Electricity Authority of Cyprus

Annual Report 2019

Annual
Report
2019

The Electricity Authority of Cyprus

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The Electricity Authority of Cyprus is an independent, Public Corporate corporation established under the Electricity Development Law Cap.171 of 1952 in order to exercise and perform functions relating to the generation, transmission, distribution and supply of electric energy in Cyprus.

The above definition is used in Cyprus for corporations which are independent and which were established in accordance with the relevant Law, in order to render services in the utility field. Such corporations are governed by Authorities, the members of which are appointed by the Council of Ministers.

In case of the Electricity Authority of Cyprus, the government, through the Minister of Energy, Commerce and Industry, is empowered to give directives to the Authority on matters appertaining to the general interest of the Republic.

Our Vision

To be the leading player in the Energy Sector, Services and other Activities

Our Mission

To provide Consumers, Customers and Network Users with the highest quality of safe and reliable services in the energy sector and in other activities at competitive prices, utilizing new technologies, respecting society, the environment and our people and contributing to the development of our country.

Our Values

- Integrity
- Respect to our clients
- Quality
- Human Capital
- Society and Environment

Contents

Board of Directors

ELECTRICITY AUTHORITY OF CYPRUS

From 1.1.2019 until 31.12.2019

Chairman
Andreas Marangos
(until 17.1.2019)

Emily Yiolitis
(from 1.2.2019 until 3.7.2019)

Michael Komodromos
(from 30.7.2019)

Vice Chairman
Michalis Hadjipantela
(until 17.1.2019)

Michael Komodromos
(from 1.2.2019 until 29.7.2019)

George Nikolettos
(from 30.7.2019)

Member

Agni Shialarou

Elena Tsolakis

Christina Zikkou

Charalambos Artemis
(until 17.1.2019)

Chrysostomos Chrysostomou
(from 1.2.2019)

Yiannis Constantinides
(until 17.1.2019)

George Nikolettos
(from 1.2.2019 until 29.7.2019)

Charis Millas
(from 30.7.2019)

Konstantinos Kosti
(until 17.1.2019)

Polyvios Lemonaris
(from 1.2.2019)

Michael Komodromos
(until 17.1.2019)

Georgios Shammas
(from 1.2.2019)

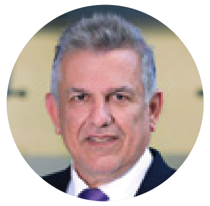
Michael Komodromos
Chairman

George Nikolettos
Vice Chairman

Agni Shialarou
Member

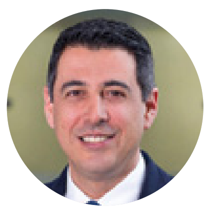
Elena Tsolakis
Member

Christina Zikkou
Member



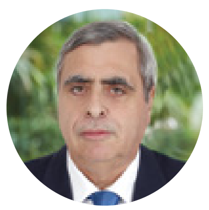
Chrysostomos Chrysostomou
Member

Charis Millas
Member



Polyvios Lemonaris
Member

Georgios Shammas
Member



Panayiotis Olympios
General Manager

Management

General Manager
Panayiotis Olympios
BSc (Hons), MSc (Eng), MIET

Executive Networks Manager
Adamos Kontos
BSc (Eng), MEng, PhD, MBA

Executive Generation and Supply Manager
Alexis Michael
BSc (Hons), PhD, CEng, MIET

Executive Finance Manager
Maria Charalambous
BA Economics, MBA, FCA

Distribution Manager
Vacant Post

Anastasis Gregoriou (acting from 1.12.2018)
BEng, MBA, CEng, MIET

Distribution System Owner Manager
Adonis Yiasemides
Dipl Eng, MBA, MIET

Distribution System Operator Manager
Anastasis Gregoriou
BEng, MBA, CEng, MIET

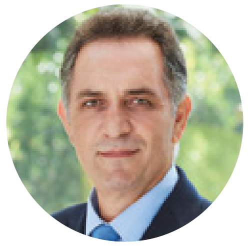
Transmission Manager
Costas Gavrielides
BSc (Hons), MEng, MBA, CIPR Diploma, MIET, MCIPR

Generation Manager
George Skarparis (until 30.6.2019)
BSc (Hons), MBA, MBA (Oil Gas & Energy Management), CEng, MIET, MIMechE

Charalambos Menelaou (acting from 1.7.2019)
BSc, M.Phil

Supply Manager
Marios Skordellis
BSc (Hons), MSc, MBA, CEng, MIET

Chairman's Message



EAC: Energy for life and development

Energy is undeniably one of the most important sectors for a country's functioning and progression. In Cyprus, from the day of its establishment until today, the EAC is associated with the energy that society and the economy need to progress.

In our country we are going through a period characterized by great changes and challenges that mark the opening of the electricity market. A particularly positive development for the EAC, is its successful compliance with the provisions of the regulatory decision of CERA, regarding the Operational Separation of its Activities. The organized, systematic and painstaking effort, in which the entire EAC personnel took part, has been successfully completed. The most demanding internal project that the EAC has implemented in its history, in the areas of Organisation and Administration, was concluded ensuring its smooth operation. The commitment to conform with compliance requirements is continuous, which requires the Organisation to be constantly vigilant.

The EAC is now divided into four Key Regulated Activities: Generation, Transmission, Distribution and Supply. Each Key Regulated Activity organizes its divisions independently, in order to respond effectively to the new needs of the market. Healthy competition creates opportunities for improving infrastructure, developing innovative services and better customer service, all with a view towards the future.

A green, sustainable and electric future. The energy transition and the ever-changing electricity market create a complex environment. That is why Installation of the MDMS system along with the installation of smart meters, transform the distribution network into a smart network. The modern system for recording and managing all metering data of electricity consumers creates a platform for two-way communication between Consumers, Suppliers, Producers and more generally all stakeholders in the Electricity Market. According to the time frame, it is scheduled to be fully operational in January 2021.

The purpose of the project is:

- The full compliance with the Regulatory Decision of CERA for the Operational Separation of the EAC, but also the operation of the new model of the Competitive Electricity Market, in order to ensure the independence of the Distribution System Operator and its neutral role

- The management of all metering data and other data of consumers and their premises, so that only eligible consumers and Suppliers have access to them

- Integration with the system or communication through interfaces with all other necessary EAC software systems

- Enabling the controlled communication with the systems of all Suppliers and the Market Operator

- Meeting other related operational needs of the Distribution System Operator

This high-demanding, multifaceted project is the cornerstone for reliability and transparency regarding metering. We aim towards the efficient and smooth operation of the open and competitive electricity market.

The framework of the strategic axes of the EAC poses the great challenges we face. Trying to expand the use of RES is a strong priority. A common goal, of national importance, is to become independent of fossil fuels. As EAC we proceed with the creation of PV projects, such as: the PP in Akrotiri Limassol which, after many years of organised efforts, we are optimistic that construction work can begin soon, the consortium with the Holy Archbishopric of Cyprus for the development of large PV Parks in the area of Achera, installation of PV systems in EAC facilities, and more. Also noteworthy is the collaboration with the Ministry of Education for the utilization of PV in school complexes. At the same time, we have been modifying our Units in order to operate using Natural Gas and we have proceeded with the installation / upgrade of Environmental Protection Systems.

The main goal is to solidify the energy sector in Cyprus. This is achieved through the development of natural gas supply infrastructures and the broadening of the use of Renewable Energy Sources. The participation of the EAC in the share capital of ETYFA, with a percentage of 30% of the total value of €43 million, is a key development for the Organisation and the future of energy in our country.

The introduction and distribution of Natural Gas in Cyprus is expected to have multiple benefits in Power Generation. It is both a need and a challenge. The EAC is ready to cross the threshold of the new energy era, which is marked by the arrival of Natural Gas. With its specialized know-how and extensive experience, the EAC joins forces with DEFA in a common goal: the energy development of Cyprus. An ambitious and lofty goal in servitude of the future of our country and our fellow-citizens.

The benefits of using Natural Gas are many:

- Termination of electricity dependence on Liquid Fuels

- Reduction of electricity generation costs

- Improving System efficiency with Efficiency> 50%

- Reduction in greenhouse gas emissions. A reduction of 30% is expected in the first year of NG use
- Reduction in industrial pollutants that will lead to the compliance of Cyprus with the National Emission Limits

The main priority of the EAC is energy saving. With this in mind, actions have been taken to raise awareness to both domestic and corporate consumers, while of particular importance are the agreements with the Ministry of Interior and the Local Authorities for the replacement of the energy-consuming street lighting of all communities in Cyprus with modern LED lights. The EAC is at the forefront of technological developments and has played a leading role in the effort for energy saving. Cyprus is now entering the path of energy consciousness. The benefits are substantial and extend to the whole of society and the economy.

Given the international trend for environmentally friendly drive energy, the EAC contributes to the effort to boost electromobility in our country. The e-charge service includes the control and operation of 20 charging points and the installation of another 16. In essence, these points will cover the needs of electric vehicles throughout Cyprus

In addition to the generation, transmission, distribution and supply of electricity, the EAC possesses a high level of know-how regarding desalination. Since 2014, the EAC has been operating the largest Desalination Unit at the Vasilikos Power Plant, producing 60,000 cubic meters of water per day.

With the substantial and rapid changes in the energy sector, it is undeniable that the EAC must chart a course of continuous development and improvement. The focus is on the consumers, domestic and corporate, who demand immediate response and quality service. With this in mind, we have implemented a programme to upgrade the operation of the CSC and to support of the business. The only way to face the future is to centre around the customer.

Since everything around us change, the need to reclaim the added value of innovation and research produced by the Organisation is imperative. From this context arises the initiative of the Board of Directors for the establishment of the EAC Research and Innovation Centre. Its connections with research and academic institutions, both in Cyprus and abroad, aspires to offer a decisive contribution to the exchange of know-how and to the encouragement and implementation of innovative ideas and applications. The energy sector is crucial to our country and research and innovation are the building blocks of its existence.

The objectives of this Centre include inter alia:

- Alignment of research and innovation with the Organisation's Strategy

- Systematic monitoring of all existing and future research projects, by a specialized team of the EAC, aiming at maximizing the value of research and innovation for the Organisation

- The greatest possible involvement of the Staff in the whole effort and utilization of its experience and know-how

- Cooperation with the Deputy Ministry of Research, Innovation and Digital Policy and other stakeholders on issues of common interest

The new electricity market conditions, the technological developments and the data that have been created within the Organisation, have made as a priority the training, education and the overall development of our human resources. The staff of the EAC is its most valuable asset and its greatest strength. With their professionalism, know-how and dedication, we can successfully face any challenge. By aiming at the continuous enrichment of knowledge and skills, the EAC Staff Training School is being upgraded and improved. For an Organisation of the magnitude of the EAC, the value of training is undeniable. That is why we are expanding the areas of knowledge and learning, in order to provide opportunities for continuous improvement of the capabilities of our staff.

This includes:

- The collection and revision of Standard Educational Material

- The creation of an online training platform

- The upgrade of building facilities and educational equipment

- Memoranda of Cooperation with University Institutions etc.

The Board of Directors, the Management and the Staff of the EAC have a common mission: to maximize the value of the Organisation through an environment of multiple changes and high demands, created by the liberalization of the energy market in Cyprus, as well as by the wider international changes on the energy map.

I would like to express my gratitude to the President of the Republic of Cyprus, Mr. Nicos Anastasiades for the honour he has bestowed upon me and for the trust he has shown me. I would also like to thank the Minister of Energy, Commerce and Industry, Mr. Yiorgos Lakkotrypis for his close cooperation,as well as all the officials of the Ministry.

I would also like to express my appreciation to the Government, the House of Representatives, the Auditor General of the Republic, the Cyprus Energy Regulatory Authority, the Cyprus Transmission System Operator, to all Government Bodies and Local Authorities with which the EAC has collaborated, as well as to the representatives of the Media for the promotion of the work and the role of the EAC.

Finally, I especially wish to thank all my colleagues on the Board of Directors, the General Manager of EAC, Mr. Panayiotis Olympios and the members of the Management, the Union leaders as well as the staff of the Organisation. It is our common goal to lead the Organisation higher, on the path of evolution, becoming a strong pillar of the future of energy of our country.

Prof. Michael Komodromos
Chairman of the Board of Directors

General Manager's Message

EAC, 2019: New starting point for evolution

The year 2019 has been an important milestone in the history of our Organisation. The EAC is officially certified as a Vertical Integrated Electricity Company, fully regulated by the competent Authority. The largest internal project carried out in the history of the Organisation was crowned with success. The Operational Separation of the EAC is now the foundation for the independent operation of the electricity market. I would therefore like to congratulate the staff of the Organisation who has proven that when the EAC sets high goals, they can be achieved with hard work.

With dedication to its mission, the EAC continued its work for the uninterrupted Generation, Transmission, Distribution and Supply of Electricity in Cyprus. At the same time, taking advantage of the challenges presented in the new competitive environment, the EAC contributes substantially to the arrival of natural gas, to the development of Renewable Energy Sources projects, provides assistance to the great effort in addressing our country's water problem, innovates in promoting electricity in Cyprus and implements its development program according to the energy needs of our country. Always in compliance and in line with the European Union directives.

Regarding Generation, the major anti-pollution systems projects at the Generation Units continued, in line with the reduced emission limits set by the EU. At the same time, the necessary adjustments were made in order for the facilities to operate using Natural Gas. Regarding Power Supply, the service areas have been upgraded and new services were developed based on better customer service.

In view of the EAC's advancement and mondernisation, a number of projects were implemented and/or planned in 2019, the most important of which are:

- Management of Photovoltaic Systems penetrating the market, which contribute to the sustainable green growth and the gradual disengagement of the economy from liquid fuels
- Development and detailed design of the SCADA / DMS (Distribution Management System). The project includes equipment, software and the establishment of the National Distribution Control Center (NDCC), which will provide the Organisation with the necessary tools for the integrated dynamic management of the Distribution network.
- Planning for the development of an advanced intelligent metering system, known as AMI, where it is expected to replace 400,000 conventional meters with smart meters by 2025. This project is useful for the needs of both the Operator as well as of all participants in the Electricity Market. It signals the transformation of the network into an intelligent electricity management system, with substantial benefits for all stakeholders.
- Signing a contract for the development and operation of a modern system for recording and managing all metering data that will serve the needs of consumers, Suppliers, Producers and generally all stakeholders in the Electricity Market. The project, known as MDMS, is scheduled to be fully operational in January 2021.

In the Transmission Network and the Distribution System, the implementation of their expansion, upgrade and maintenance programs continues at an intensive pace.

This is the time when the EAC, literally, knocks down the (day)lights in our country. The replacement of energy-consuming street lighting in all communities in Cyprus and also in a large number of Municipalities, with new technology LED lights, is the largest project such calibre that has evere been carried out on the island. Cyprus is entering the path of energy consciousness and that is a big step towards the future of energy saving. The benefits are substantial and extend to the society and the economy as a whole. It is estimated that there will be a decrease of 60% in the electricity needs for street lighting, at the Municipalities and the larger Communities where this replacement takes place.

For the EAC, environmental protection is a key priority. The Organisation fully implements the national environmental legislation, aiming at reducing the environmental footprint of its activities in the areas where its Generation Units operate. In addition to the requirements of EU legislation and directives, the EAC implements additional actions and takes initiatives that contribute positively to the protection of the environment.

In 2019, the EAC delivered modern and flexible firefighting vehicles to the Communities of Agioi Vavatsinia and Pelendri. The residents of these communities are now quipped with a very important tool in the fight agains forest fires. For the ecosystem and the sustainability of mountainous communities, such as Agioi Vavatsinias and Pelendri, there is nothing more valuable than the forest.

In the context of utilizing RES, the EAC in collaboration with the Ministry of Education, commenced the installation of PV systems in school buildings throughout Cyprus. The agreement includes the installation of PV systems in 405 schools, with a total capacity of 4.85 MW, as well as thermal and water insulation where the PV systems will be installed. The project will be funded by the EAC, while the Ministry of Education will repay the EAC gradually, over a period of 20 years. The total budget for the project is approximately €9.6 million.

In 2019, the construction of the new Regional Office of Famagusta - Larnaca began and it is now in the Design - Construction stage. The new, modern, privately owned building complex is being constructed on a main thoroughfare, at the entrance of Larnaca coming from Nicosia. The Project is expected to be completed in January 2021.
In the context of the Corporate Social Responsibility program of the Organisation, in 2019 the EAC has surreptitiously supported the work of a large number of Associations and Organisations that offer relief to human suffering, as well as many others active in the fields of Health, Environment, Culture, Education and Sports.

In conclusion, on behalf of the EAC Management and staff, I would like to express my graditude to the Chairmen of the Board of Directors Mr. Andreas Marangos, Ms. Emily Yiolitis and Mr. Michalis Komodromos, the Vice-Chairman Mr. George Nikolettos, as well as other Members of the Board of Directors for the impeccable collaboration.

During this year, with hard work and close, productive cooperation, the Organisation has solidified its position at the cutting edge of developments, taking firm steps towards the future.

Panayiotis Olympios
General Manager

Public Governance

The Electricity Authority of Cyprus was established and operates in accordance with the provisions of the Electricity Development Law, Cap. 171, which inter alia provides for the way in which it is governed.

In addition to the above, the Board of Directors of the EAC, has adopted its own Corporate Governance Code and Code of Conduct, in the context of implementing CERA's Regulatory Decision 04/2014 on Operational Unbundling, dated 3 March 2015.

The Corporate Governance Code is a comprehensive text that consolidates and incorporates the principles of corporate governance, in accordance with international best practices, such as those implemented by the administration and management of EAC.

It includes, inter alia, the legal framework governing EAC's operation, recording the manner of operation of the Board, of the Joint Special Sub-committees (JSS), the other committees of the Board as well as the role of the General Manager and the Executive Directors.

It also includes the Internal Rule of Operation of the Joint Special Sub-committees (JSS), in which the powers granted or not by the Board of Directors are recorded. In accordance with the principles of the Code of Public Governance:

- The Board ensures that the Organisation's purpose and the expected results for the citizens and users of the services provided is clear and makes sure that users receive high quality of services.
- The Board of Directors ensures that taxpayers and users receive value added services for the fee they pay.
- The responsibilities of the Board of Directors are clearly specified and the duties of the Directors are clearly specified and the Board ensures that they are fulfilled.
- Relations between Directors and the public must be clearly regulated.
- The Board specifies the Organisation's values, principles and standards and ensures that they are fully implemented. In addition, the Board sets strategic objectives, ensures sufficient financial and human resources and reviews the performance of the management.
- The behaviour of each Director is an example to emulate effective governance and the Board takes decisions in a detailed, diligent and transparent manner. There is also a clear distinction between the Board of Directors and management of the Organisation.
- The Board of Directors has access to high-level information, advice and support and ensures that an effective risk management system is in place.
- Directors have the skills, know-how and experience they need to perform their duties adequately.
- Balance must be achieved between continuity and renewal in the composition of the Board of Directors.
- Regarding accountability, the Board of Directors makes a distinction between official and unofficial relations and adopts an active and planned approach to dialogue with the public and its accountability towards the public.
- The Board undertakes an active and planned approach to its responsibility towards the Organisation's personnel and cooperates effectively with institutional bodies. In addition, the Board is responsible for the consequences of its actions and omissions, including civil or other liability of the Directors.
- In addition to the above, both the Administration and the Management of the EAC, as well as its personnel, must monitor and comply with the issued legislation, by planning and implementing measures and monitoring their proper implementation. More specifically, the EAC must comply with all Legislation concerning, inter alia, environmental issues, energy issues, the protection of consumers, employees, as well as the protection of personal data.

The EAC is in the process of harmonizing the Corporate Governance Code with the new Public Governance Code as approved by the Council of Ministers for immediate implementation by all State Organizations and State Enterprises.

Committees/Subcommittees of the Board of Directors Of the Electricity Authority Cyprus

1. Advisory Subcommittee of the EAC for Personnel Matters

Michael Komodromos **Chairperson**	Christina Zikkou **Member**	Charilaos Karavas **Coordinator**
Emily Yiolitis **Chairperson** *(until 29.07.19)*	Polyvios Lemonaris **Member**	

The Advisory Subcommittee of the EAC for Personnel Matters consists of three Members of the Board of Directors of the Authority, one of which is the Authority Chairman. The remaining two Members are designated by the Board of Directors of the Authority.

The Members of the Advisory Subcommittee of the EAC for Personnel Matters, acts in accordance to Regulation 19 of the Electricity Authority Cyprus (Terms of Service) Regulations of 1986 (R.A.A. 291/86), as amended to this day and deals with personnel matters, such as hiring, appointment and promotion of employees, making recommendations and suggestions to the Board of Directors of the Authority.

The role of the Subcommittee is advisory, assisting the Board of Directors of the Authority in making decisions on personnel matters.

During the year 2019, this Subcommittee held 13 meetings and made respective recommendations on staff issues that it dealt with.

2. Finance Committee
(Bills, Budgets, Financial Reports, Pricing, Insurance, Customer service for customers with overdue/outstanding electricity bills, etc.)

Michael Komodromos **Chairperson**	George Nikolettos **Member** *(until 29.07.19)*	Giorgos Shammas **Member**	Agni Shialarou **Member**
Charis Millas **Member** *(from 30.07.19)*	Ttomis Chrysostomou **Member**	Elena Tsolaki **Member**	Maria Charalambous **Coordinator**

The Committee's composition may change only upon the decision of the Board. It consists of six members from the Board and the Executive Finance Manager serves as the Coordinator.

The responsibilities of the Finance Committee are of advisory nature, mainly concerning submitting recommendations and opinions to the BoD on financial matters regarding the EAC as a Vertically Integrated Undertaking.

The Committee meets regularly once every three months and/or extraordinarily and calls any Member of the Board if deemed appropriate. The Committee met 14 times within 2019.

3. Audit Committee

Charis Millas **Chairperson**	George Nikolettos **Member** *(from 30.07.19)*	Elena Tsolaki **Member**	Andreas Constantinou **Coordinator** *(until 29.07.19)*
George Nikolettos **Chairperson** *(until 29.07.19)*	Agni Sialarou **Member**	Michael Ioannou **Coordinator**	

The main purpose of the Audit Committee is to support the Board on the fulfilment of its supervisory role and to monitor:

- The performance and efficiency of the internal audit systems implemented by the Management and the Board of Directors.
- The EAC's compliance with the legal and regulatory regime in force at each time and with the Code of Conduct.
- Monitoring and assessment of the work carried out by the Internal Audit Management (IAM) to ensure the independence of the officers of the IAM, in accordance to the International Standards on the Professional Practice of Internal Auditing.
- The completeness and accuracy of the financial statements compiled by the EAC.

The Committee met 8 times within 2019.

4. Communication Policy Committee

Agni Sialarou **Chairperson**	Christina Zikkou **Member**	Yiannis Constantinides **Member** *(until 04.02.19)*
Elena Tsolaki **Member**	George Nikolettos **Member** *(from 05.02.19)*	Christina Papadopoulou **Coordinator**

The Communication Policy Committee is composed of four members from the Board of Directors. The Communication Policy Committee coordinator is the EAC Press Spokesperson, as designated by the BoD.

The Communication Policy Committee has a supervisory and coordinating role and is responsible for recording, planning and implementing the communication actions of the EAC.

The responsibilities of the Communication Policy Committee are as follows:
- taking into account the public opinion and the views and concerns of customers and other stakeholders
- defining strategic communication with customers and other stakeholders through the media.

The Committee met 9 times within 2019.

5. Networks Joint Special Subcommittee (JSS)

Ttomis Chrysostomou **Chairperson**	Christina Zikkou **Member**
Constantinos Kosti **Chairperson** *(until 04.02.19)*	Adamos Kontos **Member**

The Networks Joint Special Subcommittee (JSS), which is comprised of the Executive Networks Manager and two Non-executive Members of the EAC Board of Directors, manages the Networks Business Unit (NBU).

The mission and purpose of the Networks JSS is to ensure the independence of the function of and to make decisions regarding the Core Regulated Activities (CRA) of Transmission and Distribution.

The Networks JSS makes recommendations for the improvement of the organization and operation of the NBU, approves the Operational Plan, the Strategic Plan and the CRA Networks Budget and cares for the application and implementation of the aforesaid without interfering with the daily operational matters of the CRA.

The Subcommittee met 29 times within 2019.

Committees/Subcommittees of the Board of Directors Of the Electricity Authority Cyprus

6. Generation and Supply Joint Special Subcommittee (JSS)

Giorgos Shammas
Chairperson

Polyvios Lemonaris
Member

Alexis Michael
Member

Michalis Hadjipantela
Chairperson
(until 04.02.19)

Michael Komodromos
Member *(until 04.02.19)*

The Generation and Supply Joint Special Subcommittee (JSS), which is comprised of the Executive Generation and Supply Manager and two Non-executive Members of the EAC Board of Directors, manages the Generation and Supply Business Unit (GSBU).

The mission and purpose of the Generation and Supply JSS is to ensure the independence of the function of and to make decisions regarding the Core Regulated Activities (CRA) of Generation and Supply.

The Generation and Supply JSS makes recommendations for the improvement of the organisation and operation of the GSBU, approves the Operational Plan, the Strategic Plan and the CRA Generation and Supply Budget and cares for the application and implementation of the aforesaid without interfering with the daily operational matters of the CRA.

The Committee met 33 times within 2019.

7. NG and RES Steering Committee

Michael Komodromos
Chairman

Polyvios Lemonaris
Member

Constantinos Rouvas
Coordinator *(RES matters)*

Giorgos Shammas
Member

Petros Andreou
Coordinator
(NG matters)

The Committee monitors the progress on all issues related to the availability and use of Natural Gas as well as RES projects development by the EAC for Electricity Generation purposes. More specifically the Committee monitors issues related to:

- The NG Supply and the signing of the relevant NG Supply Agreement with DEFA
- EAC Participation in Natural Gas Infrastructure Company (ETYFA)
- The Conversion of the Generating Units and the Development of the necessary NG Infrastructure at Vasilikos Power Station.

The Committee provides directions to the Natural Gas Teams for the best coordination of the actions with the relevant Authorities in order to make NG available the soonest and at the best possible price.

The Committee met 9 times within 2019.

8. Monitoring of Development Projects, Building Plans and Real Estate Utilisation

Elena Tsolaki
Chaiperson

Ttomis Chrysostomou
Member

Polyvios Lemonaris
Member

Agni Sialarou
Member

George Nikolettos
Member

Dorina Papadopoulou
Coordinator

The Committee for the Monitoring of Development Projects, Building Plans and Real Estate Utilisation was created to support the Board of Directors in matters of monitoring development projects, building plans and real estate utilization.

The Committee met 11 times within 2019.

9. Risk Management Committee

Polyvios Lemonaris
Chairperson

Christina Zikkou
Member *(from 05.02.19)*

Elena Tsolaki
Member

Andreas Ioannides
Coordinator

Christina Zikkou
Chairperson
(until 04.02.19)

Yiannis Constantinides
Member *(until 04.02.19)*

Agni Sialarou
Member

The Risk Management Committee supports the Board of Directors on risk management issues. In particular, it informs the BoD of the most important risks and their management framework, supervises the operation of the Risk Management Unit, and monitors and evaluates the risk profile of the EAC and the effectiveness of the risk management policies implemented by the EAC.

It also monitors and evaluates compliance with approved risk levels and the appropriateness of exposure limits. The Risk Management Committee is composed of four members from the Board of Directors. The Secretary of the Risk Management Committee is the Head of the Quality Assurance Division.

The Chairman of the Risk Management Committee shall submit an annual evaluation and assessment report on the work, proposals and findings of the Risk Management Committee to the Board of Directors.

The Subcommittee met 5 times within 2019.

10. Disciplinary Committee

The Disciplinary Committee is comprised by all the members of the Board of Directors and handles disciplinary cases for employee misconduct.

During 2019, the Committee met 12 times.

Operational Unbundling

EAC continued throughout 2019 to take all measures necessary in order to comply with Regulatory Decisions No. 02/2014, 03/2014 and 04/2014 for the Unbundling of EAC accounts as well as the Operational Unbundling. EAC is Organised in four independent Core Regulated Activities (CRAs) namely the Generation, Supply, Transmission and Distribution as well as to the Non-Regulated Activities, In line with the compliance process.

According to the provisions of Regulatory Decision 04/2014, as amended in 2019 by Regulatory decision 05/2019, R.A.A. 419/2019, EAC's activities that do not fall under the above Core Regulated Activities, operate as "Non-Regulated Activities".

The "Non-Regulated Activities", provide and as well as receive services from all other CRAs.

Under Regulatory Decision 04/2014, EAC drafted a Compliance Program for each Activity which is audited by the Compliance Officers appointed for this purpose. During 2019, compliance reports were prepared and submitted to CERA.

The Corporate Governance and Operational Independence of the Core Regulated Activities are attested through the following:

- by the independent preparation of each Core Regulated Activity's budget, Strategic, Business and Action Plan
- with the implementation of the Corporate Governance Code and the Code of Conduct, as well as
- with the correct costing ofall services provided to and between Core Regulated Activities, Non-Regulated Activities and Common Services, in order to avoid cross-subsidization and distortion of competition.

In addition to the above, EAC has established an independent directorate for the Distribution System Operator (DSO) within which the ring-fenced "Department of Meter Registration and Metering Records" operates in order to provide services to all Suppliers without discrimination.

By implementing the above measures, EAC aims to protect competition, avoid "discrimination" and non-discriminatory behavior towards consumers while safeguarding equal treatment of the users of the system and electricity market participants.

Since December 1, 2016, a date which was set by CERA as the day of the implementation of Operational Unbundling to mark the beginning of the regulatory control period, EAC officially applies Operational Unbundling. The implementation of Operational Unbundling is a continuous and dynamic process in which improvements are based on recommendations by EAC's Compliance Officers and the findings of internal and external auditors.

Annual Report tables 2019

The year in brief

		2019	2018	% Increase (Decrease)
FINANCIAL ACTIVITY				
Total income	€ thousand	837.946	787.128	6,5
Total costs	€ thousand	779.257	741.529	5,1
Operating profit	€ thousand	58.689	45.599	28,7
Net profit for the year	€ thousand	47.611	36.725	29,6
Average net assets employed	€ thousand	1.848.321	1.908.718	(3,2)
Return on average net assets employed	%	3.2	2,4	33,3
EMPLOYEES				
Employees in service at 31st December		2.154	2.088	3,2

Financial Sevices

FINANCIAL REVIEW

The financial statements of the EAC for the year 2019 together with the supporting statements are set out in pages 31 to 96.

Chart 1
Income, Costs & profit from operations

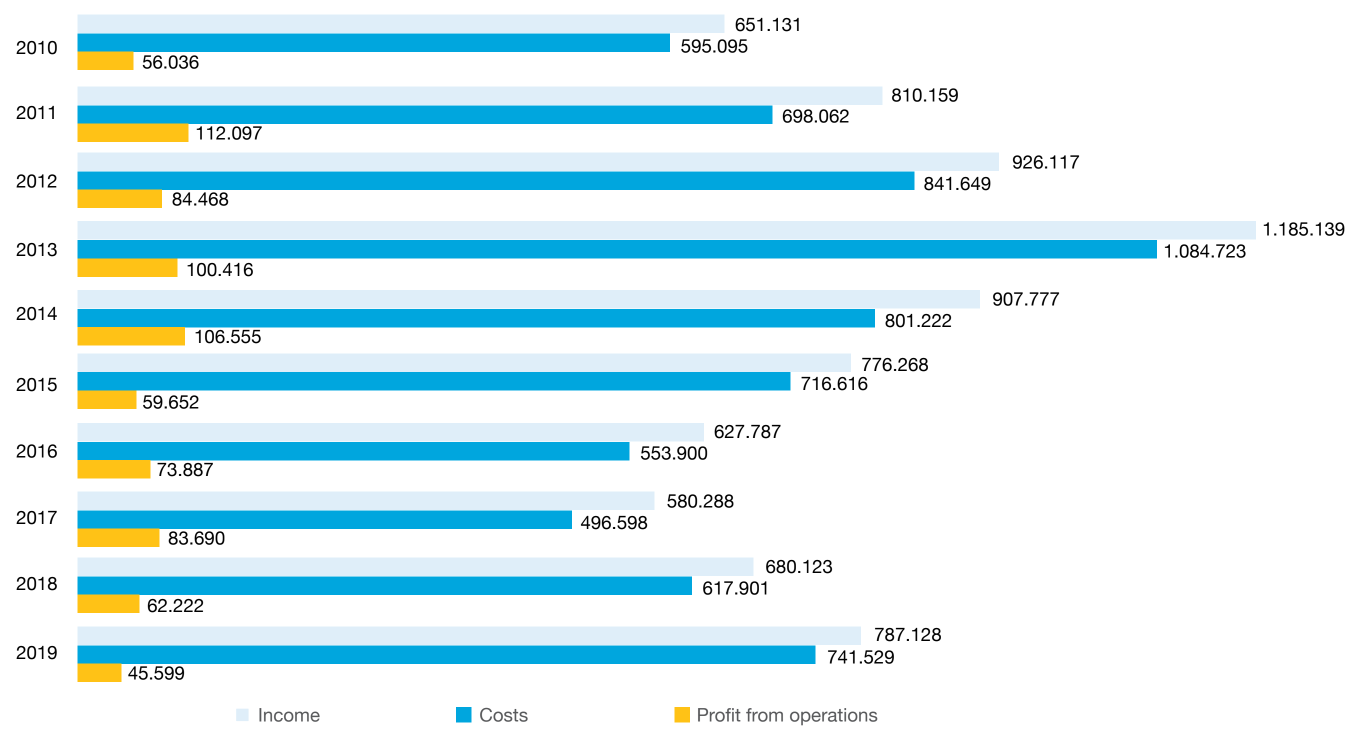
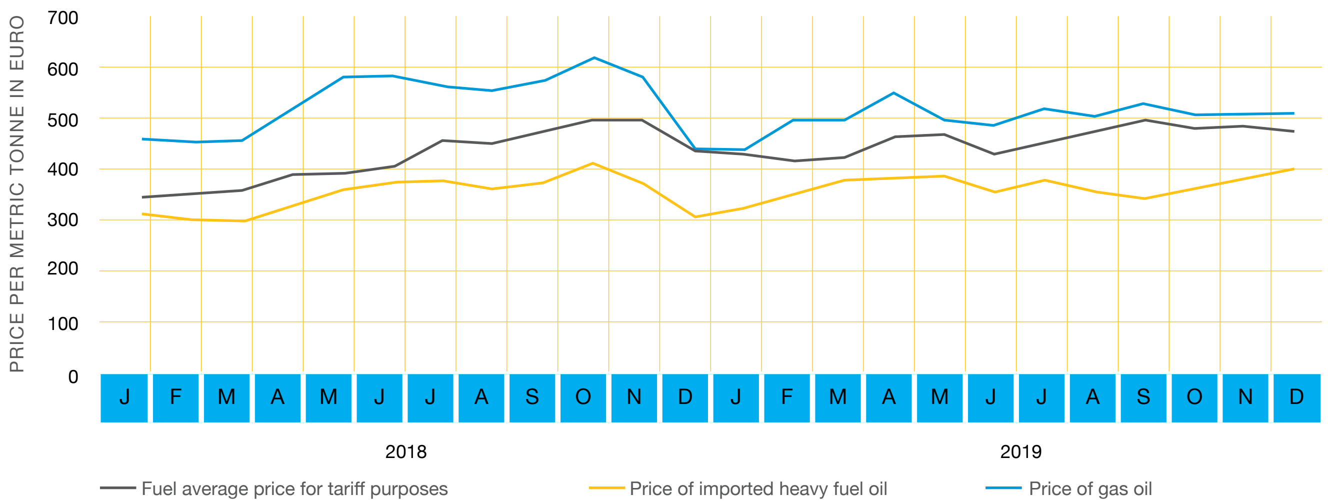


Chart 2
Prices paid for fuel oil & average prices used for tariff purposes (Fuel adjustment clause)



Consolidated income statement for the year ended 31 December 2019 and changes from previous year

	2019	Increase (Decrease)
	€000	€000
INCOME		
Revenue from Sale of electricity	774.570	50.948
Consumers' capital contributions	23.014	473
Income from Desalination	13.685	(1.795)
Other operating income	24.374	3.495
Finance income	2.303	(2.303)
	837.946	50.818
Other income net	(1.054)	(1.117)
OPERATING COSTS	(781.366)	(36.990)
Net impairment profit on financial assets	3.163	379
Operating profit	58.689	13.090
Finance costs	(3.025)	(635)
Share of loss in joint venture	-	5
Profit before tax	55.664	12.460
Tax	(8.053)	(1.574)
Net profit for the year	47.611	10.886

FINANCIAL RESULTS

The financial results for the year and the changes from the previous year are shown in the table above. The income from sales of electricity for the year, totaled to €774.570.000 showing an increase of €50.948.000 or 7%, mainly due to the increase in the tariff price as a result of the automatic adjustment due to the increase in fuel prices. The total operating costs were €781.366.000 showing an increase of €36.990.000 or 5%, mainly as a result of the increase in fuel prices as well as the increase in emission allowances cost. After accounting for net impairment profit on financial assets of €3.163.000 and finance costs amounting to €3.025.000 there was a profit before tax of €55.664.000 compared to a profit of €43.204.000 in the previous year. After the deduction of tax amounting to €8.053.000, the net profit was €47.611.000 (2018: €36.725.000).

ANALYSIS OF OPERATING COSTS

The following table gives an analysis of the operating costs according to each category. The principal factors underlying the changes are reviewed below:

The average cost of fuel oil used by the EAC power stations increased by 2,4% to €405,41 per metric tonne. The consumption decreased by 2% to 1.029,5 thousand metric tonnes despite the increase in production of electricity of approximately 1%. Mainly as a result of the increase in price, the fuel oil bill increased by €1.684.000 to €417.387.000.

The purchase of electricity from third parties amounting to €43.792.000 increased by 15,7% partly due to the increase in fuel oil price and partly due to the increase in the units purchased by approximately 6%.

The greenhouse gas emission allowances cost increased by €28.546.000 to €67.020.000. The increase was mainly due to the increase in the average price per emission allowance purchased during the year which reached €24,76/allowance compared to €15,99/allowance during the previous year.

The total salaries and related costs amounted to €100.473.000 out of which €12.714.000 was capitalised in fixed assets and work in progress. The amounts capitalised relate to expenditure for development projects executed by the Authority's employees during the year. An amount of €87.759.000 or 87,3% was charged to the income statement. The increase of €5.397.000 or 5,7% to the total salaries and related costs charge is mainly due to the increase in the number of personnel in conjunction with an increase in the current year cost due to salary increments and promotions.

Materials, services and other expenditure were €31.949.000 (increase of €4.646.000 or 17%).

The depreciation charge was €98.918.000 (increase of €782.000 or 0,8%). The depreciation charge includes €511.000 (2018: €0) in relation to the right-of-use assets.

Analysis of Operating costs

	2019		Increase / (Decrease) over 2018	
	€000	%	€000	%
Fuel	417.387	53,4	1.684	0,4
Purchase of Electricity from third parties	43.792	5,6	5.927	15,7
Greenhouse gas emission allowances cost	67.020	8,6	28.546	74,2
KODAP fee	5.366	0,7	69	1,3
Staff costs	87.759	11,2	(233)	(0,3)
Repairs and maintenance	20.239	2,6	(4.816)	(19,2)
Cyprus Transmission System Operator fee	7.063	0,9	418	6,3
Cyprus Energy Regulatory Authority fees	1.873	0,2	(33)	(1,7)
Materials, services and other expenditure	31.949	4,1	4.646	17,0
Depreciation	98.918	12,7	782	0,8
TOTAL	**781.366**	**100,0**	**36.990**	**5,0**

Chart 3
Operating Expenditure
(Euro Thousand)
As percentage of total operating expenditure

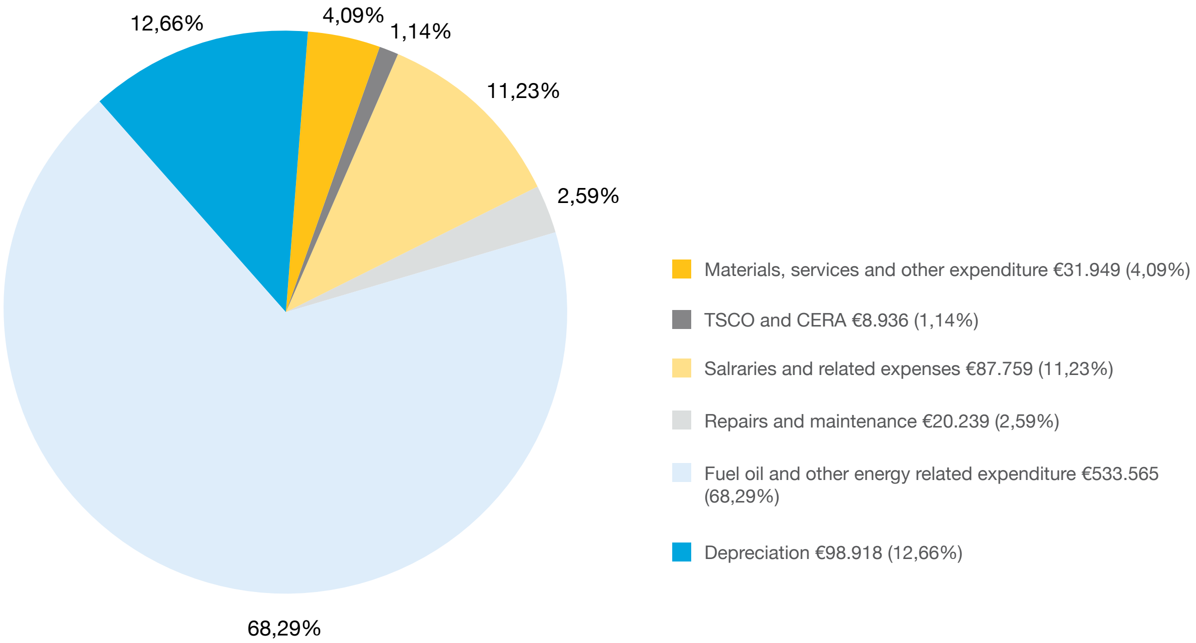
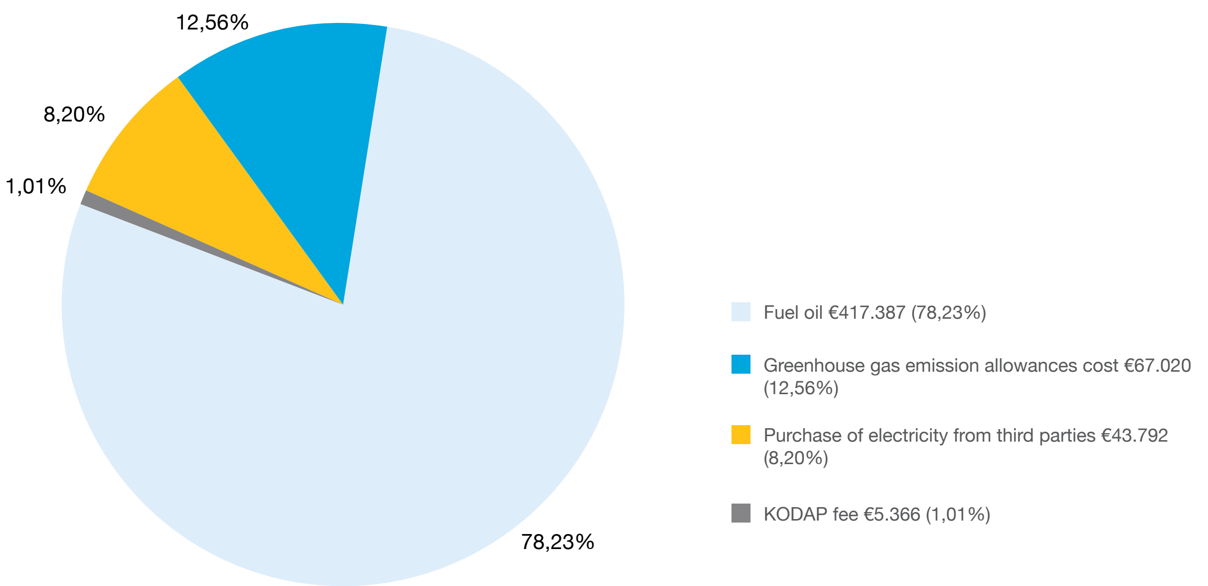


Chart 4
Fuel oil and Other energy related Expenditure
(Euro Thousand)
As percentage of total fuel oil and other energy related expenditure



CAPITAL REQUIREMENTS AND SOURCES OF FINANCE

Capital expenditure during the year amounted to €90.388.000 compared with €49.392.000 in 2018 (increase of €40.996.000).

During the year, right-of-use assets amounting to €8.358.000 were recognized as a result of the initial application of IFRS 16.

The amount paid for taxation during the year 2019 amounted to €532.000 (2018: €18.566.000).

Loan repayments, repayments of lease liabilities and interest paid amounted to €40.815.000 (2018: €44.971.000).

The total financing requirements of €131.735.000 were covered from internal sources and consumers contributions. The table below shows the financing requirements during the year and the sources of finance.

Financing Requirements and Sources of Finance

	2019		2018	
	€000	%	€000	%
FINANCING REQUIREMENTS				
Tax	532	0,4	18.566	16,4
Capital expenditure	90.388	68,6	49.392	43,8
Loan servicing	40.815	31,0	44.971	39,8
	131.735	100,0	112.929	100,0
SOURCES OF FINANCE				
Profit before interest, tax and deprecation	(130.265)	98,9	117.477	104,0
Proceeds from disposal of fixed assets and investments	1	0,0	462	0,4
Interest received	2.575	1,9	5.014	4,4
Consumers' contributions	30.675	23,3	22.553	20,0
Working Capital changes	(31.781)	(24,1)	(32.577)	(28,8)
	131.735	**100,0**	**112.929**	**100,0**

FINANCIAL POSITION AT END OF YEAR

The historical cost of the assets employed at 31 December 2019 was €3.255.162.000 and the accumulated depreciation was €1.636.523.000 or 49,7% of the historic cost. The total net assets at 31 December 2019 were €1.801.588.000 and were financed by loans (€228.628.000 or 12,7%), other long term liabilities (€534.180.000 or 29,7%) and the balance (€1.038.780.000 or 57,6%) from own sources.

Auditor's Report and Consolidated Financial Statements

Contents

Board of Directors and other Officers

Chairman:	Michael Komodromos (from 30.7.2019) Emily Yiolitis (from 1.2.2019 until 3.7.2019) Andreas Marangos (until 17.1.2019)
Vice Chairman:	George Nikolettos (from 30.7.2019) Michalis Komodromos (from 1.2.2019 until 29.7.2019) Michalis Hadjipantela (until 17.1.2019)
Members:	Elena Tsolakis (until 17.1.2019 and from 1.2.2019) Agni Shialarou (until 17.1.2019 and from 1.2.2019) Christina Zikkou (until 17.1.2019 and from 1.2.2019) George Nikolettos (from 1.2.2019 and until 29.7.2019) Chrysostomos Chrysostomou (from 1.2.2019) Polyvios Lemonaris (from 1.2.2019) Georgios Shammas (from 1.2.2019 until 4.2.2020) Charis Millas (from 30.7.2019) Kyriacos Kyriacou (from 5.2.2020) Constantinos Costi (until 17.1.2019) Michalis Komodromos (until 17.1.2019) Charalambos Artemi (until 17.1.2019) Yiannis Constantinides (until 17.1.2019)
Legal Advisers:	Ioannides Demetriou LLC, Nicosia
Auditors:	PricewaterhouseCoopers Limited

Management Report of the Group

1. The Board of Directors presents its report together with the audited consolidated financial statements of the Electricity Authority of Cyprus (the "Authority") and its subsidiaries Elektriki Ananeosimes Ltd, EAC LNG Investments Company Ltd and ESCO AHK Ltd (together the "Group'') for the year ended 31 December 2019.

Principal activities

2. The principal activities of the Group, which have not changed since last year, are the generation, transmission, distribution and supply of electricity in Cyprus. Following an amendment in the Law on 24 November 2000 the Authority has been empowered to engage in activities that are relevant with the exploitation and development of its assets, technical capabilities, installations, services, knowhow and renewable energy sources.

Group Changes

3. During the year the Authority transferred to the Holy Archbishopric of Cyprus (HAC) 101 shares held in the company AHK-IAK-AXERA Ananeosimes Ltd resulting in a decrease in shareholding from 51% to 49,99%. The Board of Directors of the company is comprised of 5 members, two of which are appointed by the Authority, two are appointed by HAC and the Chairman is jointly appointed. In accordance with a relevant Joint Development Agreement between the Authority and HAC, the purpose of the company is the phased development, licensing, financing, construction, operation and maintenance of one or more photovoltaic parks. The interest of EAC in AHK-IAK-AXERA Ananeosimes Ltd is regarded as an investment in a Joint Venture.

On 29 April 2020, the Authority acquired 4.285 shares (30% of the share capital) of the Natural Gas Infrastructure Company (ETYFA) Ltd for €43.000.000. The remaining 70% of ETYFA's share capital is held by the Natural Gas Public Company (DEFA) which will be the only importer of natural gas in Cyprus, within an emerging market. ETYFA will own and manage the natural gas infrastructure that will be developed in Cyprus.

Review of business developments, position and performance of the Authority's business

4. The profit of the Group for the year ended 31 December 2019 was €47.611 thousand (2018: €36.725 thousand). On 31 December 2019 the total assets of the Group were €2.378.367 thousand (2018: €2.318.715 thousand) and the net assets were €1.038.780 thousand (2018: €1.120.663 thousand). The financial position of the Group as presented in the consolidated financial statements is considered satisfactory. The Board of Directors does not anticipate any significant changes in the activities of the Group in the near future.

5. As at 31 December 2019 the Group had 2.154 employees (2018: 2.088) and 581.708 consumers of electricity (2018: 576.223).

Principal risks and uncertainties

6. The principal risks and uncertainties faced by the Group are disclosed in notes 6, 7 and 27 of the consolidated financial statements.

7. The Group is constantly monitoring the developments and controlling the risks that could have a negative impact on the Group due to the rapid spread of the SARS-COV-2 virus worldwide. The Management is taking the necessary measures to preserve the viability of the Group's operations, however, the future impact of the current economic situation is difficult to predict, and the current Management's forecasts could differ from the actual results.

8. Management determined impairment provisions for financial assets carried at amortised cost using the "expected credit loss" model required by IFRS 9 instead of the "incurred loss" model required by IAS 39. The impairment provision in accordance with the new IFRS 9, is based on assumptions with regard to the risk of default and takes into account historical information of the Group, the current market conditions as well as forecasts regarding future market conditions. As a result, the actual impairment losses from financial assets may differ from these estimates.

Financial risk management

9. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk.

10. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by a central treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

Market Risk

11. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Management Report of the Group (continued)

12. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign exchange risk

13. Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures with respect to the US Dollar but believes that any change in foreign exchange rates will not have a material effect on its results.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Cash flow interest rate risk

14. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are dependent on changes in market interest rates.

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. See Note 6 for further disclosures on cash flow interest rate risk.

Credit risk

15. Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The carrying amount of financial assets represents the maximum credit exposure.

Credit risk arises from cash and cash at bank, short term bank deposits, as well as from credit exposures to customers, including outstanding receivables.

Sales to customers are settled in cash, direct debits or using major credit cards. Refer to Note 6 for further disclosures on credit risk.

Liquidity risk

16. Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. See Note 6 for further disclosures on liquidity risk.

Future developments of the Group

17. The Board of Directors of the Authority does not expect any major changes or developments in the operations, financial position and performance of the Group in the foreseeable future.

Results

18. The results of the Group for the year are presented on page 10. The net profit for the year is transferred to reserves.

Board of Directors

19. The members of the Board of Directors as at 31 December 2019 and at the date of this report, as well as changes during the year, are presented on page 1.

20. There were no changes in the assignment of responsibilities of the Board of Directors.

Events after the reporting period

21. On 9 March 2020, the Authority signed a shareholders' agreement receiving 4.285 shares in the Natural Gas Infrastructure Company of Cyprus (ETYFA) Ltd for the amount of €43m, representing 30% of the share capital of the company.

22. On 11 March 2020, the World Health Organization declared the outbreak of SARS-CoV-2 coronavirus as a pandemic (COVID-19), recognizing its rapid spread around the world. Many governments, including Cyprus, have taken and are taking strict measures to curb the spread of the virus. These measures include: self isolation / quarantine for people who have been ill or may have been exposed to the virus, social distancing, border control or closure, and universal "lockdown" of cities / regions or even entire countries. These measures have slowed the economy of Cyprus as well as the worldwide economy, and are likely to have a wider impact on the respective economies as the measures continue to be in force for a longer period of time.

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

Branches

24. The Group did not operate through any branches during the year.

Independent Auditors

25. The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office.

By order of the Board of Directors

Michael Komodromos
Chairman

30 June 2020
Nicosia

Independent Auditor's Report

To: Board of Directors of the Electricity Authority of Cyprus, Minister of Energy, Commerce, Industry and Tourism, House of Representatives, and Auditor General of the Republic

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Electricity Authority of Cyprus (the ''Authority") and its subsidiaries (the ''Group"), which are presented in pages 40 to 96 and comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, Changes in Equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, the requirement of the Electricity Development Law, Cap. 171, the requirements of the Laws Regulating the Electricity Market of 2003-2018 and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.

- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the consolidated management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Board of Directors of the Electricity Authority of Cyprus as a body, the Minister of Enegry, Commerce, Industry and Tourism, the House of Representatives, and the Auditor General of the Republic in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Loizos A. Markides
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited

Certified Public Accountants and Registered Auditors

Nicosia, 30 June 2020

Consolidated Income Statement for the year ended 31 December 2019

		2019	2018
	Note	€000	€000
Revenue	8	**819.957**	768.096
Other operating income-net	9	**17.989**	19.032
Other (losses) / income-net	10	**(1.054)**	63
Operating costs	11	**(781.366)**	(744.376)
Net impairment profit on financial assets		**3.163**	2.784
Operating profit		**58.689**	45.599
Finance costs	13	**(3.025)**	(2.390)
Share of loss in joint venture		**-**	(5)
Profit before tax		**55.664**	43.204
Tax charge	14	**(8.053)**	(6.479)
Profit for the year		**47.611**	36.725

The notes on pages 45 to 96 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2019

		2019	2018
	Note	€000	€000
Profit for the year		**47.611**	36.725
Other comprehensive loss for the year, net of tax **Items that will not be reclassified to income statement in future periods:** Remeasurement of post-employment benefit obligations	12	**(117.274)**	(22.781)
Total (expenses) / income for the year		**(69.663)**	13.944

Other comprehensive loss is presented after tax. The tax relating to each item of other comprehensive income is shown in note 14.

The notes on pages 45 to 96 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position at 31 December 2019

	Note	2019 €000	2018 €000
Assets			
Non current assets			
Property, plant and equipment	15	**1.618.639**	1.627.635
Right of use assets	16	**8.358**	-
Financial assets at amortised cost	18	**122**	131
		1.627.119	1.627.766
Current assets			
Inventories	19	**144.991**	132.891
Trade receivables	18	**117.167**	116.118
Financial assets at amortised cost	18	**24.903**	14.961
Other non financial receivables	18	**12.213**	16.431
Greenhouse gasses emission allowances		**3.086**	1.673
Financial assets at fair value through profit or loss	18	**272**	351
Tax refundable	20	**4.287**	4.287
Short term deposits	21	**334.078**	357.637
Cash and cash at bank	21	**110.251**	46.600
		751.248	690.949
Total assets		**2.378.367**	2.318.715
Reserves and liabilities			
Capital reserve		**15.555**	15.555
Actuarial losses reserve		**(353.708)**	(236.434)
Revenue reserve		**1.376.933**	1.341.542
Total equity		**1.038.780**	1.120.663
Non current liabilities			
Borrowings	22	**228.628**	262.682
Lease liabilities	16	**7.980**	-
Deferred tax liabilities	23	**94.646**	87.125
Deferred income	24	**431.554**	424.584
		762.808	774.391
Current liabilities			
Trade and other payables	25	**175.857**	151.318
Net defined benefit obligation	12	**330.535**	212.194
Tax liability	20	**12.220**	-
Borrowings	22	**34.055**	37.135
Deferred income	24	**23.705**	23.014
Lease liabilities	16	**407**	-
		576.779	423.661
Total liabilities		**1.339.587**	**1.198.052**
Total reserves and liabilities		**2.378.367**	**2.318.715**

These consolidated financial statements are signed today, 30 June 2020, as a result of the approval and decision of the Board of Directors.

M. KOMODROMOS
Chairman

P. OLYMBIOS
General Manager

M. CHARALAMBOUS
Executive Manager Finance

The notes on pages 45 to 96 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

	Note	Capital reserve €000	Actuarial losses reserve €000	Revenue reserve €000	Total €000
Balance at 1 January 2018		**15.555**	**(213.653)**	**1.312.660**	**1.114.562**
Effect of initial application of IFRS 9 as at 1 January 2018		-	-	(7.843)	(7.843)
Balance at 1 January 2018 as restated		**15.555**	**(213.653)**	**1.304.817**	**1.106.719**
Comprehensive income					
Profit for the year		-	-	36.725	36.725
Other comprehensive income					
Remeasurement of post-employment benefit obligation	12	-	(22.781)	-	(22.781)
Total other comprehensive loss		-	(22.781)	-	(22.781)
Total (expenses) / income for the year		-	(22.781)	36.725	13.944
Balance at 31 December 2018 / 1 January 2019		**15.555**	**(236.434)**	**1.341.542**	**1.120.663**
Comprehensive income					
Profit for the year		-	-	47.611	47.611
Remeasurement of post-employment benefit obligation	12	-	(117.274)	-	(117.274)
Total other comprehensive loss		-	(117.274)	-	(117.274)
Total expenses for the year		-	(117.274)	47.611	(69.663)
Contributions and distributions					
Defence contribution on deemed dividend distribution		-	-	(12.220)	(12.220)
Total contributions and distributions		-	-	(12.220)	(12.220)
Balance at 31 December 2019		**15.555**	**(353.708)**	**1.376.933**	**1.038.780**

(1) The Capital Reserve represents a government grant.
(2) Organizations which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence will be payable on such deemed dividend at the end of the period of two years from the end of the year of assessment to which the profits refer. Special contribution for Defence was increased from 15% to 17% for the taxable year 2009 and 20% for taxable years 2010-11 and decreased to 17% for taxable years 2012 onwards. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Group on behalf of the Government of Cyprus.
(3) The actuarial losses reserve represents the cumulative losses from the Defined Benefit Plan that were recognized in the Consolidated Statement of other comprehensive income. The actuarial losses arise from changes in the present value of post-employment benefit obligation resulting from experienced adjustments and the consequences of changes in actuarial assumptions.

The notes on pages 45 to 96 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2019

	Note	2019 €000	2018 €000
Cash flows from operating activities			
Profit before tax		**55.664**	43.204
Adjustments for:			
Depreciation of property, plant and equipment	15	**98.408**	98.136
Depreciation of right-of-use assets	16	**511**	-
Amortization of consumers' capital contributions	24	**(23.014)**	(22.541)
Loss/ (profit) from the sale of property, plant and equipment	10	**112**	(269)
Impairment charge-property, plant and equipment	15	**863**	-
Net impairment gain on financial assets	6	**(3.163)**	(2.784)
Profit from the sale of investments in subsidiaries		**-**	(6)
Share of loss from joint venture	17	**-**	5
Interest expense	13	**3.187**	3.284
Interest income	9	**(2.303)**	(4.606)
		130.265	114.423
Changes in working capital:			
Inventories		**(12.100)**	(13.819)
Trade receivables		**(288)**	(36.705)
Financial assets at amortised cost		**(10.172)**	3.603
Other non financial assets		**4.218**	(8.953)
Greenhouse gasses emission allowances		**(1.413)**	(1.324)
Financial assets at fair value through profit or loss	10	**79**	206
Trade and other payables		**24.551**	23.102
Defined benefit obligation		**1.067**	1.672
Cash generated from operations		**136.207**	82.205
Tax paid		**(532)**	(18.566)
Net cash from operating activities		**135.675**	63.639
Cash flows from investing activities			
Acquisition of property, plant and equipment	15	**(90.388)**	(49.392)
Receipt from disposal of shares in associate company	17	**-**	5
Short-term deposits		**25.952**	15.901
Proceeds from sale of property, plant and equipment	15	**1**	457
Additions to consumers' capital contributions	24	**30.675**	22.553
Interest received		**2.575**	5.014
Net cash used in investing activities		**(31.185)**	(5.462)
Cash flows from financing activities			
Repayments of long term borrowings	21	**(37.134)**	(41.680)
Proceeds from obligations under finance leases	21	**(482)**	-
Interest paid		**(3.199)**	(3.291)
Net cash used in financing activities		**(40.815)**	(44.971)
Net increase in cash and cash at bank		**63.675**	13.206
Cash and cash at bank at beginning of the year		**46.600**	33.397
Loss allowance for the year		**(24)**	(3)
Cash and cash at bank at end of the year	21	**110.251**	46.600

The notes on pages 45 to 96 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

1. General Information

The Electricity Authority of Cyprus (the "Authority") is a Public Corporate Body which was established in Cyprus under the Electricity Development Law Cap.171 of 1952. It is managed by a Board of Directors, consisting of a Chairman, Vice Chairman and seven members, who are appointed by the Council of Ministers.

The address of the Authority's Head Office is at 11 Amfipoleos Street, Strovolos, P.O.Box 24506, 1399 Nicosia, Cyprus.

Pursuant to the above Law, the Group is engaged in the generation, transmission, distribution and supply of electricity. Following an amendment in the Law on 24 November 2000 the Authority has been empowered to engage in activities that are relevant with the exploitation and development of its assets, technical capabilities, installations, services and knowhow.

With the accession of Cyprus to the European Union and the opening up of the electricity market to competition, the Electricity Authority of Cyprus in preparing for its harmonization with the European Union has taken all the necessary steps in order to conform with Directive 2003/54/EC of the European Parliament and of the Council of 19th December 1996 concerning common rules for the internal market for electricity.

The Group prepares separate financial statements for the activities of generation, transmission, distribution and supply of electricity and for the other activities in accordance to the Laws regulating the Electricity Market of 2003-2018 and the relevant resolutions of the Cyprus Energy Regulatory Authority (CERA) regarding the functional and accounts unbundling.

Operating environment of the Group

The Cypriot economy has recorded positive growth in 2018 and 2019 after overcoming the economic recession of recent years. The overall economic outlook of the economy remains favorable, however there are still downside risks emanating from the still high levels of non performing loans, the public debt ratio, as well as possible deterioration of the external environment for Cyprus.

On 11 March 2020, the World Health Organization declared the outbreak of SARS-CoV-2 coronavirus as a pandemic (COVID-19), recognizing its rapid spread around the world. Many governments, including Cyprus, have taken and are taking strict measures to curb the spread of the virus. These measures include: self isolation / quarantine for people who have been ill or may have been exposed to the virus, social distancing, border control or closure, and universal "lockdown" of cities / regions or even entire countries. These measures have slowed the economy of Cyprus as well as the worldwide economy, and are likely to have a wider impact on the respective economies as the measures continue to be in force for a longer period of time.

This operating environment may have a significant impact on the Group's operations and financial position. The Management is taking the necessary measures to preserve the viability of the Group's operations, however, the future impact of the current economic situation is difficult to predict, and the current Management's forecasts could differ from the actual results.

2. Basis of preparation

The consolidated financial statements of the Electricity Authority of Cyprus have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), the requirements of the Electricity Development Law, Cap. 171, the Laws Regulating the Electricity Market of 2003-2018 and the Companies Law Cap. 113.

As of the date of the authorisation of the consolidated financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2019 and are relevant to the Group's operations have been adopted by the EU through the endorsement procedure established by the European Commission.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below in Note 4. Apart from the accounting policy changes resulting from the adoption of IFRS 16 effective from 1 January 2019, these policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements have been prepared under the historical cost convention, except in the case of financial assets at fair value through profit or loss which are shown at their fair value and the defined benefit obligation which is recognized as plan assets, less the present value of the defined benefit obligation.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 7.

3. Adoption of new or revised Standards and Interpretations

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. This adoption did not have a material effect on the accounting policies of the Group except IFRS 16 "Leases".

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lease accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has adopted IFRS 16 retrospectively from 1st January 2019 but has not restated the comparative figures for the reporting period 2018, in accordance with the modified retrospective transition method for adopting the new standard. The reclassifications and adjustments resulting from the new requirements for leases have been recognised on the consolidated statement of financial position on 1st January 2019. Comparative information is presented and disclosed according to the provisions of IAS 17 "Leases".

The adoption of IFRS 16 has affected the Group's accouning policies for leases for which the Group acts as the lessee. The Group's new accounting policies following the adoption of IFRS 16 as at 1st January 2019 are set out in Note 4.

Following the adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which were previously recognised as operating leases in accordance with the provisions of IAS 17 for which the Group acted as a lessee. These lease liabilities have been valued according to the present value of the remaining lease payments, discounted with the incremental borrowing rate of the lessee as at 1st January 2019. The lessee's average incremental borrowing rate used in calculating the lease liabilities as at 1st January 2019 was 2%.

The Group did not have leases previously classified as finance leases hence no adjustments were needed.

Practical expedients applied

For the initial application of IFRS 16, the Group has elected to apply the following practical expedients allowed by the standard:

- use of a single discount rate in a portfolio of leases with reasonably similar caracteristics,
- dependence on previous assessments on whether leases are onerous in order to assess the impairment of the right to use an asset,
- treatment of lease agreements that expire within 12 months of the transition date as short-term operating leases,
- exclusion of initial direct costs from the measurement of the right to use an asset on initial application, and
- use of hindsight for determining the lease term in cases where a lease agreement includes renewal options or lease termination clauses.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts concluded before the transition date, the Group relied on the assessment made in accordance with IAS 17 and IFRIC 4 "Determining Whether an Arrangement Contains a Lease".

The following table shows the reconciliation of operating lease commitments as at 31st December 2018 and lease liabilities recognized as at 1st January 2019:

	1 January 2019
	€000
Operating lease obligations disclosed as at 31 December 2018 (Note 28)	756
Discounted amount using lessee's incremental borrowing rate at the date of initial application	741
Add / (Less): adjustments resulting from different renewal and termination options	7.447
	8.188
Lease liabilities recognised as at 1st January 2019	8.188
From which:	
Short-term obligations	477
Long-term obligations	7.711
	8.188

The Group recognised right of use assets of €8.188 thousand on 1st January 2019. Lease liabilities of an equal amount were recognised, adjusted for any prepayed or accrued rentals relating to the leases recognised in the statement of financial position on 31st December 2018. The change in accounting policy affected the following line items of the balance sheet on 1st January 2019:

	Increase/(Decrease)
	€000
Right-of-use assets	8.188
Lease liabilities	8.188

The Group did not have to adjust the accounting treatment of operating leases for which it acts as the lessor following the adoption of IFRS 16.

The assessment of the impact of the adoption of IFRS 16 on the Group's accounting policies and the calculation of the lease liabilities and the respective right-of-use assets at the transition date required Management to make certain critical judgments in the process of applying the principles of the new standard. The judgments that had the most significant effect on Management's conclusions are disclosed in Note 7.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 16 effective from 1 January 2019, these policies have been consistently applied to all the years presented, unless otherwise stated.

Subsidiary undertakings

Subsidiary undertaking is an entity controlled by the Group. Control exists where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The subsidiary undertaking is consolidated from the date on which control is transferred to the Group and is no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated as is also the case with unrealized losses unless cost cannot be recovered.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given and equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are recognized in the profit or loss. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value added taxes).

The Group recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract), it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Group's contracts with customers.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the income statement in the period in which the circumstances that give rise to the revision become known by management.

Identification of performance obligations

The Group assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

(a) Sales of electricity

Sales of electricity represent amounts receivable, based on consumption recorded by meters, net of V.A.T. Sales also include an estimate of the value of units supplied to consumers between the date of the last meter reading and the year end, and this estimate is included in receivables in the consolidated statement of financial position.

(b) Consumers' capital contributions

The Group accepts applications for extension of its network in areas not yet covered by the existing network by individuals and legal entities. Furthermore the Group accepts applications for additional load from the existing network. In both cases the Group charges the applicants with the construction cost.

The fact that the cost is recovered from applicants results in not having to be recovered by consumers through electricity tariffs. Otherwise this cost would have been included in tariffs and consumers would have been billed for the consumption of electricity with higher prices. All network extension applicants are charged with capital contributions and all consumers are billed with the same tariffs.

Applicants are ensured of the right of permanent access to the network for an unlimited period of time. The Group is committed to provide access for an unlimited period of time. Capital contributions represent the price for this continuous service and hence income is shown as deferred income and is gradually released to the consolidated income statement over a period identical to that of the assets constructed/acquired for this purpose, and which have an average life of 33 1/3 years. This period is considered a reasonable approximation for calculating the period of the customer relationship.

(c) Revenue from Desalination

Revenue from desalination represents the sale of desalinated water to the Water Board Authority in accordance with the supply as recorded by meters net of VAT. Sales also include an estimate of the value of metric tonnes supplied between the date of the last invoice and the end of the year and this estimate is included in financial assets at amortised cost in the consolidated statement of financial position.

(d) Income from contracts for replacement and maintenance of public lighting

The income represents the replacement and maintenance of public lighting for Community Boards and Municipalities. The Group recognises the performance obligations per contract and allocates the transaction price to each obligation identified, with reference to the stand alone price.

Financing component

The Group does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group elects to use the practical expedient and does not adjust any of the transaction prices for the time value of money.

Contract assets and contract liabilities

In case the services rendered by the Group as of the reporting date exceed the payments made by the customer as of that date and the Group does not have the unconditional right to charge the client for the services rendered, a contract asset is recognised. The Group assesses a contract asset for impairment in accordance with IFRS 9 using the simplified approach permitted by IFRS 9 which requires expected lifetime losses to be recognised from initial recognition of the contract asset. An impairment of a contract asset is measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9. The Group recognises any unconditional rights to consideration separately from contract assets as a trade receivable because only the passage of time is required, before the payment is due. If the payments made by the customer exceed the services rendered under the specific contract, a contract liability is recognised.

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

All foreign exchange gains and losses are presented in profit or loss within "finance costs''.

Employee benefits

The Group operates a defined benefit plan, comprising of a lump sum amount at the termination of employees services and post employment benefits, and various other defined contribution plans, the assets of which are held in separate trustee administered funds. These plans are mainly funded by the Group.

The net expense/(income) from interest and current service cost is charged to the income statement over the period of the expected service lives of the employees and is estimated annually by independent actuaries, using the projected unit method, in order to create sufficient reserves. The Group determines the net interest expense/(income) on the net defined benefit obligation (asset) for the period by applying the discount rate used to measure the defined benefit obligation (asset), taking into account any changes in the net defined benefit obligation (asset) during the period as a result of contributions and benefit payments. Remeasurements of the net defined benefit obligation, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income.

A provision for the contribution to the defined benefit scheme is made on a monthly basis so that adequate reserves are created during the working life of the employees. Additionally, from 2015 a recovery plan was effected which provides that an annual deficit payment should be made to the Pension Plan. From October 2011 under the first package of austerity measures, 3% from the salaries of the members of the defined benefit plan is deducted in order to ensure its viability.

IAS 19 does not specify whether an entity should distinguish current and non-current portions of assets and liabilities arising from post-employment benefits. The Group recognizes the net defined benefit obligation as current liability because a distinction between current and non-current portion arising from defined benefit plans may sometimes be arbitrary.

The Authority's contributions to the defined contribution plans are charged to the consolidated income statement in the year to which they relate.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax including interest and penalties. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income. In this case, the tax is also recognized in other comprehensive income.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country in which the Group operates and generates taxable income. The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted until the reporting date and are expected to apply when the related deferred income tax asset is recognized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Authority where there is an intention to settle the balances on a net basis.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly related to the acquisition of property, plant and equipment. For projects carried out by external contractors, cost is based on the value of work executed and certified by engineering consultants. For projects carried out by the Group's own staff, cost comprises of materials, labour and related overheads.

Major spare parts and stand by equipment are accounted for as property, plant and equipment when the Group expects to use them during more than one period.

Land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight line method to allocate their cost to their residual values, over their estimated useful lives. The estimated useful lives of the major elements of property plant and equipment are as follows:

	Years
Power station buildings	30
Other buildings	35
Power station plant and machinery	25
Other plant and machinery	25-30
Lines and cables	35-40
Meters	15
Motor vehicles	7
Furniture, fixtures and office equipment	10
Tools and instruments	10
Computer hardware	5
Computer software	3

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

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

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

Gains and losses on disposal of property, plant and equipment is determined by comparing proceeds with the carrying amount and these are included in "other gains/losses net'' in the consolidated income statement.

Greenhouse Gas Emission Allowances

Based on the Cyprus Law for the Scheme of Greenhouse Gas Emission Allowance Trading, N.132(I)/2004, greenhouse gas emission allowances are allocated to the various operators (companies) with the objective of reducing the level of pollution in the environment.

Each operator, whose annual emissions exceed the number of emission allowances allocated for the specific year, is obliged to buy as many emission allowances as required to cover the shortage and in addition to pay a penalty fee for each eco of excess emission.

Granted CO2 emission allowances are initially recognized at nominal value (nil value) when the Group is able to exercise control over these rights. Purchased greenhouse gases emission allowances are initially recognized at cost (purchase price) within intangible assets. A liability is recognized when the level of emissions exceeds the level of allowances granted. The liability includes the total cost of the purchased allowances and any additional deficit at the current market value of the allowances as at the reporting date. Movements in the liability are recognized in the consolidated statement of profit or loss.

The intangible assets are surrendered at zero value at the end of the compliance period reflecting the consumption of economic benefit. Surplus emission allowances can be carried forward and off-set future shortages (up to the end of the compliance period) or be sold. Proceeds from the sale of surplus emission allowances are recognized upon the sale of these rights. During the year no sales of surplus took place.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Impairment of non financial assets

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

Impairment loss is recognized in the profit or loss.

Financial assets - Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Group may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment by investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'other gains/(losses)' together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, short term bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

- **Fair Value through Other Comprehensive Income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

- **Fair Value through Profit and Loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment and any related balance within the FVOCI reserve is reclassified to retained earnings. The Group's policy is to designate equity investments as FVTPL.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets – impairment – credit loss allowance for ECL

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

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'net impairment losses on financial and contract assets'. Subsequent recoveries of amounts for which credit losses have been previously recognized are credited to the same line item in the income statement.

Debt instruments measured at AC are presented in the balance sheet net of the allowance for ECL.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets [and lease receivables] the Group applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial assets that are subject to impairment under IFRS 9, the Group applies the general approach – three stage model for impairment. The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 6, Credit risk section for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group definition of credit impaired assets and definition of default is explained in Note 6, Credit risk section.

Financial assets - Reclassification

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

Financial assets - write off

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

Financial Assets - Modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering any new contractual terms that substantially affect the risk profile of the asset.

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

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

Cash and cash at bank

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

Short-term bank deposits

These amounts relate to short term bank deposits with maturity 3 12 months. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost, less provision for impairment.

Financial assets at amortised cost

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

Interest income

Interest income from financial assets at amortised cost which is calculated using the effective interest method is recognised in the income statement as "Other income". Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets – Stage 3 the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance), for Stage 1 and Stage 2 – gross amount of financial assets.

Financial liabilities – measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost.

Borrowings

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

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

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

A material modification in the terms of an existing financial liability or part of it, is treated as a termination of the original financial liability and recognition of a new financial liability. Any gain or loss on termination is recognised in profit or loss except when it arises as a result of transactions with shareholders acting in their capacity as shareholders, in which case it is recognised directly in equity. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any expenses or fees arising are recognised as part of the gain or loss on termination.

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably. Borrowings are classified as short-term liabilities unless the Group has the unconditional right to postpone the repayment of the liability for at least twelve months after the date of the consolidated statement of financial position.

Leases

The Group as the lessee:

Until 31 December 2018, leases of property, plant and equipment were classified as either finance leases or operating leases. In particular, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimun lease payments. Each lease payment was allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, were included in borrowings. The interest element of the finance cost was charged to

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases were depreciated on a straight-line basis over the shorter of the lease term and their useful economic life, unless there was reasonable certainty that the Group would obtain ownership by the end of the lease term, in which case the assets were depreciated over their estimated useful lives.

Leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight line basis over the period of the lease.

From 1st January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group, with limited exceptions as set out below.

Contracts may contain both lease and non-lease components. The Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group:

- where possible, uses recent third party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Any remeasurement of the lease liability arising if the cash flows change based on the original terms and conditions of the lease results in a corresponding adjustment to the right of use asset. The adjustment can be positive or negative.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

In determining the lease term, Management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

Right-of-use assets are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets.

As an exception to the above, payments associated with short term leases and all leases of low value assets are recognised on a straight line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less.

Right-of-use assets and associated lease liabilities are presented as separate lines on the face of the balance sheet.

The Group as the lessor:

(a) Finance leases

Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within [other operating income] in profit or loss for the year.

(b) Operating lease

Rental income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(c) Impairment of lease receivable

The Group recognises credit loss allowance on lease receivables in accordance with the general model of Expected Credit Losses (ECL). The ECL is determined in the same way as for financial assets measured at amortised cost and recognised through an allowance account. In assessing the ECL, the Group considers the cash flows that may result from obtaining and selling the assets subject to the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Cost includes purchase cost, transport and handling costs. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. Provision is made for damaged, deteriorated, obsolete and unusable items where appropriate.

Trade receivables

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

Trade receivables are recognised initially at the amount

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

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

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

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period mainly of not less than 2 years. The assessment is carried out separately for each customer, taking into account the specific data of the customer.

Provisions

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

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

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of the Group's business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the Group if longer). If not, they are presented as non current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

Comparatives

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

5. New accounting pronouncements

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group's financial statements, except the following set out below:

- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)*. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular, the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Group is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not known.

- Amendments to IAS 1 and IAS 8: Definition of materiality (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).* The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not known.

** Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.*

6. Financial risk management

(i) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk.

The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by a central treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co operation with the Group's operating units.

- **Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

- **Foreign exchange risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures with respect to the US Dollar but believes that any change in foreign exchange rates will not have a material effect on its results.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The net foreign exchange difference credited/ debited to the consolidated income statement amounts to (€162.000 (2018: €894.000)) and relates to normal operating and financing activities (Note 13).

The Group's exposure to foreign currency risk was as follows:

31 December 2019	United States Dollars
	€000
Assets:	
Short term deposits	12.951
	12.951
Liabilities:	
Suppliers	(29.904)
Amount available for interpleader proceedings	(13.878)
	(43.782)
Net foreign currency exposure	**(30.831)**

31 December 2018	United States Dollars
	€000
Assets:	
Short term deposits	12.475
	12.475
Liabilities:	
Suppliers	(30.968)
Amount available for interpleader proceedings	(13.385)
	(44.353)
Net foreign currency exposure	**(31.878)**

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2019 and 2018 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant foreign currency at Euro and 2018, there would be an equal and opposite impact on the equity and profit or loss.

	Equity		Profit or loss	
	2019	2018	**2019**	2018
	€000	€000	**€000**	€000
United States Dollars	**2.698**	2.789	**2.698**	2.789
	2.698	2.789	**2.698**	2.789

Cash flow interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are dependent on changes in market interest rates.

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2019	2018
	€000	€000
Fixed rate instruments		
Financial assets	**334.078**	357.637
Financial liabilities	**(326)**	(365)
Variable rate instruments		
Financial liabilities	**(262.357)**	(299.452)
	71.395	57.820

Sensitivity analysis

A decrease of 100 basis points in interest rates at 31 December 2019 and 2018 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the equity and profit or loss.

	Equity		Profit or loss	
	2019	2018	**2019**	2018
	€000	€000	**€000**	€000
Variable rate instruments	**2.296**	2.620	**2.296**	2.620
	2.296	2.620	**2.296**	2.620

The Management of the Group monitors the interest rate fluctuations on a continuous basis and acts accordingly.

- **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 on hand at the reporting date.

Credit risk arises from cash and cash at bank, short term deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

(i). Risk management

Sales to customers are settled in cash, direct debits or using major credit cards.

For banks and financial institutions, credit ratings from independent parties are utilised.

(ii). Impairment of financial assets

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

- Trade receivables
- Financial assets at amortised cost
- Cash and cash equivalents (cash and cash at bank and short term bank deposits with maturity date of three months and above)

The impairment methodology applied by the Group for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

Trade receivables

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The following table represents the Group's trade receivables grouping:

Category	**Category**
Government departments/services	Related Parties
Municipalities	
Villages	
Other Related Parties	
Residential	Others
Vulnerable	
Other	

The expected loss rates are based on the payment profiles of sales over a period of 48 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the country in which it sells its goods and services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

The following table summarises the Group's expected loss rates:

	Expected Loss Rate			
	Active		Final	
Past due dates	Related parties	Other	Related parties	Other
Before expiration	0,12%	0,25%	0,25%	0,50%
21 to 60	0,25%	0,50%	0,50%	1,00%
More than 61 to 90	1,00%	2,00%	2,00%	4,00%
More than 91 to 120	2,50%	5,00%	10,00%	20,00%
More than 121 to 360	10,00%	15,00%	40,00%	60,00%
More than 360	40,00%	60,00%	80,00%	100,00%

For all the final accounts (irrespective of their classification) for which the year of issue is prior to the year of the financial statements, an expected credit loss is recognised of 100%.

Additionally, the Group recognises an expected credit loss on receivables from unread consumption of 0,1%.

On that basis, the loss allowance for trade receivables, included receivables from unrecorded consumption, as at 31 December 2019 and 31 December 2018 was determined as follows:

	31 December 2019					
	Final Accounts		Active accounts		Other trade receivables	
Past due days	Gross book value €000	Loss Provision Amount €000	Gross book value €000	Loss Provision Amount €000	Gross book value €000	Loss Provision Amount €000
Over 365	11.304	11.259	2.056	1.182	1.331	1.185
From 181 up to 365	461	316	661	92	-	-
From 121 up to180	164	109	459	65	-	-
From 91 up to 121	170	55	916	44	-	-
From 61 up to 90	499	380	1.582	30	-	-
From 21 up to 60	174	23	18.834	90	-	-
Not overdue	380	288	40.763	92	52.669	46
Total	**13.152**	**12.430**	**65.271**	**1.595**	**54.000**	**1.231**

	31 December 2018					
	Final Accounts		Active accounts		Other trade receivables	
Past due days	Gross book value €000	Loss Provision Amount €000	Gross book value €000	Loss Provision Amount €000	Gross book value €000	Loss Provision Amount €000
Over 365 days	13.013	13.013	1.168	652	1.192	1.192
From 181 up to 365	323	235	672	92	-	-
From 121 up to180	168	112	562	79	-	-
From 91 up to121	228	132	1.036	49	-	-
From 61 up to 90	156	22	1.909	37	-	-
From 21 up to 60	324	167	17.942	87	-	-
Not overdue	315	5	42.762	99	50.365	44
Total	**14.527**	**13.686**	**66.051**	**1.095**	**51.557**	**1.236**

The closing loss allowances for trade receivables and contract assets as at 31 December 2019 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2019 €000	2019 €000
Opening loss allowance 1 January	16.017	16.378
Unused amount reversed	(761)	(361)
Closing loss allowance as at 31 December	**15.256**	**16.017**

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due.

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

Other financial assets at amortised cost

Other financial assets at amortised cost include other financial receivables and cash and cash equivalents.

For the other financial assets at amortised cost the general credit loss model is applied.

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

- Internal credit rating
- External credit rating (as far as available)
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

- Significant increases in credit risk on other financial instruments of the same borrower/counterparty
- Significant changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the country in which it sells its goods and services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

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

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

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The Group categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Group uses three categories for other financial receivables and cash and cash equivalents which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned, where possible, to external credit rating companies, such as Standard and Poor, Moody's and Fitch.

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

Category	Group's definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenu
Performing	Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime	Gross carrying amount
Underperforming	Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Stage 2: Lifetime expected losses	Gross carrying amount
Non performing	Interest and/or principal repayments are 90 days past due	Stage 3: Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)
Write off	Interest and/or principal repayments are 365 days past due and there is no reasonable expectation of recovery	Asset is written off	None

The Group has no financial assets which are subject to the impairment requirements of IFRS 9 and which have had modifications to their contractual cash flows.

Over the term of the other financial receivables and cash and cash equivalents the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data. For cash and cash equivalents, a Loss Given Default of 45% is assumed in case of default.

The Group provides for credit losses against loans to related parties, receivables other receivables, debt securities at FVOCI and cash and cash equivalents. The following tables contains an analysis of the credit risk exposure of each class of financial instruments for which an ECL allowance is recognised.

Short-term-deposits

The gross carrying amounts below represent the Group's maximum exposure to credit risk on short-term deposits as at 31 December 2019 and 31 December 2018:

Internal credit rating	External credit rating	2019 €000	2018 €000
Performing	BBB-B	75.840	28.607
Performing	CCC-C	57.520	83.831
Performing	Without rating	203.475	250.348
Total short term deposits		**336.835**	**362.786**

No significant changes to estimation techniques or assumptions were made during the reporting period.

The estimated loss allowance on short term deposits as at 31 December 2018 and 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

	Stage 1 Performing €000	Total €000
Opening balance 1 January 2018	(7.669)	(7.669)
Changes in short term deposits	2.520	2.520
Loss allowance at 31 December 2018	(5.149)	(5.149)
Changes in short term deposits	2.393	2.393
Loss allowance at 31 December 2019	(2.756)	(2.756)

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Cash and cash at bank

The gross carrying amounts below represent the Group's maximum exposure to credit risk on cash and cash equivalents as at 31 December 2019 and 31 December 2018:

Internal credit rating	External credit rating	2019 €000	2018 €000
Performing	BBB-B	634	815
Performing	CCC-C	46.641	42.100
Performing	Without rating	61.602	2.231
Total[(1)]		**108.877**	**45.146**

[1]The balance of cash and cash at bank on the consolidated financial position is cash in hand.

No significant changes to estimation techniques or assumptions were made during the reporting period.

The estimated loss allowance on cash and cash equivalents as at 31 December 2018 and 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

	Stage 1 Performing €000	Total €000
Opening balance 1 January 2018 Changes in cash and cash at bank	(15) (3)	(15) (3)
Expected credit loss 31 December 2018	(18)	(18)
Changes in cash and cash at bank	(24)	(24)
Expected credit loss 31 December 2019	(42)	(42)

Other financial receivables

The gross carrying amounts below represent the Group's maximum exposure to credit risk on other financial receivables as at 31 December 2019 and 31 December 2018:

Internal credit rating	2019 €000	2018 €000
Performing	25.248	15.348
Under performing	-	-
Non performing	75	75
Total other financial receivables	**25.323**	**15.423**

The expected credit loss for other financial receivables at 31 December 2018 and 31 December 2019 is reconciled with the opening expected credit loss as follows:

	Stage 1 Performing €000	Stage 3 Non performing €000	Total €000
Opening balance 1 January 2018	**(162)**	**(75)**	**(237)**
Changes in other financial receivables	(94)	-	(94)
Expected credit loss 31 December 2018	**(256)**	**(75)**	**(331)**
Changes in other financial receivables	33	-	33
Expected credit loss 31 December 2018	**(223)**	**(75)**	**(298)**

(iii). Net impairment gains on financial and contract assets recognized in profit or loss

During the year, the following gains were recognised in profit or loss in relation to impaired financial assets:

Impairment losses	2019 €000	2018 €000
Movement in loss allowance for trade receivables	761	361
Impairment losses on other financial assets	33	(94)
Reversal of previous impairment losses	2.369	2.517
Net impairment losses on financial assets	**3.163**	**2.784**

- **Liquidity risk**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

	Less than 1 year €000	Between 1 and 2 years €000	Between 2 to 5 years €000	More than 5 years €000
At 31 December 2018				
Borrowings (Capital and interest)	40.680	39.946	106.643	165.132
Trade and other payables*	138.116	-	-	-
	178.796	39.946	106.643	165.132
At 31 December 2019				
Borrowings (Capital and interest)	37.389	40.277	92.790	138.513
Trade and other payables*	144.555	-	-	-
Lease liabilities	574	320	844	11.114
	182.518	40.597	93.634	149.627

*Excluding statutory liabilities and deferred income.

The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

(ii) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non current borrowings' as presented in the consolidated statement of financial position less short term deposits and cash and cash equivalents. Total capital is calculated as 'equity' ('Reserves' and 'Deferred Income' as shown in the consolidated statement of financial position) plus net debt.

During 2019, the Group's strategy, which was unchanged from 2018, was to maintain the gearing ratio within 0% to 10%. The gearing ratio at 31 December 2019 and 2018 was as follows:

	2019 €000	2018 €000
Total borrowings (Note 22)	**262.683**	299.817
Less: Short term deposits (Note 21)	**(334.078)**	(357.637)
Cash and cash equivalents (Note 21)	**(110.251)**	(46.600)
Net debt	**(181.646)**	(104.420)
Total equity	**1.494.039**	1.568.261
Total Capital as defined by Management	**1.312.393**	1.463.841
Gearing ratio	**(14)%**	(7)%

The decrease in gearing ratio from (7)% to (14)% was mainly the result of the adoption of IFRS 16 Leases. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019. Refer to Note 3 for further information.

(iii) Fair value estimation

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the reporting date.

The table below analyses financial instruments measured in the statement of financial position at fair value by valuation method. Different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1 2019 €000	**Level 1** 2018 €000
Assets		
Financial assets at fair value through profit or loss: Equity securities	**272**	351
Total financial assets measured at fair value	**272**	351

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments listed on the Cyprus Stock Exchange classified as trading securities.

The fair value of financial instruments that are not traded in an active market (for example, unlisted equity securities) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Adjusted comparable price to book value multiples.
- Other techniques, such as discounted cash flow analysis.

Estimates and judgments 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

7. Critical accounting estimates and judgements

The preparation of consolidated financial statements in accordance with IFRSs requires from Management the exercise of judgement, to make estimates and assumptions that influence the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognized in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the 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:

(i) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 6 Credit Risk.

An increase or decrease in loss given default rate in case of default by 1% compared to the loss given default rate used in the ECL estimates calculations for cash and cash equivalents at 31 December 2019 and 31 December 2018 would result in an increase or decrease in credit loss allowances by €62.195 and €115.000 respectively.

(ii) Deferred income

The Group accepts applications for extension of its network in areas not yet covered by the existing network by individuals and legal entities. Furthermore the Group accepts applications for additional load from the existing network. In both cases, the Group charges the applicants, in accordance with the relevant Regulatory Decision, with the construction cost, which is settled by the applicants prior to the commencement of the relevant work. The Management of the Group has assessed that the relevant agreements do not contain a significant financing component, since, according to the relevant Regulatory Decision, the settlement of the payable amount is carried out before the execution of the relevant works. The assets remain under the control of the Group, that performs all necessary repairs and maintenance. Construction cost is recognized in property, plant and equipment.

The fact that the cost is recovered from applicants results in not having to be recovered by consumers through electricity tariffs. Otherwise, this cost would have been included in tariffs and consumers would have been billed for the consumption of electricity with higher prices. All network extension applicants are charged with capital contributions and all consumers are billed with the same tariffs.

Applicants are ensured of the right of permanent access to the network for an unlimited period of time. The Group is committed to provide access for an unlimited period of time. Capital contributions represent the price for this continuous service and hence income is shown as deferred income and is gradually released to the consolidated statement of profit or loss over a period identical to that of the assets constructed/acquired for this purpose, and which have an average life of 33 1/3 years. This period is considered a reasonable approximation for calculating the period of the customer relationship.

(iii) Tax

Significant judgement is required in determining the provision for income taxes. These are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets in the period in which such determination is made.

If the actual final outcome differs by 10% from Management's estimates then the Group would need to increase its current tax liabilities by €314.656 (2018: €181.400) if the final outcome was not in the Group's favour.

(iv) Defined Benefit Plan

The present value of the Defined Benefit Plan obligation, depends on several factors that are determined based on the actuarial valuation by using various assumptions and estimates. The assumptions and estimates used for determining the defined benefit cost and the obligation/asset, includes the discount rate, the expected increase of salaries and pensions. Such assumptions and estimates are subject to considerable uncertainty due to the long term nature of the plan.

(v) Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of land and substations, which comprise the majority of the Group's lease agreements, and taking into account the necessity of the substations, the renewal option for an additional period of the same duration as the original lease term, is considered as reasonably certain. Renewal options which exceed 66 years were not taken into account since their exercise cannot be considered as reasonably certain.

As at 1 January 2019 and 31 December 2019, potential future cash outflows of €12.000 and €12.000, respectively, have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of €7.447 thousand.

8. Revenue

	2019 €000	2018 €000
Revenue from Sale of electricity	**774.570**	723.622
Income from desalination	**13.685**	15.480
Consumers' capital contributions	**23.014**	22.541
Income from reconnection	**1.699**	1.547
Other revenue	**3.492**	4.864
Replacement/maintenance public lighting contracts	**3.497**	42
Total revenue	**819.957**	768.096

Sale of electric energy does not include the consumption of Turkish Cypriots in the areas of the Republic of Cyprus where the Government of the Republic does not exercise effective control. The unbilled electrical energy, calculated at a special rate, amounts to €572.000 (2018: €467.000).

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

9. Other operating income - net

	2019 €000	2018 €000
Income from fees for telecommunication usage of optical fibres	**1.697**	1.588
Compensation from Insurance Companies	**6.454**	6.031
Income from TSOC	**3.686**	3.757
Profit from sale of investments in subsidiaries	**-**	6
Sundry income	**3.849**	3.044
Interest income calculated using effective interest rate method for financial assets at amortised cost:		
Bank balances	**1.775**	4.000
Other	**528**	606
	17.989	19.032

10. Other (losses) / income - net

	2019 €000	2018 €000
Property, plant and equipment (Note 15):		
(Loss) / gain from sales	**(112)**	269
Impairment charge of property, plant and equipment	**(863)**	-
Fair value losses on financial assets at fair value through profit or loss	**(79)**	(206)
	(1.054)	63

11. Operating costs

	2019 €000	2018 €000
Fuel	**417.387**	415.703
Purchase of electricity from third parties	**43.792**	37.865
Greenhouse gas emission allowances cost	**67.020**	38.474
KODAP fee	**5.366**	5.297
Salaries and employer's contributions (Note 12)	**87.759**	87.992
Depreciation of property, plant and equipment (Note 15)	**98.407**	98.136
Depreciation of right of use assets (Note 16)	**511**	-
Repairs and maintenance	**20.239**	25.055
Expenses of projects for replacement/maintenance of street lighting	**4.405**	592
Independent auditor's fees for the compulsory audit of the annual financial statements	**66**	68
Rental expenses	**30**	689
Provision for impairment of inventories	**910**	900
Stock write off	**-**	741
Bad debts writen off	**363**	(91)
Cyprus Energy Regulatory Authority fees	**1.873**	1.906
Cyprus Transmission System Operator fee	**7.063**	6.645
Transport	**2.673**	2.353
Insurance	**3.618**	3.491
Telephones and postages	**1.681**	1.603
Electricity, cleaning and water	**1.778**	1.865
Other expenses	**16.425**	15.092
Total expenses	**781.366**	744.376

The total fees charged by the Authority's statutory auditor during the year ended 31 December 2019 for tax consultancy services amounted to €-(2018: €7.900) and for other non audit services amounted to €217.388 (2018: €162.800).

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

12. Staff costs

	2019 €000	2018 €000
Salaries	72.738	68.576
Social insurance and other costs	10.696	8.568
Social cohesion fund	1.484	1.387
Provident fund contributions	333	-
Defined benefit cost-current year cost	13.310	14.763
Employees' deductions for the defined benefit plan*	(1.787)	(1.748)
Other defined contribution plans	3.699	3.530
	100.473	95.076
Average number of staff employed during the year	2.121	2.055

*The amount represents deduction of 3% on the employees salaries and is paid to the Group for maintaining the viability of the Defined Benefit Plan per Law 216 (i) 2012, paragraph 4 and is included in employer's contributions.

	2019 €000	2018 €000
The staff costs were allocated as follows:		
Income statement (Note 11):		
Staff costs	87.759	87.992
Capitalised in fixed assets and work in progress	12.714	7.084
	100.473	95.076

Defined Benefit Plan

The amounts recognised in the consolidated statement of financial position and the consolidated statement of other comprehensive income of the Group as at 31 December 2019 are in accordance with the actuarial valuation as at 31 December 2019 for the defined benefit plan. The assets used for the purposes of the actuarial valuation were extracted from the financial statements of the Electricity Authority's employees defined benefit plan (the "Plan") for the year ended 31 December 2019.

	2019 €000	2018 €000
Present value of defined benefit obligation	890.495	745.286
Fair value of plan assets	(559.960)	(533.092)
Net obligation on the consolidated statement of financial position	330.535	212.194
Funding level	63%	72%

	2019 €000	2018 €000
Current service cost	9.286	11.417
Net interest expense	4.024	3.346
Total expense recognized in 'staff costs'	13.310	14.763

Movement in net obligation included in the consolidated statement of financial position	2019 €000	2018 €000
Net obligation in the statement of financial position at the beginning of the year	212.194	187.740
Contributions by the employer	(12.243)	(13.090)
Total expense recognised in the consolidated income statement	13.310	14.763
Total amount recognised in other comprehensive (income)/ loss	117.274	22.781
Net obligation at the end of the year	330.535	212.194

Changes to the present value of the defined benefit obligation during the year	2019 €000	2018 €000
Present value of the defined benefit obligation at beginning of the year	745.286	735.745
Current service cost	9.286	11.417
Interest cost	14.083	13.062
Contributions by participants	1.106	1.084
Benefits paid out	(26.269)	(24.545)
Adjustments:		
- Actuarial loss (financial assumptions)	146.582	7.625
- Actuarial loss - (experience)	421	898
Present value of the defined benefit obligation at the end of the year	890.495	745.286

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Changes to the fair value of plan assets during the year	2019 €000	2018 €000
Fair value of plan assets at the beginning of year	**533.092**	548.005
Expected return on plan assets	**10.059**	9.716
Contributions by the employer *	**12.243**	13.090
Contributions by participants	**1.106**	1.084
Benefits paid out	**(26.269)**	(24.545)
Adjustments:		
Actuarial gain/ (loss)	**29.729**	(14.258)
Fair value of plan assets at the end of the year	**559.960**	533.092

*Employer's contributions include an amount of €1.755.000 (2018: €1.717.000), that was deducted at the rate of 3% from the employees' salaries for maintaining the viability of the Defined Benefit Plan per Law 216 (ii) 2012, paragraph 4 and is presented against Group's staff cost.

Remeasurements:	2019 €000	2018 €000
Loss from the remeasurement of the defined benefit obligation	**(147.003)**	(8.523)
Difference between the expected and actual return on plan assets	**29.729**	14.258
Total actuarial loss recognized in other comprehensive income/(expense)	**(117.274)**	(22.781)

The cumulative actuarial amount recognised in the statement of other comprehensive income until 31 December 2019 was €353.708.000 deficit (2018: €236.434.000 deficit).

The principal actuarial assumptions used for the actuarial valuation were:

	2019	2018
Discount rate	**1,02%**	1,91%
Average expected return on plan assets	**1,02%**	1,91%
Total salary increases	**1,25% (0,75%+0,50%) + promotional and merit increases**	1,25% (0,75%+0,50%) + promotional and merit increases
General salary increases	**0,50%**	0,50%
Social Insurance Scheme supplementary pension increases	**1,50%**	1,50%
Pension increases	**1,00%**	1,00%
Increase on maximum insurable earnings limit	**2,00%**	2,00%
Price inflation	**1,50%**	1,50%
Mortality table	**60% of PA90**	60% of PA90
Plan duration	**19,1 years**	17,76 years

In accordance with the amended IAS19, the discount rate should reflect the rate at which the liabilities could effectively be settled. Accordingly, the discount rate has been extracted from annual yield of the iBoxx Euro Composite AA Bond Index with maturity of 19,1 years (2018: 17,76 years) which corresponds to the average maturity life of the Plan's liabilities.

Assumptions regarding current year's future mortality rates are according to the published general mortality table PA90 (2018: PA90). The underlying table reduced by 40% represents the expected mortality of the Plan's members after retirement. According to the underlying mortality rate table, the expected life for a male and female aged 65 (normal retirement age) is 18,4 years and 22,2 years respectively.

The sensitivity of the defined benefit obligation to changes in the significant financial assumptions, keeping other assumptions constant, is as follows:

	2019		2018	
	Change	Impact	Change	Impact
Discount rate	+0,50%	-8,90%	+0,50%	-8,20%
Discount rate	-0,50%	10,30%	-0,50%	9,40%
Salaries	+0,50%	5,70%	+0,50%	5,50%
Salaries	-0,50%	-5,30%	-0,50%	-5,00%
Pensions	+0,50%	10,00%	+0,50%	9,30%
Pensions	-0,50%	-9,10%	-0,50%	-8,50%
Life expectancy	+1 years	4,60%	+1 years	4,20%
Life expectancy	-1 years	-4,50%	-1 years	-4,10%

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Based on the unaudited financial statements of the Plan, its assets are comprised as follows:

	2019 €000	%	2018 €000	%
Immovable property	29.223	5,20	29.174	5,46
Shares	113.949	20,29	91.434	17,10
Bonds-(Government)	20.214	3,60	52.419	9,80
Receivables	530	0,10	749	0,13
Loans	13.855	2,47	12.349	2,31
Hedge Funds	11.985	2,13	11.759	2,20
Mutual bond funds	263.035	46,83	209.154	39,11
Cash and cash equivalents	108.851	19,38	127.746	23,89
	561.642	100,00	534.784	100,00

The amount above represents the total of assets before deducting reserves and liabilities.

The Plan did not hold any of the Group's financial assets, immovable property or other assets.

The estimated regular statement of profit or loss charge for the financial year 2020 based on the amended IAS 19 is as follows:

	2020 €000	2019 €000
Current service cost	**11.770**	9.145
Net interest charge	**3.424**	4.172
Total	**15.194**	13.317

The actual charge in the consolidated income statement will remain unknown until the end of the year, where any potential additional costs will be determined.

Expected benefits to be paid from the defined benefit plan for the next year are €23.924.719 (2019: €26.265.186).

The expected contributions to be paid to the defined benefit plan for the financial year 2020 are €15.247.547 (2019: €13.335.847).

13. Finance costs

	2019 €000	2018 €000
Interest expense:		
Borrowings	**2.887**	3.192
Other	**300**	92
	3.187	3.284
Net foreign exchange transaction gains	**(162)**	(894)
	3.025	2.390

	2019 €000	2018 €000
The finance cost is allocated as follows		
Consolidated income statement	**3.025**	2.390
	3.025	2.390

14. Tax

	2019 €000	2018 €000
Current tax:		
Corporation tax-previous years	**-**	1
Defence contribution	**532**	1.190
Total current tax	**532**	1.191
Deferred tax (Note 23):		
Origination and reversal of temporary differences	**7.521**	5.288
Total deferred tax	**7.521**	5.288
Tax charge	**8.053**	6.479

Tax on Group profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2019 €000	2018 €000
Profit before tax	**55.664**	43.204
Tax calculated at the applicable tax rates on income	**6.958**	5.401
Tax effect of expenses not deductible for tax purposes	**1.692**	163
Tax effect of income not subject to tax	**(1.129)**	(1.394)
Tax charge-previous years	**-**	1
Deferred tax-previous years	**-**	1.118
Defence contribution	**532**	1.190
Tax charge	**8.053**	6.479

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

The Group is subject to income tax on taxable profits at the rate of 12,5%.

As from tax year 2012 tax losses of 5 years can be carried forward and set against taxable profits. Under certain conditions, interest received may be subject to special contribution for defence at the rate of 30%. In such cases this interest will be exempt from income tax. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 20% for the years 2012 and 2013 and 17% for the year 2014 and thereafter.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

Tax effects of components of other comprehensive income

	Year ended 31 December 2019			Year ended 31 December 2018		
	Before tax €000	**Tax (charge)/ credit €000**	**After tax €000**	Before tax €000	Tax (charge)/ credit €000	After tax €000
Defined benefit obligation: Remeasurements of past employment benefit obligation	(117.274)	-	(117.274)	(22.781)	-	(22.781)
Other comprehensive income	(117.274)	-	(117.274)	(22.781)	-	(22.781)

15. Property, plant and equipment

	Freehold land €000	Buildings €000	Plant and machinery €000	Lines, cables and meters €000	Motor vehicles €000	Furniture, fixtures and office equipment €000	Tools and instru-ments €000	Computer hardware and software €000	Work in progress €000	Total €000
At 1 January 2018										
Cost	42.595	359.338	1.534.257	1.076.760	22.020	7.377	7.460	37.703	30.976	3.118.486
Accumulated depreciation	-	(158.450)	(773.589)	(440.130)	(20.772)	(6.632)	(7.057)	(35.289)	-	(1.441.919)
Net book value	42.595	200.888	760.668	636.630	1.248	745	403	2.414	30.976	1.676.567
Year ended 31 December 2018										
Opening net book value	42.595	200.888	760.668	636.630	1.248	745	403	2.414	30.976	1.676.567
Additions	304	104	138	152	834	98	103	1.316	46.343	49.392
Disposals	(185)	(1)	-	-	-	(2)	-	-	-	(188)
Depreciation charge	-	(11.907)	(55.932)	(27.926)	(400)	(200)	(144)	(1.627)	-	(98.136)
Transfers	193	869	15.739	21.557	-	-	-	53	(38.411)	-
Closing net book value	42.907	189.953	720.613	630.413	1.682	641	362	2.156	38.908	1.627.635
At 31 December 2018										
Cost	42.907	360.310	1.550.134	1.098.469	22.187	7.444	7.563	39.047	38.908	3.166.969
Accumulated depreciation	-	(170.357)	(829.521)	(468.056)	(20.505)	(6.803)	(7.201)	(36.891)	-	(1.539.334)
Net book value	42.907	189.953	720.613	630.413	1.682	641	362	2.156	38.908	1.627.635
Year ended 31 December 2019										
Opening net book value	42.907	189.953	720.613	630.413	1.682	641	362	2.156	38.908	1.627.635
Additions	786	181	479	257	1.818	157	194	879	85.637	90.388
Disposals	-	-	(98)	-	-	-	(12)	(3)	-	(113)
Impairment charge	-	-	(863)	-	-	-	-	-	-	(863)
Depreciation charge	-	(11.985)	(55.768)	(28.332)	(583)	(179)	(100)	(1.461)	-	(98.408)
Transfers	132	3.507	28.926	27.454	-	-	-	197	(60.216)	-
Closing net book value	43.825	181.656	693.289	629.792	2.917	619	444	1.768	64.329	1.618.639
At 31 December 2019										
Cost	43.825	363.998	1.577.476	1.126.180	24.005	7.601	7.716	40.032	64.329	3.255.162
Accumulated depreciation	-	(182.342)	(884.187)	(496.388)	(21.088)	(6.982)	(7.272)	(38.264)	-	(1.636.523)
Net book value	43.825	181.656	693.289	629.792	2.917	619	444	1.768	64.329	1.618.639

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2019 €000	2018 €000
Net book value	113	188
(Loss)/Profit from the sale of property, plant and equipment (Note 10)	(112)	269
Proceeds from disposal of property, plant and equipment	1	457

Depreciation amounting to €98.408.000 (2018: €98.136.000) has been charged to operating costs.

Land and equipment located in Turkish occupied area

The total fixed assets shown in the consolidated statement of financial position include land and equipment located in the area occupied by the Turkish invasion force, whose cost approximates €12.978.000. The depreciation provision for the year 2019 in respect of these assets was NIL (2018: NIL) bringing the accumulated provision at 31 December 2019 to €12.440.000 (2018: €12.440.000) and leaving a written down value of €538.000 (2018: €538.000) which represents the cost of land. The consequences of the Turkish occupation on the value of this land and equipment is unknown.

16. Leases

(i) The Group's leasing arrangements

The Group leases offices, warehouses, stores, land for Renewable Energy Sources' projects and land for substations. Rental contracts of land for substations are typically made for fixed periods of 25 to 33 years, with some contracts valid for periods up to 99 years, and most of them have extension options. Any other contracts are made for fixed periods of 6 months to 30 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(ii) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2019 €000	1 January 2019* €000
Right-of-use assets		
Land and buildings	8.358	8.188
Total	8.358	8.188
Lease liabilities		
Short term amount	407	477
Long term amount	7.980	7.711
Total	8.387	8.188

* In the previous year, the Group did not recognise lease assets and lease liabilities from lease contracts as all lease contracts were classified as 'operating leases' under IAS 17 'Leases'.

Additions to the right-of-use assets during the financial year 2019 were €681 thousand.

(iii) Amounts recognised in profit or loss

	2019 €000
Depreciation expense on right-of-use assets	
Land and buildings	(511)
Total	(511)
Interest on obligations under finance leases	(164)
Total	(164)

Expenses relating to lease contracts amounting to €30 thousand have been charged to operating expenses. Depreciation relating to right-of-use assets has been charged to operating expenses.

The total cash outflow for leases in 2019 were €646 thousand.

17. Investment in joint venture

	2019 €000	2018 €000
At beginning of year	-	-
Transfer from subsidiary	-	10
Disposal to third party	-	(5)
Share of loss in joint venture	-	(5)
At end of year	-	-

The above relate to the interest of the Group in the Joint Venture AHK-IAK AXERA Ananeosimes Ltd. The company has share capital consisting solely of ordinary shares. The country of incorporation and principal place of business of the company is Cyprus.

During the year ended 31 December 2019, the Authority transferred to the Holy Archbishopric of Cyprus (HAC) 101 shares held in the company AHK-IAK AXERA Ananeosimes Ltd, which resulted in a decrease of the Group's shareholding from 51% to 49,99%.

The Board of Directors of the company is comprised of five members, two of which are appointed by the Authority, two are appointed by the HAC and the Chairman is jointly appointed. In accordance with a relevant Joint Development Agreement between the Authority and HAC, the purpose of the company is the phased development, licensing, financing, construction, operation and maintenance of one or more photovoltaic parks. The interest of EAC in AHK-IAK AXERA Ananeosimes Ltd is regarded as a Joint Venture.

The principal activity of the Joint Venture is the development of photovoltaic parks. The Joint Venture is of strategic importance for the extension of the operations of the Group in the field of Renewable Energy Sources.

The Joint Venture is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the Joint Venture.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

18. Financial assets and other non-financial receivables

a) Trade receivables

	2019 €000	2018 €000
Trade receivables	132.423	132.135
Less: expected credit loss on trade receivables	(15.256)	16.017
Trade receivables-net	117.167	116.118

(i) Fair value of trade receivables

Due to the short term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(ii) Impairment and risk exposure

Information about the current year impairment of trade receivables and the Group's exposure to credit risk can be found in note 6.

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

	2019 €000	2018 €000
Euro - functional and presentation currency	117.167	116.118
	117.167	116.118

b) Financial assets at amortised cost

Financial assets at amortised cost include the following:

	2019 €000	2018 €000
Capital contributions receivable by instalments	306	404
Receivable from RES fund	-	5.290
Other receivables	25.017	9.729
	25.323	15.423
Less: Loss allowance for financial assets at amortised cost	(298)	(331)
Net financial assets at amortised cost	25.025	15.092
Less non-current amounts	(122)	(131)
Current amounts	24.903	14.961

The amount of €-(2018: €5.290.000) relates to past due receivable from the RES fund. On 16/5/2017, the Board of Directors of the Authority decided to deduct from the toral receipts of the RES fee charged on electricity bills every month, the amount payable to RES producers as subsidy and then deduct the amount of €450.000, which is the minimum amount required to settle the amount due to the Authority within a period of 3 years.

The maturity of non current receivables is as follows:

	2019 €000	2018 €000
Between 1 and 2 years	43	43
Between 2 and 5 years	79	88
	122	131

The fair values of non current trade financial assets approximates their carrying values at the reporting date.

The carrying amounts of the Group's financial assets at amortised cost are denominated in the following currencies:

	2019 €000	2018 €000
Euro - functional and presentation currency	24.903	14.961
	24.903	14.961

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise the following:

		2019 €000	2018 €000
Listed Equity securities	Cyprus Stock Exchange	272	351

Financial assets at fair value through profit or loss are recorded in the statement of cash flow as part of the movement in working capital, under cash generated from operating activities.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'Other (losses) / income-net'(Σημ.10) in profit or loss.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

d) Other non financial assets

	2019 €000	2018 €000
Advance payments to subcontractors	8.470	12.806
Deposits and prepayments	3.743	3.625
	12.213	16.431

19. Inventories

	2019 €000	2018 €000
Fuel	70.749	69.528
Spare parts and other consumables	74.242	63.363
	144.991	132.891

The cost of inventories recognized as expense and included in operating costs amounted to €430.316.000 (2018: €428.188.000).

At 31 December 2018, inventories amounting to €5.101.732 (2018: €5.719.607) were impaired and provided for. The amount of the provision was €900.000 (2018: €900.000).

Inventories are stated at cost less impairment.

20. Tax refundable / Tax (liability)

	2019 €000	2018 €000
Corporation tax	4.287	4.287
Special contribution for defence	(12.220)	-
	(7.933)	4.287

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

21. Cash and Cash Equivalents

Short term bank deposits

	2019 €000	2018 €000
Short term bank deposits	336.835	362.786
Less loss allowance for short term bank deposits	(2.757)	(5.149)
Short term bank deposits net	334.078	357.637

Information about the impairment of short-term bank deposits and the Group's exposure to credit risk can be found in note 6.

The effective interest rate on short term bank deposits was 0,10%-3,25% (2018: 0,10%-2,65%) and these deposits had a maturity of 3-12 months (2018: 3-12 months), Deposits of €12,9 million (2018: €12,5 million) are used as guarantees for fuel deliveries.

The short-term bank deposits are denominated in the following currencies:

	2019 €000	2018 €000
Euro - functional and presentation currency	321.208	345.189
United States Dollars	12.870	12.448
	334.078	357.637

Cash and cash at bank

Cash and cash at bank included in the consolidated statement of cash flows represent the amounts in the consolidated statement of financial position of cash at bank and in hand and are analysed as follows:

	2019 €000	2018 €000
Cash at bank and in hand	102.765	45.407
Short-term bank deposits	7.528	1.211
	110.293	46.618
Less loss allowance of cash at bank	(42)	(18)
Cash and cash at bank net	110.251	46.600

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Information about the effect on the impairment of cash at bank and in hand and the Group's exposure to credit risk can be found in note 6.

The effective interest rate on short term bank deposits was 0,05%-0,75% (2018: 0,05%-1,00%) and these deposits had a maturity of 30 days (2018: 30 days).

Cash and bank balances are denominated in the following currencies:

	2019 €000	2018 €000
Euro - functional and presentation currency	109.904	46.163
United States Dollars	347	437
	110.251	46.600

The main investing and financing non-cash transactions during the current year were the acquisitions of right-of-use assets through leasing which amounted to €681 thousand (2018: €-).

Reconciliation of liabilities arising from financing activities:

	Bank borrowings €000	Lease liabilities €000	Total €000
Balance at 1 January 2018	**341.497**	**-**	**341.497**
Cash flows:			
Capital repayments	(41.680)	-	(41.680)
Repayment of interest	(3.192)	-	(3.192)
Interest expense	3.192	-	3.192
Balance at 31 December 2018 / 1 January 2019	**299.817**	**-**	**299.817**
Amount recognised from the adoption of IFRS 16	-	8.188	8.188
Cash flows:			
Capital repayments	(37.134)	(482)	(37.616)
Repayment of interest	(2.887)	(164)	(3.051)
Interest expense	2.887	164	3.051
Non-cash changes:			
Additions	-	681	681
Balance at 31 December 2019	**262.683**	**8.387**	**271.070**

22. Borrowings

	2019 €000	2018 €000
Current		
Bank borrowings	**34.055**	37.135
Non-current		
Bank borrowings	**228.628**	262.682
Total borrowings	**262.683**	299.817

Maturity of non-current borrowings is as follows:

	2019 €000	2018 €000
Between 1 and 2 years	**34.055**	34.055
Between 2 and 5 years	**75.746**	88.076
Over 5 years	**118.827**	140.551
	228.628	262.682

The loans are payable in Euro as stipulated in the loan agreements. Loans are guaranteed as to the repayment of principal and interest by the Republic of Cyprus.

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

	2019 %	2018 %
Bank overdrafts and loans	**0,9**	1,0

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the reporting dates are as follows:

	2019 €000	2018 €000
Floating rate		
6 months or less	**262.357**	299.452
Fixed rate on maturity	**326**	365
	262.683	299.817

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

The Group has the following unutilized borrowing facilities:

	2019 €000	2018 €000
Floating rate		
Expiring within one year	70.500	80.000
Expiring beyond one year	10.000	-
	80.500	80.000

The carrying amounts of bank overdrafts and bank loans approximate their fair value.

The carrying value of the Group's borrowings is denominated in the following currencies:

	2019 €000	2018 €000
Euro-functional and presentation currency	262.683	299.817
	262.683	299.817

23. Deferred tax liabilities

Deferred tax liabilities are analysed as follows:

	2019 €000	2018 €000
Deferred tax liabilities to be settled after twelve months	94.646	87.125

Deferred taxation is calculated in full on all temporary differences under the liability method using the applicable tax rates with the exception of the difference which arises as a result of the actuarial loss amounting to €359.151 thousand (2018: € 241.877 thousand), which Management assesses that it will not be able to utilize within the five year period defined by the relevant law (Note 14).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority. The gross movement of the deferred taxation account is as follows:

	2019 €000	2018 €000
At 1 January	87.125	81.837
Charge to income statement (Note 14)	7.521	5.288
Charge to other comprehensive income	-	-
At 31 December	94.646	87.125

The movement in deferred income tax assets and liabilities during the year is as follows:

	Accelerated tax depreciation €000	Deferred income €000	Tax loss €000	Other €000	Total €000
At 1 January 2018 as adjusted	140.620	(55.949)	(676)	(2.158)	81.837
Charged/ (credited):					
Income statement	5.451	(1)	(454)	292	5.288
Balance at 31 December 2018 / 1 January 2019	146.071	(55.950)	(1.130)	(1.866)	87.125
Charged/ (credited):					
Income statement	(178)	(957)	8.544	112	7.521
Balance at 31 December 2019	145.893	(56.907)	7.414	(1.754)	94.646

24. Deferred income

	2019 €000	2018 €000
Balance at 1 January	447.598	447.586
Additions	30.675	22.553
Transferred to the consolidated income statement	(23.014)	(22.541)
Balance at 31 December	455.259	447.598
Deferred income more than one year	(431.554)	(424.584)
Deferred income within one year	23.705	23.014

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

25. Trade and other payables

	2019 €000	2018 €000
Fuel oil suppliers	29.904	30.968
Other Suppliers	25.789	32.414
Interest payable	64	76
Accrued expenses	8.382	3.385
Creditors for purchase of land and substations	8.146	8.282
Amount available for interpleader proceedings*	13.878	13.385
Other creditors	14.991	12.027
Total financial liabilities to trade and other creditors at amortised cost	101.154	100.537
Deferred income-road lighting contracts	11.333	1.363
Value Added Tax payable	14.138	11.181
Pay As You Earn tax payable	4.640	658
Retention from contractors on capital contracts	7.096	3.092
Consumers' deposits	37.496	34.487
Other liabilities	74.703	50.781
Trade and other creditors	175.857	151.318

The fair values of trade and other payables approximate their carrying values at the reporting date.

*This amount represents a retention of amounts payable to a supplier of fuel to award beneficiaries through interpleader proceedings of various demanders against the Group and the specific supplier.

26. Subsidiary undertakings

	2019 % Holding	2018 % Holding	Country of incorporation	Principal activities
Electriki Ananeosimes Limited (previous Electriki Ltd)	100	100	Cyprus	Renewable energy sources
EAC LNG Investments Company Ltd	100	100	Cyprus	Dormant
ESCO AHK Ltd	100	100	Cyprus	Energy saving

The results of subsidiary undertakings were consolidated in the Group accounts of Electricity Authority of Cyprus.

27. Contingent liabilities

(a) As at 31 December 2019 the Group had a contingent liability in respect of possible tax for various expenses, amounting to €3.146.555 (2018: €1.814.000) and possible refund for defence contribution amounting to €10.442.000 (2018: €10.435.000).

(b) On 2 December 2015, Income Tax authorities sent a notification letter to the Authority regarding Tax Enforcement for non withholding tax from employees emoluments for the year 2009, which amounted to €3.925.000 plus interests and penalties. The Authority filed an objection on 26 January 2016 for the above mentioned case. The Group believes that there is an adequate defence against all claims and therefore no provision has been made in the financial statements.

(c) As at 31 December 2019 the Group had contingent liabilities in respect of pending litigations amounting to €1.362.730 (2018: €3.817.000) and contingent asset of €-(2018: €5.000).

The Group believes that adequate defence exists against all claims and does not expect to suffer significant loss. Accordingly no provision has been made in these financial statements in respect of this matter.

(d) On 31 December 2019 the Group had the following guarantee documents:

(i) An amount of €2.771.000 for the benefit of Senior Customs Officer regarding the authorization granted to the Group for exemption from payment of excise duty on energy products used for electricity generation, including fuel oil (diesel).

(ii) An amount of €210.000 for the benefit of the Department of Environment for the permit of industrial emissions and waste management.

(iii) An amount of €11.000 for the benefit of the Human Resources Development Authority for participating in the development plan of training.

28. Commitments

Capital commitments

	2019 €000	2018 €000
Commitments in respect of contracts or with work in progress	106.373	118.509
Approved commitments but not contracted or without any work in progress	162.021	241.227
Approved commitments with expenditure outstanding	268.394	359.736

Operating lease commitments where the Authority is the lessee

The Group leases offices, warehouses, stores, land for Renewable Energy Sources' projects and land for substations. The contracts have various terms, termination clauses, clauses for changes in rental amounts and renewal options.

From 1st January 2019, the Group recognised right-of-use assets for the above lease contracts, except from short-term lease contracts (refer to Note 16 and Note 3 for further information).

The future minimum lease payments under non-cancellable operating leases are as follows:

	2018 €000
Not later than one year	393
Later than one year and not later than 5 years	350
Over 5 years	13
	756

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

29. Related party transactions

The Electricity Authority of Cyprus is a Public Corporate Body which was established in Cyprus under the Electricity Development Law Cap. 171 of 1952.

(i) Sales

	2019 €000	2018 €000
Sales of electricity to related parties of the Group	**71.568**	68.544

The related parties consist of Governmental controlled entities (e.g. Government Offices, Ministries etc.). All sales were made under normal trade terms and conditions.

(ii) Year end balances - net

	2019 €000	2018 €000
Receivable from related parties from sales of electricity	**7.341**	8.021

The related parties consist of Governmental controlled entities (e.g. Government Offices, Ministries etc.).

(iii) Key management personnel compensation

The compensation of key management personnel is as follows:

	2019 €000	2018 €000
Salaries	**373**	337
Social insurance and other costs	**72**	61
Social cohesion fund	**8**	7
Pension fund costs	**56**	61
	509	466

(iv) Directors' remuneration

The total remuneration of the Directors is as follows:

	2019 €000	2018 €000
Emoluments in their executive capacity	**85**	78

30. Events after the reporting period

On 9 March 2020, the Authority signed a shareholders' agreement receiving 4.285 shares in the Natural Gas Infrastructure Company of Cyprus (ETYFA) Ltd for the amount of €43m, representing 30% of the share capital of the company.

With the recent and rapid development of Coronavirus pandemic (COVID-19), the global economy has entered a period of unprecedented crisis in the field of health care, which has already caused a significant global upheaval in business and daily life. Many countries, including Cyprus, have adopted emergency and costly isolation measures and have demanded that companies reduce or even suspend their usual business activities. Governments, including the Republic of Cyprus, have imposed travel restrictions as well as strict quarantine measures.

Industries such as tourism, hospitality and entertainment are expected to be directly affected by these measures. Other industries such as construction and financial services are expected to be indirectly affected with their results being negatively affected.

The economic impact of the current crisis on the global economy and overall business activities cannot be assessed with reasonable certainty at this stage due to the rate of infection and the high level of uncertainty resulting from the inability to reliably predict the outcome.

The incident is considered a non-corrective event and is therefore not reflected in the identification and measurement of assets and liabilities in the financial statements for the year ended 31 December 2019.

In Cyprus, on 15 March 2020, the Council of Ministers, following an extraordinary meeting, announced that Cyprus was considered to be entering an emergency state, taking into account the constantly evolving situation, the growing prevalence of COVID-19, and World Health Organization's data on the situation. To this end, measures were taken to safeguard public health and ensure the economic survival of workers, businesses, vulnerable groups and the economy in general. Additional stricter measures were announced regarding the entering into the Republic of Cyprus, in order to protect the population from further spread of the virus, and it was decided that a significant number of private companies operating in various economic sectors would remain closed from Monday 16 of March 2020 and for a period of four weeks.

On 23 March 2020, stricter measures were announced effective from 24th of March to 13th of April 2020. The validity of the measures was then extended until the 3rd of May 2020. These measures, among others, included:

- prohibition of all unnecessary travel and
- suspension of all retail operations and suspension of work on construction sites (with some exceptions).

On 29 April 2020, the gradual easing of the measures was announced. The first phase of the easing of the measures, effective as of May 4th, included, among others:

- lifting restrictions in the construction industry and all related business activities
- reopening of all retail sector businesses, excluding shopping malls and department stores, under strict health and safety protocols.

The second phase of the easing of measures, as of 21st of May, included, among others:

- lifting all restrictions of movement of citizens, without exception
- reopening of catering businesses only in outdoor spaces

The easing of the measures from 1st June in terms of the economy included, among others:

- reopening and access to organized beaches,
- reopening of hotels and
- full operation of the ports, with the exception of disembarkation of passengers from cruise ships.

Since 9 June 2020, Cyprus has entered the third phase of gradual easing of lockdown measures, which includes, among others:

- reopening of airports,
- reopening of malls, multi stores and retail enterprises and
- operation of both indoor and outdoor catering services.

From 13 June 2020, the operation of sports venues, theme parks and casinos is also allowed.

Among the measures decided to support the economy, which will have an impact on the Group's profitability, is the implementation of a special discount of 10% on electricity prices. Initially, the decision was to implement the discount for two months and then, following the decision of the Authority, the discount was extended for a period of another two months until the end of June 2020.

In addition to the above, the Management has considered the specific conditions that could have a significant impact on the business activities and the risks to which the Group is exposed and has concluded that the main effects on the Group's profitability / liquidity may arise from:

- reduction in electricity demand as a result of reduction in business activity and reduction in tourism and
- increase in expected credit losses from commercial receivables.

The Management is in the process of re-evaluating its commercial operation and related cash flows, using revised assumptions and incorporating pessimistic scenarios into the assessment of real and potential financial needs, taking into account the main impacts identified above. The analysis did not identify additional liquidity needs / effects on financial contractual terms.

The Management will continue to closely monitor the situation and assess additional measures as a back up plan in case the disruption period is extended.

There were no other material events after the reporting date which have a bearing on the understanding of the Consolidated Financial Statements.

Independent Auditor's report on pages 6 to 9