορωσικής κυβέρνησης, διαφόρων εταιρειών και συγκεκριμένων ατόμων. Οι κυρώσεις που επιβλήθηκαν περιλαμβάνουν πάγωμα περιουσιακών στοιχείων και απαγόρευση διάθεσης κεφαλαίων στα συγκεκριμένα άτομα και οντότητες. Επιπρόσθετα, ταξιδιωτικοί περιορισμοί στα άτομα στα οποία επιβλήθηκαν οι κυρώσεις εμποδίζουν την είσοδο ή διέλευση τους στις σχετικές περιοχές. Η Κυπριακή Δημοκρατία έχει εφαρμόσει τα περιοριστικά μέτρα των Ηνωμένων Εθνών και της Ευρωπαϊκής Ένωσης. Η ταχεία επιδείνωση της διαμάχης στην Ουκρανία μπορεί να οδηγήσει στην πιθανότητα περαιτέρω κυρώσεων στο μέλλον.

Η αυξανόμενη αβεβαιότητα σε σχέση με την παγκόσμια προσφορά εμπορευμάτων λόγω της διαμάχης μεταξύ της Ρωσίας και Ουκρανίας ενδέχεται να διαταράξει ορισμένες παγκόσμιες εμπορικές ροές και να ασκήσει σημαντική πίεση για την αύξηση των τιμών των εμπορευμάτων και του κόστους εισροών όπως παρατηρήθηκε στις αρχές Μαρτίου του 2022. Οι προκλήσεις για τις εταιρείες δύναται να περιλαμβάνουν την διαθεσιμότητα κεφαλαίων για την διασφάλιση πρόσβασης σε πρώτες ύλες, την ικανότητα χρηματοδότησης επιπρόσθετων πληρωμών και τον αυξημένο κίνδυνο μη εκτέλεσης συμβατικών υποχρεώσεων.

Οι επιπτώσεις στην Εταιρεία/τον Όμιλο εξαρτώνται σε μεγάλο βαθμό από την φύση και διάρκεια των αβέβαιων και μη προβλέψιμων γεγονότων, όπως είναι η περαιτέρω στρατιωτική δράση, επιπρόσθετα περιοριστικά μέτρα και η αντίδραση των παγκόσμιων χρηματοοικονομικών αγορών στις συνεχείς εξελίξεις.

Οι οικονομικές επιπτώσεις της τρέχουσας κρίσης στην παγκόσμια οικονομία και στις συνολικές επιχειρηματικές δραστηριότητες δεν μπορούν να εκτιμηθούν με εύλογη βεβαιότητα σε αυτό το στάδιο λόγω του ρυθμού επέκτασης της διαμάχης και του υψηλού επιπέδου αβεβαιότητας που προκύπτει από την αδυναμία να προβλεφθεί αξιόπιστα το αποτέλεσμα (κατόπιν να γίνει αξιολόγηση εάν η επίδραση θεωρείται ως ουσιώδης ή όχι και ανάλογα να υιοθετηθεί η μία από τις δύο επιλογές γνωστοποιήσεων που ακολουθούν).

Το συμβάν δεν υπήρχε κατά την περίοδο αναφοράς και ως εκ τούτου δεν απεικονίζεται στην αναγνώριση και επιμέτρηση των στοιχείων ενεργητικού και παθητικού στις οικονομικές καταστάσεις για το έτος που έληξε στις 31 Δεκεμβρίου 2021 καθώς το συμβάν θεωρείται ως μη διορθωτικό γεγονός.

#### Επιπρόσθετες γνωστοποιήσεις όταν η επίδραση δεν αξιολογείται ως ουσιώδης

Η Εταιρεία/Ο Όμιλος έχει περιορισμένη άμεση έκθεση στην Ρωσία, την Ουκρανία και την Λευκορωσία και ως εκ τούτου δεν αναμένει σημαντική επίπτωση από την άμεση έκθεση σε αυτές τις χώρες.

Παρόλης της περιορισμένης άμεσης έκθεσης, η διαμάχη αναμένεται να επηρεάσει αρνητικά τον τουρισμό και τον τομέα παροχής υπηρεσιών στην Κύπρο. Επιπρόσθετα, οι αυξανόμενες τιμές της ενέργειας, οι διακυμάνσεις στις συναλλαγματικές ισοτιμίες, η ανησυχία στις χρηματιστηριακές συναλλαγές, η αύξηση στα επιτόκια, οι διαταράξεις στην εφοδιαστική αλυσίδα και οι αυξανόμενες πληθωριστικές πιέσεις ενδέχεται να επηρεάσουν έμμεσα τις δραστηριότητες της Εταιρείας/του Ομίλου. Οι έμμεσες συνέπειες θα εξαρτηθούν από την έκταση και την διάρκεια της κρίσης και παραμένουν άγνωστες.

Η Διεύθυνση έχει εξετάσει τις ιδιαίτερες συνθήκες και τους κινδύνους στους οποίους εκτίθεται η Εταιρεία /ο Όμιλος και έχει καταλήξει στο συμπέρασμα ότι [δεν υπάρχει σημαντική επίπτωση στη κερδοφορία της Εταιρείας/του Ομίλου.] ή [η κύρια επίδραση στη κερδοφορία της Εταιρείας/του Ομίλου μπορεί να προκύψει από την [συμπληρώστε ανάλογα]]. Το συμβάν δεν αναμένεται να έχει άμεσο ουσιαστικό αντίκτυπο στις επιχειρηματικές δραστηριότητες της Εταιρείας. Η Διεύθυνση θα συνεχίσει να παρακολουθεί στενά την κατάσταση και θα εκτιμήσει την ανάγκη για [συμπληρώστε ανάλογα] σε περίπτωση που η κρίση παραταθεί.

Επιπρόσθετες γνωστοποιήσεις (παρατεταμένες) όταν η επίδραση αξιολογείται ως ουσιώδης

Η Εταιρεία/Ο Όμιλος έχει έκθεση στην Ουκρανία, την Ρωσική Ομοσπονδία και την Λευκορωσία ως ακολούθως:

- Θυγατρικές και συνδεδεμένες εταιρείες
- Δάνεια εισπρακτέα
- Οικονομικά συμφέροντα σε δίκαιη αξία
- Ομόλογα
- Τραπεζικοί λογαριασμοί
- Πελάτες
- Εφοδιαστική αλυσίδα
- Χρηματοδότηση
- Άλλα

*[να προσαρμοστεί ανάλογα και να περιλαμβάνει συγκεκριμένες πληροφορίες σχετικά με το τρέχον και αναμενόμενο αντίκτυπο στα πιο πάνω, στο βαθμό που είναι ουσιώδεις]*

Οι δραστηριότητες στην Ρωσία, την Λευκορωσία και την Ουκρανία εμπερικλείουν κάποιο κίνδυνο πολιτικής αστάθειας, που πιθανόν να περιλαμβάνει αλλαγές στην κυβέρνηση, αρνητικές αλλαγές πολιτικής και εμφύλια αναταραχή. Οι χρηματοοικονομικές και οικονομικές κυρώσεις που επιβλήθηκαν από την παγκόσμια κοινότητα σε συγκεκριμένους τομείς της Ρωσικής οικονομίας καθώς και σε επιχειρήσεις και άτομα στην Ρωσία το πρώτο τρίμηνο του 2022, και τα αντίστοιχα μέτρα που επιβλήθηκαν από την Ρωσία στις Ηνωμένες Πολιτείες Αμερικής, το Ενωμένο Βασίλειο και την Ευρωπαϊκή Ένωση ενδέχεται να θέσουν σε κίνδυνο τις δραστηριότητες της Εταιρείας/του Ομίλου. Αυτοί οι παράγοντες πιθανόν να έχουν αρνητική επίπτωση στον εφοδιασμό προμηθειών και στις κεφαλαιουχικές ροές της Εταιρείας/του Ομίλου καθώς και στην ικανότητα της/του να εξασφαλίσει εξωτερική χρηματοδότηση.

Η Εταιρεία/Ο Όμιλος παρακολουθεί τις πολιτικές εξελίξεις σε συνεχή βάση. Ωστόσο η μακροοικονομική κατάσταση στην Ουκρανία, τη Ρωσία και την Λευκορωσία είναι εκτός του ελέγχου της Διεύθυνσης. Το εύρος και η επίδραση οποιονδήποτε καινούριων κυρώσεων (και αντίστοιχων μέτρων από μεριάς της Ρωσίας) είναι άγνωστη, ωστόσο μπορεί να επηρεάσουν περαιτέρω κύρια Ρωσικά χρηματοοικονομικά ιδρύματα καθώς και εταιρείες που λειτουργούν στην Ρωσική Ομοσπονδία και την Λευκορωσία. Οι επιπτώσεις στην συνεχιζόμενη δραστηριότητα

και περιγραφή της επίδρασης στις οικονομικές καταστάσεις της Εταιρείας/του Ομίλου περιγράφονται στην σημείωση [x] *(να προσαρμοστεί ανάλογα)*.

Οι διακυμάνσεις στις συναλλαγματικές ισοτιμίες ενδέχεται επίσης να επηρεάσουν τις δραστηριότητες της Εταιρείας/του Ομίλου. Από την έναρξη των στρατιωτικών επιχειρήσεων στην Ουκρανία και έπειτα της επιβολής κυρώσεων, το Ρωσικό ρούβλι (RUB) υποτιμήθηκε σημαντικά έναντι του Δολαρίου Αμερικής και του Ευρώ. Η ρωσική κεντρική τράπεζα προχώρησε σε αύξηση του βασικού επιτοκίου από 9,5% σε 20% ως προληπτικό μέτρο κατά της υποτίμησης του ρουβλιού. Κατά την ημερομηνία έγκρισης αυτών των οικονομικών καταστάσεων, η συναλλαγματική ισοτιμία XX/RUB έχει μειωθεί κατά X% σε σχέση με την 31 Δεκεμβρίου 2021. *(να περιληφθεί εάν εφαρμόζεται)*

Η Διεύθυνση έχει εξετάσει τις ιδιαίτερες συνθήκες που θα μπορούσαν να έχουν σημαντικό αντίκτυπο στις επιχειρηματικές δραστηριότητες και τους κινδύνους στους οποίους εκτίθεται η Εταιρεία/ο Όμιλος και έχει καταλήξει στο συμπέρασμα ότι οι κυριότερες επιπτώσεις στη κερδοφορία/ ρευστότητα της Εταιρείας/του Ομίλου ενδέχεται να προκύψουν από:

- διακοπή ή παύση της παραγωγής στις επηρεαζόμενες περιοχές και γειτονικές χώρες
- ζημιά ή απώλεια εμπορευμάτων ή άλλων στοιχείων ενεργητικού π.χ. κτιρίων σε ζώνες συγκρούσεων στην Ουκρανία
- κλείσιμο δρόμων και εγκαταστάσεων στις επηρεαζόμενες περιοχές
- αναταραχή στα τραπεζικά συστήματα και στις κεφαλαιαγορές
- διακοπή της παραγωγικότητας και των ταξιδιών στην Ανατολική Ευρώπη
- κατάσχεση περιουσιακών στοιχείων από κυβερνητικές αρχές
- μη διαθεσιμότητα προσωπικού
- μείωση πωλήσεων και κερδοφορίας των επιχειρήσεων στις επηρεαζόμενες περιοχές
- αύξηση κόστους και εξόδων
- κυβερνοεπιθέσεις
- περιορισμός στα ταμειακά υπόλοιπα
- απομειώσεις χρηματοοικονομικών και μη χρηματοοικονομικών περιουσιακών στοιχείων
- καθυστερήσεις στην προγραμματισμένη επέκταση των επιχειρήσεων
- αυξημένη μεταβλητότητα της αξίας των χρηματοοικονομικών μέσων
- μείωση του τουρισμού
- διαταραχή στις μετακινήσεις και άλλες δραστηριότητες αναψυχής

- αύξηση των αναμενόμενων πιστωτικών ζημιών από εμπορικές απαιτήσεις, επενδύσεις σε ομόλογα και ενδοεταιρικά δάνεια
- αδυναμία εκπλήρωσης των συμβατικών υποχρεώσεων και παραβίαση δανειακών όρων, ενεργοποίηση υποκειμενικών όρων (π.χ. ρήτρες ουσιωδών δυσμενών αλλαγών), τροποποιήσεις ή παραιτήσεις σε συμβάσεις δανεισμού και/ή αθέτηση χρέους
- αστάθεια/ασυνήθιστα μεγάλες αλλαγές σε μετοχές ή χρεόγραφα, τιμές, τιμές εμπορευμάτων, συναλλαγματικές ισοτιμίες ή/και επιτόκια μετά τις 31 Δεκεμβρίου 2021 που θα επηρεάσουν σημαντικά την επιμέτρηση των περιουσιακών στοιχείων τους επόμενους 12 μήνες
- ανακοίνωση σχεδίων διακοπής της διάθεσης σημαντικών περιουσιακών στοιχείων

*(να προσαρμοστεί ανάλογα)*

Κατά την ημερομηνία έγκρισης αυτών των οικονομικών καταστάσεων, η εύλογη αξία της εισηγμένης επένδυσης XX της Εταιρείας/του Ομίλου έχει μειωθεί κατά X% σε σχέση με την 31 Δεκεμβρίου 2021. *(να περιληφθεί εάν εφαρμόζεται)*

Η Διεύθυνση βρίσκεται σε διαδικασία επαναξιολόγησης της εμπορικής της δραστηριότητας και των σχετικών ταμειακών ροών, χρησιμοποιώντας αναθεωρημένες υποθέσεις και ενσωματώνοντας αρνητικά σενάρια στην αξιολόγηση των πραγματικών και δυνητικών χρηματοδοτικών αναγκών, λαμβάνοντας υπόψη τις κύριες επιπτώσεις που προσδιορίστηκαν παραπάνω.

Από την ανάλυση που διενεργήθηκε *[δεν]* εντοπίστηκαν πρόσθετες ανάγκες ρευστότητας/ επιπτώσεις σε χρηματοοικονομικούς συμβατικούς όρους. Η διοίκηση διαπραγματεύεται ήδη με τα χρηματοπιστωτικά ιδρύματα την επαναφορά των συμβατικών όρων/ παρεκκλίσεις και έχει ήδη αξιολογήσει/ αξιολογεί μελλοντικά μέτρα και εναλλακτικές πηγές χρηματοδότησης όπως:

- οικονομική υποστήριξη από τον Όμιλο
- πρόσθετη άντληση από τις υπάρχουσες πιστωτικές διευκολύνσεις
- μεταγενέστερη πληρωμή στους προμηθευτές
- εκχώρηση των εισπρακτέων λογαριασμών
- πρόσθετη χρηματοδότηση
- μέτρα μείωσης του κόστους
- πώληση επενδύσεων

*(να προσαρμοστεί ανάλογα)*



Η Διεύθυνση θα συνεχίσει να παρακολουθεί στενά την κατάσταση και να αξιολογεί/ αναζητήσει πρόσθετα μέτρα/ δεσμευμένες διευκολύνσεις ως εφεδρικό σχέδιο στην περίπτωση που η κρίση παραταθεί.

*[Σημείωση: Αν οποιεσδήποτε από τις γνωστοποιήσεις που περιλαμβάνονται στη σημείωση για το λειτουργικό περιβάλλον αναφερθούν στη σημείωση για τα γεγονότα μεταγενέστερα της ημερομηνίας αναφοράς τότε μπορεί να γίνει παραπομπή.]*

*[Σημείωση: Ανάλογα με τα γεγονότα και τις περιστάσεις της κάθε εταιρείας, θα πρέπει να περιληφθούν σχετικές γνωστοποιήσεις που να περιγράφουν τις αναμενόμενες οικονομικές επιπτώσεις για την εταιρεία, λαμβάνοντας υπόψη όλες τις διαθέσιμες πληροφορίες κατά την ημερομηνία έκδοσης των οικονομικών καταστάσεων.]*

## Appendix 2 Illustrative disclosure for the operating environment of a company in Cyprus

### English version:

#### *Illustrative disclosure for the operating environment of the Company*

On 24 February 2022, Russia launched a military operation in Ukraine. Many governments are taking increasingly stringent measures against Russia and Belarus. These measures have already slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time. The conflict may have serious consequences on the Cyprus economy and also worldwide, which are difficult to precisely estimate. The main concern at the moment is the rise of inflation, the uncertainty mainly about tourism and financial services and the increase in the price of fuel, which will affect household incomes and business operating costs.

*[Note: If any of the disclosures in the note for the events after the reporting date are included in the note for the operating environment then a cross-reference can be made.]*

*[Note: Each company should tailor the disclosure to its specific circumstances and update the disclosure accordingly based on events and conditions that are relevant at the time of issuing the financial statements.]*

### Greek version:

#### *Παράδειγμα γνωστοποίησης για το λειτουργικό περιβάλλον της Εταιρείας*

Στις 24 Φεβρουαρίου 2022, η Ρωσία εξαπέλυσε μια στρατιωτική επιχείρηση στην Ουκρανία. Πολλές κυβερνήσεις λαμβάνουν όλο και πιο αυστηρά μέτρα εναντίον της Ρωσίας και της Λευκορωσίας. Τα μέτρα αυτά έχουν επιβραδύνει την οικονομία τόσο της Κύπρου όσο και την παγκόσμια οικονομία, και υπάρχει πιθανότητα να συντελέσουν σε ευρύτερες επιπτώσεις στις αντίστοιχες οικονομίες καθώς τα μέτρα εξακολουθούν να ισχύουν για μεγαλύτερο χρονικό διάστημα. Η διαμάχη μπορεί να έχει σοβαρές συνέπειες στην κυπριακή οικονομία αλλά και παγκοσμίως, οι οποίες είναι δύσκολο να εκτιμηθούν με ακρίβεια. Η ανησυχία προς το παρών είναι η άνοδος του πληθωρισμού, η αβεβαιότητα κυρίως για τον τουρισμό και τις χρηματοοικονομικές υπηρεσίες και η αύξηση της τιμής των καυσίμων, που θα επηρεάσει τα εισοδήματα των νοικοκυριών και το κόστος λειτουργίας των επιχειρήσεων.

*[Σημείωση: Αν οποιεσδήποτε από τις γνωστοποιήσεις που περιλαμβάνονται στη σημείωση για τα γεγονότα μεταγενέστερα της ημερομηνίας αναφοράς αναφερθούν στη σημείωση για το λειτουργικό περιβάλλον της εταιρείας τότε μπορεί να γίνει παραπομπή.]*

*[Σημείωση: Κάθε εταιρεία θα πρέπει να προσαρμόσει τη γνωστοποίηση για τις ειδικές περιστάσεις που την αφορούν και να αναθεωρήσει τη γνωστοποίηση αναλόγως, με βάση τα γεγονότα και τις συνθήκες που είναι σχετικές την χρονική στιγμή της έκδοσης των οικονομικών καταστάσεων.]*

## Appendix 3 Illustrative disclosure for the events after the reporting date note for periods that have a year-end after the event took place

### English version:

#### *Events after the reporting date*

As explained in Note X the geopolitical situation in Eastern Europe intensified on 24 February 2022, with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds and additional sanctions are imposed.

Depending on the duration of the conflict between Russia and Ukraine, and continued negative impact on economic activity, the Company/ Group might experience *[further]* negative results, and liquidity restraints and incur *[additional]* impairments on its assets in 202X, which relate to new developments that occurred after the reporting period. The exact impact on the Company's/ Group's activities in 202X and thereafter cannot be predicted *(to be tailored as relevant)*. In the period since [XX XX 2022] the Company/ Group has incurred losses due to fair value decreases of securities/derivatives/commodities (XX). [If applicable, disclose impact on bank covenants] *(to be tailored as relevant)*.

The impact of events after the reporting date on the going concern is described in note [x] *(to be tailored as relevant)*.

### Greek version:

#### *Γεγονότα μεταγενέστερα της ημερομηνίας αναφοράς*

Όπως αναφέρεται στη Σημείωση X, η γεωπολιτική κατάσταση στην Ανατολική Ευρώπη εντάθηκε στις 24 Φεβρουαρίου 2022 με την έναρξη της διαμάχης μεταξύ Ρωσίας και Ουκρανίας. Κατά την ημερομηνία έγκρισης των οικονομικών καταστάσεων, η διαμάχη βρίσκεται σε εξέλιξη καθώς οι στρατιωτικές επιχειρήσεις συνεχίζονται και επιβάλλονται επιπλέον κυρώσεις.

Ανάλογα με τη διάρκεια της διαμάχης μεταξύ της Ρωσίας και της Ουκρανίας και τη συνεχιζόμενη αρνητική επίδραση στην οικονομική δραστηριότητα, η Εταιρεία/ ο Όμιλος ενδέχεται να παρουσιάσει *[περαιτέρω]* αρνητικά αποτελέσματα και περιορισμένη ρευστότητα και να αναγνωρίσει *[πρόσθετες]* απομειώσεις στα περιουσιακά της/του στοιχεία το 202X, που σχετίζονται με νέες εξελίξεις που έγιναν μετά την περίοδο αναφοράς. Ο ακριβής αντίκτυπος στις δραστηριότητες της Εταιρείας/ του Ομίλου το 202X και μετέπειτα δεν μπορεί να προβλεφθεί *(να*

*προσαρμοστεί ανάλογα*). Κατά την περίοδο από [XX XX 2022] η Εταιρεία/ ο Όμιλος υπέστη ζημιές λόγω μείωσης της εύλογης αξίας των τίτλων/ παραγώγων/ εμπορευμάτων (XX). [Εάν ισχύει, να γνωστοποιείται η επίπτωση στις τραπεζικές συμβάσεις] *(να προσαρμοστεί ανάλογα)*.

Η επίδραση των γεγονότων που προέκυψαν μεταγενέστερα της ημερομηνίας αναφοράς στην συνεχιζόμενη δραστηριότητα περιγράφεται στη σημείωση [x] *(να προσαρμοστεί ανάλογα)*.