Electricity
Authority
of Cyprus

ANNUAL REPORT '21

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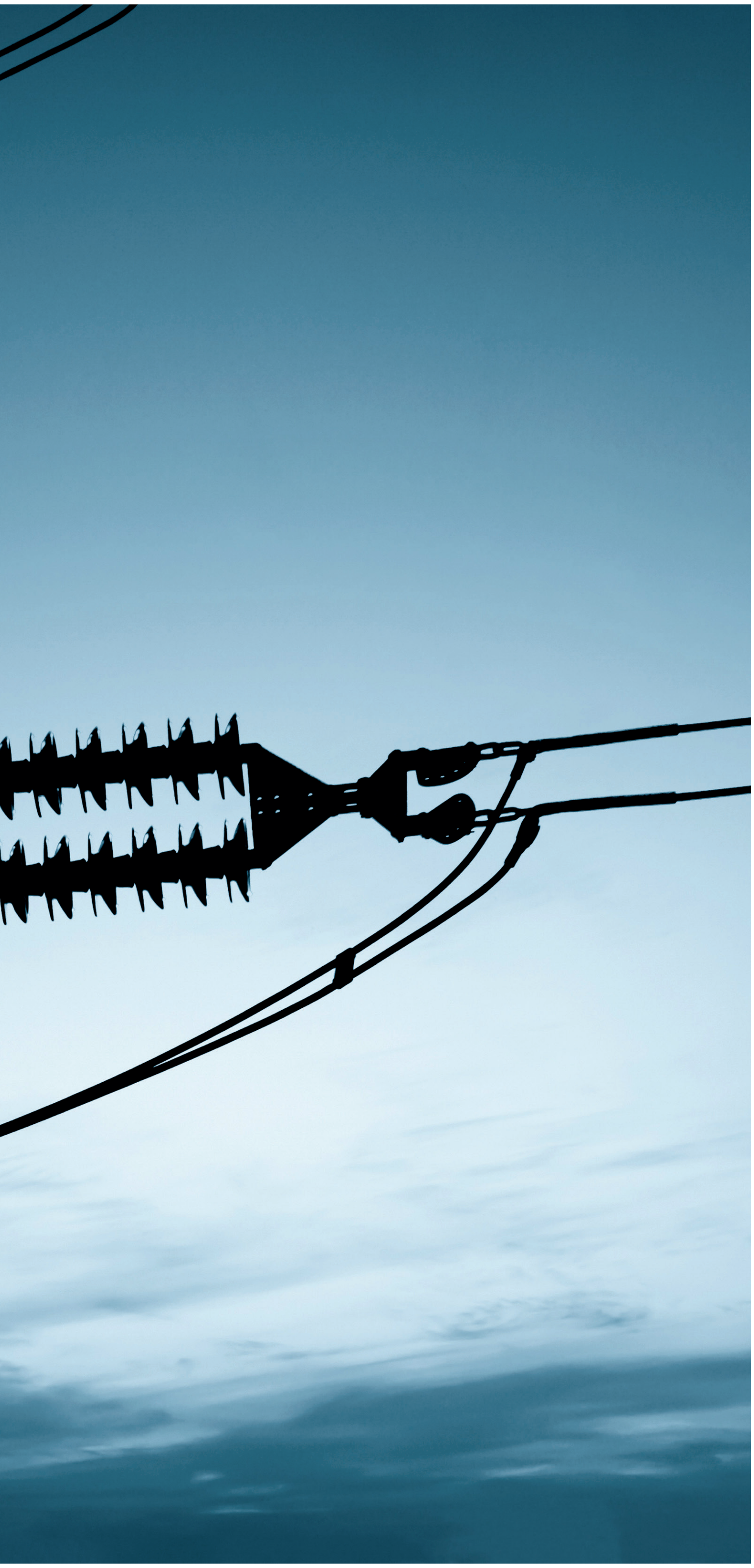


THE ELECTRICITY AUTHORITY OF CYPRUS

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

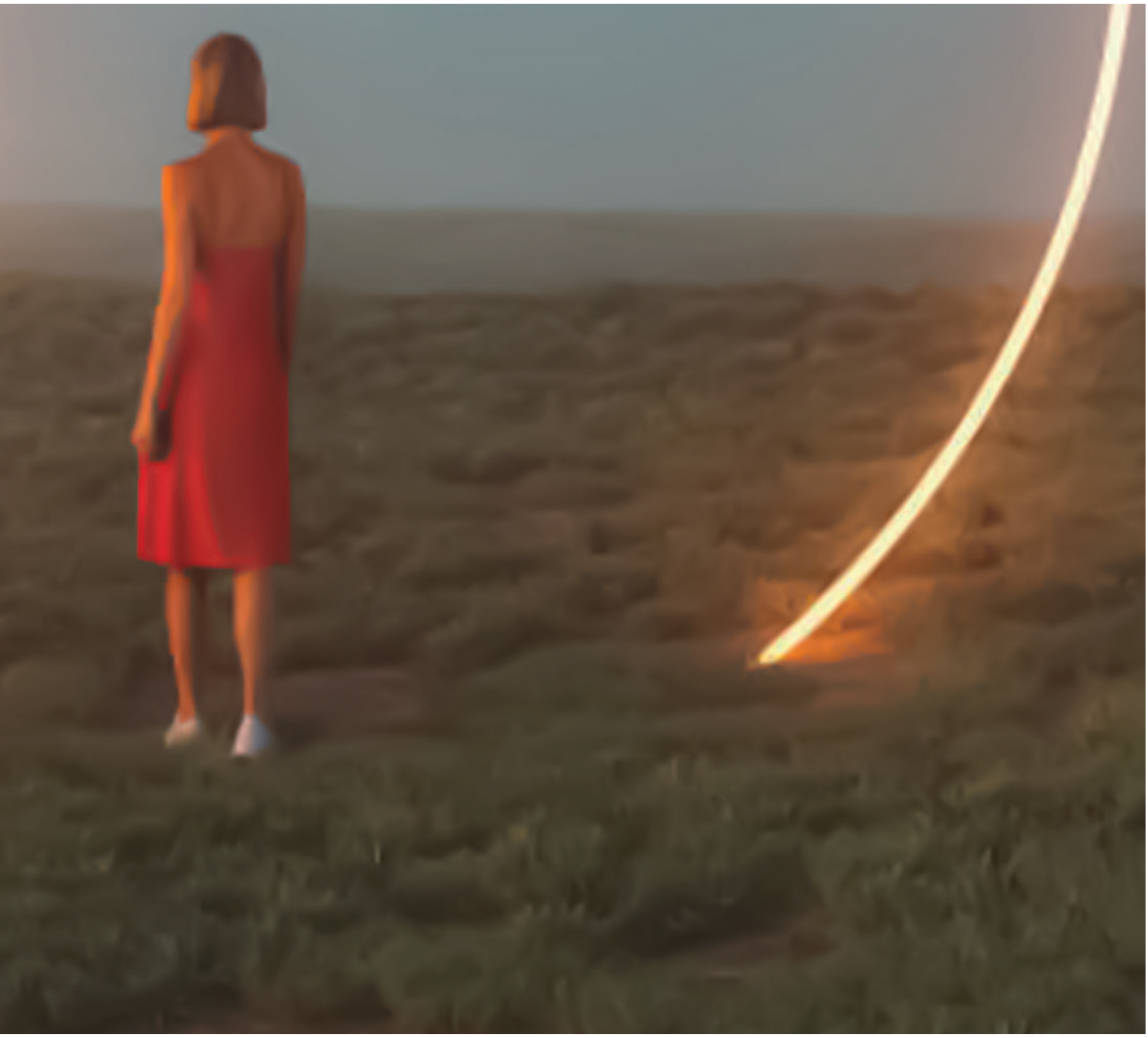
To be the leading player in the Energy Sector, Services and other Activities

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



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BOARD OF DIRECTORS

From 01.01.2021 until 31.12.2021

1. Michael Komodromos
   (until 30.7.2021)
   CHAIRMAN

   Despina Panayiotou Theodosiou
   (from 03.08.2021)
   CHAIRPERSON

2. George Nikolettos
   VICE CHAIRMAN

3. Agni Shialarou (until 30.07.2021)
   MEMBER

   Savvas Haperis (from 03.08.2021)
   MEMBER

4. Elena Tsolakis (until 30/07/2021)
   MEMBER

   Avraam Georgiou (from 03.08.2021)
   MEMBER

5. Christina Zikkou (until 30.07.2021)
   MEMBER

   Panos Toulouras (from 03.08.2021)
   MEMBER

6. Chrysostomos Chrysostomou
   MEMBER

7. Charis Millas (until 30.07.2021)
   MEMBER

   Constantinos Loizides
   (from 03.08.2021)
   MEMBER

8. Polyvios Lemonaris
   MEMBER

9. Kyriakos Kyriakou (until 30.07.2021)
   MEMBER

   Aimilios Michael (from 03.08.2021)
   MEMBER

DESPINA PANAYIOTOU THEODOSIOU

Chairperson

GEORGE NIKOLETTOS

Vice Chairman

SAVVAS HAPERIS

Member

AVRAAM GEORGIOU

Member

PANOS TOULOURAS

Member

CHRYSOSTOMOS CHRYSOSTOMOU

Member

POLYVIOS LEMONARIS

Member

CONSTANTINOS LOIZIDES

Member

AIMILIOS MICHAEL

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**
  Kyriakos Koumi (from 01.08.2021)
  BSc
  MSc
  MBA
  CEng
  MIET

  Adonis Yiasemides (acting from 15.03.2021 until 31.07.2021)
  Dipl Eng
  MBA
  MIET

  Anastasis Gregoriou
  (acting until 14.03.2021)
  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**
  Charalambos Menelaou
  BSc
  M.Phil

- **SUPPLY MANAGER**
  Marios Skordellis
  BSc (Hons)
  MSc
  MBA
  CEng
  MIET

MESSAGE OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS

2021. Another difficult year, due to the pandemic, with radical changes in the daily functioning of the organisation. With the necessary technological adaptations and the revision of processes, we ensured the operational and functional continuity of EAC.

In accordance with the financial possibilities of the Organisation, the Management decided to reduce the tariffs of all its customers by 10% for a total period of 10 months. This move by the Organisation corresponds to an amount of €54 million, which EAC returned to the Society. At the same time, we actively stood by our fellow citizens who were facing financial difficulties and contributed to the great effort of the Ministry of Health aimed at promoting the vaccination programme among young people.

A new reality is emerging in the international energy sector, characterised by constant change. In Cyprus, apart from the exogenous effects on energy costs, we are going through a period full of changes and challenges that come as a result of the competitive electricity market.

Our mission is to offer quality services in the field of Energy and other activities, utilizing new technologies, always respecting society, the environment, and our people, contributing to the development of the country. Our ambition is for the Organisation to become more extroverted and more flexible, so that it can play a leading role in the new energy environment in Cyprus. Our goal has always been the reliable, uninterrupted supply of electricity, with modern and upgraded infrastructure, in the context of sustainable development.

Our vision is clear: A green energy future. Therefore, the Organisation's development investment programme includes expansion in RES, modernisation of technological and mechanical equipment and implementation of major projects. In this direction, the construction of the first phase of the large Photovoltaic Park at Akrotiri Limassol, with a total capacity of 12MW, has started. In the framework of a joint venture established between EAC and the Archdiocese of Cyprus, the development of a large Photovoltaic Park in the area of Achera has been completed. At the same time, several other candidate PV Parks are currently at the design and development stage.

Another important project that has started its implementation is the installation of the new Unit 6 at the Vasilikos power station, with a capacity of 160 MW, which will be added to the existing total production capacity of EAC from conventional units.

Among the big changes that have been rolled out are smart meters, which are expected to be installed in 2025. Through their functionalities, they will offer multiple benefits to consumers. Smart meters, the SCADA/ADMS Distribution Control System and the MDMS Metering Data Management System are the foundation of reliability and transparency for the smooth and orderly operation of the competitive electricity market and form the basis of the smart grids developed by EAC in the ever-changing field of the Electricity Market.

In addition, EAC is committed to sustainable energy development, monitors cutting-edge technologies, and actively participates in various European research and innovation programmes.

A wide range of EAC's non-regulated activities include electric vehicle charging infrastructure, street lighting upgrades, desalination plants and chemical analysis for third parties.

The environment in which EAC operates is complex, challenging and highly dependent on external factors beyond the Organisation's control. It is a continuous effort to implement good practices in all areas of our operations, with emphasis on environmental, social, and corporate governance issues. With full transparency and certification to international standards in quality, environment, safety, and health, we aim, among other things, to strengthen business continuity and customer and supplier satisfaction, always with the trust of the society we serve as our foundation. We are committed to full compliance with the regulatory, legal, and statutory framework, as well as the new Public Governance Code.

It is the responsibility of the Board of Directors to rise to the challenges and, in cooperation with the management and the quality human resources of the organisation, to take the appropriate decisions that will give strength to the EAC and contribute to its development.

I would like to thank the President of the Republic of Cyprus, Mr Nicos Anastasiades for this honour and his confidence. I would also like to thank the Minister of Energy, Commerce, Industry and Tourism, Mrs Natasha Pilidou, for the substantial and constructive cooperation, as well as all the officials of the Ministry.

I would also like to thank the Government, the House of Representatives, the Auditor General of the Republic, the Cyprus Energy Regulatory Authority, the Cyprus Transmission System Operator, all government agencies and local authorities with which EAC has cooperated, as well as the representatives of the media for the highlighting of the work of the EAC.

Finally, I would like to express my special thanks to all my colleagues on the Board of Directors, the General Manager of EAC, Mr. Panagiotis Olympios and the members of management, the management of the Union trades and all the personnel of the organisation.

We are all united by the will to make EAC a solid pillar of the country's energy.

Despina Panagiotou Theodosiou
Chairperson of the Board of Directors

MESSAGE FROM THE GENERAL MANAGER

For the second year in a row, the world is fighting the pandemic. EAC, with its experienced human resources, has managed to overcome the difficulties and obstacles. With dedication to our mission, we provided uninterrupted power supply to all consumers in our country. Having as primary concern the ensuring of health, we supported the Community to the best of our ability.

EAC participated in the Ministry of Health's efforts through a media campaign with the central message "Learn. Judge. Act". The aim was to inform the public, especially young people, about vaccination. The campaign, amongst others, highlighted the benefits of vaccination and provided answers to questions and concerns, through the presentation of scientific data.

The energy sector faces significant challenges, both internationally and in Cyprus. EAC is required to respond to the ever-changing external environment and the increasing demands of stakeholders. Particular emphasis has been placed on the strict adherence to the Operational Unbundling of the Organisation's activities, the continuous improvement of the Quality Assurance system in all areas, as well as the service to EAC's customers and network users and the provision of new services.

The main challenges for EAC are the opening of the competitive electricity market, the arrival of Natural Gas and the completion of the necessary adjustments of the Generation facilities to operate with Natural Gas, the completion of the installation of anti-pollution systems to the Generation Units at Vasilikos Power Station (VPS) in accordance with the reduced emission limits set by the EU, the installation of Unit 6 at VPS, the Renewable Energy Sources (RES) Development Programme, the installation of smart metering infrastructure, as well as the development and infrastructure maintenance projects in the Transmission and Network areas.

In the Generation sector, the implementation of maintenance programmes for the safe, reliable and efficient operation of the Generating Units of Vasilikos, Dhekelia and Moni Power Stations continued in 2021. EAC continued the installation of pollution control technologies to reduce emissions of nitrogen oxides, sulphur dioxide and dust at Units 1-3 of Vasilikos Power Station.

Almost all modifications to the Generation Units for the use of natural gas at Vasilikos Power Station have been completed. The installation of the the natural gas pressure measurement and regulation station for the steam generating units is pending and is expected to be completed in 2022. In addition to the conventional Generation Units, the EAC's Generation target is the capacity expansion of its renewable energy sources.

EAC Supply continued to take the necessary steps to prepare for participation in the competitive electricity market. In this context, it launched a tender for the development of the IT infrastructure required for its participation in the competitive market.

EAC Supply is registered in the Electronic Register of Guarantees of Origin of the energy generated. It was the first supplier to secure and cancel Guarantees of Origin, thus certifying the "green" energy consumption of its customers for 2021.

In the Transitional Market Regulation that came into force on 1 January 2021, two Suppliers and a number of Generators of photovoltaic systems with a total installed capacity of 54 MW were active during the year.

In this new environment, Generators enter into bilateral contracts with Suppliers for the sale of energy. Suppliers enter into contracts with customers for the supply of energy. The market share of the suppliers in the transitional market regime, which corresponds to the loss of market share of EAC Supply, is approximately 2% of national consumption. EAC's Supply is compensated for the total surplus or deficit of generation in the transitional market regime.

In the electricity transmission sector, notable projects implemented or underway in 2021 include:

- The construction of the new "Zakaki" Substation, which will serve the development of the casino in the area, as well as the installation of an underground connection to the "Polemidia" Substation.
- The Installation of Inter-coupled Transformers for the connection of photovoltaic parks at the Latsia, Tempria, Kokkinotrimithia and Airport Substations.
- The upgrading of the Yermasogia Substation to aid in developments on the Limassol seafront.

There are also plans to upgrade the Strovolos and Orounda Substations to support the network for the integration of photovoltaic parks. Within the new data of the electricity market, EAC's Networks are constantly evolving, transforming the traditional system from simple passive cables to a platform for the two-way flow of energy and information between the network and customers.

One of the major changes being implemented is the introduction of smart meters. They offer a range of benefits to consumers, including detailed information about their electricity consumption. Consumers are provided with a modern energy saving tool that brings them significant economic benefits. According to a decision by CERA, 400,000 conventional meters will be replaced with smart meters, with construction starting in 2023 and completion in 2025. The tender process is currently in process. Smart meters, the SCADA/ADMS Distribution Control System and the Metering Data Management System (MDMS), which provide the basis for reliability and transparency for the smooth and orderly operation of the competitive electricity market, are the foundation of the smart grids being developed by EAC in the ever-changing field of the electricity market.

EAC is implementing its strategic plan in close cooperation with the Ministry of Energy and CERA. The aim is to be at the forefront of the energy challenges of the next decade. At the heart of this is the transition to a zero-carbon economy, with universal penetration and efficient management of green energy as a key factor. To this end, we have managed all the Department of Energy's plans for self-consumption and PV generation.

The use of fibre optics to meet the needs of the development of the electricity network is an integral part of our strategy which, together with the automation of the network and the universal operation of SCADA/ADMS, will provide the necessary tools for the integrated dynamic management of the distribution system.

State-of-the-art Geographical Information System (GIS) technologies are constantly being developed to consolidate the digitisation of the network and services provided. EAC's GIS is one of the leading GIS implementations in our country and has received significant international awards.

In order to broaden the areas of knowledge and learning and to provide opportunities for continuous training and skills development to all EAC personnel, the EAC Training School was upgraded in 2021.

On another very important and topical issue, the Cyprus Electricity Authority, as a certified Equality Employer, is committed to supporting actions to promote and consolidate gender equality.

Health and Safety issues are a top priority for the Cyprus Electricity Authority. To this end, an Integrated Health and Safety Management System has been developed and implemented, Occupational Risk Assessment Studies have been prepared covering all activities of the Authority, and the Authority's Safety Officers and Safety Committees have been involved in the Authority's activities.

In an effort to develop and continuously improve the services offered to consumers, the Cyprus Electricity Authority is moving the Ammochostos-Larnaka Area Office and Customer Service Centre to a new privately owned building at the entrance of the city. The new, energy-efficient, green building of modern aesthetics and construction excellence meets the technological and environmental challenges of our time. It offers improved functionality, easy access to parking and a comfortable public service environment.

As part of EAC's renewable energy planning, the installation of a new photovoltaic system at EAC's headquarters has been completed, while the construction of the photovoltaic park at Akrotiri Limassol is underway.

In order to improve its customer service, EAC Supply introduced the new Easy Payment Service. Through special terminals installed at EAC Supply's Customer Service Centres, customers can pay their electricity bill easily and quickly using their credit/debit card.

With regard to the replacement of energy-consuming street lights with new technology LED lamps, the project, which was implemented in collaboration with municipalities and local authorities, is nearing completion and is making a positive contribution to energy savings.

As part of its Corporate Social Responsibility programme, EAC has once again supported the remarkable work of a number of associations and organisations working in the fields of Health, Environment, Culture, Education and Sport.

Finally, on behalf of the management and staff of EAC, I would like to thank the Chairperson of the Board, Mrs Despina Panayotou Theodosiou, the Vice-Chairman, Mr George Nikolettos, and the other members of the Board for their excellent cooperation. During the year, the Organisation has worked hard together to overcome a number of important challenges and to lay the foundations to face new ones. With a realistic vision, the right strategy, the necessary changes and its skilled human resources, EAC can continue to fulfil its mission and remain a leading player on the country's energy map.

Panagiotis 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

1. ADVISORY SUBCOMMITTEE OF THE EAC FOR PERSONNEL MATTERS

Despina Theodosiou	Chairperson (from 10.8.21)	**Polyvios Lemonaris**	Member (until 9.8.21)
Michael Komodromos	Chairperson (until 9.8.21)	**Charilaos Karavas**	Coordinator (until 9.8.21)
Savvas Haperis	Member (from 10.8.21)	**Giorgos Platides**	Coordinator (from 10.8.21)
Christina Zikkou	Member (until 9.8.21)		

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 2021, this Subcommittee held twenty (20) 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.)

Despina Theodosiou	Chairperson (from 10.8.21)	**Kyriakos Kyriakou**	Member (until 9.8.21)
Michael Komodromos	Chairperson (until 9.8.21)	**Aimilios Michael**	Member (from 10.8.21)
Constantinos Loizides	Member (from 10.8.21)	**Elena Tsolaki**	Member (until 9.8.21)
Charis Millas	Member (until 9.8.21)	**Panagiotis Toulouras**	Member (from 10.8.21)
Chrysostomos Chrysostomou	Member	**Agni Shialarou**	Member (until 9.8.21)
Savvas Haperis	Member (from 10.8.21)	**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 8 times within 2021.

3. AUDIT COMMITTEE

Constantinos Loizides	Chairperson (from 10.8.21)	**Agni Sialarou**	Member (until 9.8.21)
Charis Millas	Chairperson (until 9.8.21)	**Elena Tsolaki**	Member (until 9.8.21)
Savvas Haperis	Member (from 10.8.21)	**Kyriakos Kyriakou**	Member (until 9.8.21)
George Nikolettos	Member (until 9.8.21)	**Michael Ioannou**	Coordinator
Panagiotis Toulouras	Member (from 10.8.21)		

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 5 times within 2021.

4. COMMUNICATION POLICY COMMITTEE

Agni Sialarou	Chairperson	**George Nikolettos**	Member
Elena Tsolaki	Member	**Christina Papadopoulou**	Coordinator
Christina Zikkou	Member		

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 3 times within 2021.

5. NETWORKS JOINT SPECIAL SUBCOMMITTEE (JSS)

Chrysostomos Chrysostomou	Chairperson	**Christina Zikkou**	Member (until 9.8.21)
Avraam Georgiou	Member (from 10.8.21)	**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 32 times within 2021.

6. GENERATION AND SUPPLY JOINT SPECIAL SUBCOMMITTEE (JSS)

George Nikolettos	Chairperson (from 10.8.21)	**Polyvios Lemonaris**	Member
Michael Komodromos	Chairperson (until 9.8.21)	**Alexis Michael**	Member

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 36 times within 2021.

7. NG AND RES STEERING COMMITTEE

Despina Theodosiou	Chairperson (from 10.8.21)	**Polyvios Lemonaris**	Member
Michael Komodromos	Chairperson (until 9.8.21)	**Petros Andreou**	Coordinator (NG matters)
George Nikolettos	Member	**Constantinos Rouvas**	Coordinator (RES 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 2021.

8. MONITORING OF DEVELOPMENT PROJECTS, BUILDING PLANS AND REAL ESTATE UTILISATION

Aimilios Michael	Chairperson (from 10.8.21)	**Chrysostomos Chrysostomou**	Member
Elena Tsolaki	Chaiperson (until 9.8.21)	**George Nikolettos**	Member
Constantinos Loizides	Member (from 10.8.21)	**Polyvios Lemonaris**	Member (until 9.8.21)
Agni Sialarou	Member (until 9.8.21)	**Loukas Giannoukos**	Coordinator (from 10.8.21)
Panagiotis Toulouras	Member (from 10.8.21)	**Dorina Papadopoulou**	Coordinator (until 9.8.21)

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 6 times within 2021.

9. RISK MANAGEMENT COMMITTEE

Polyvios Lemonaris	Chairperson	**Chrysostomos Chrysostomou**	Member (from 10.8.21)
Panagiotis Toulouras	Member (from 10.8.21)	**Agni Sialarou**	Member (until 9.8.21)
Christina Zikkou	Member (until 9.8.21)	**Aimilios Michael**	Member (from 10.8.21)
Avraam Georgiou	Member (from 10.8.21)	**Kyriakos Kyriakou**	Member (until 9.8.21)
Elena Tsolaki	Member (until 9.8.21)	**Andreas Ioannides**	Coordinator

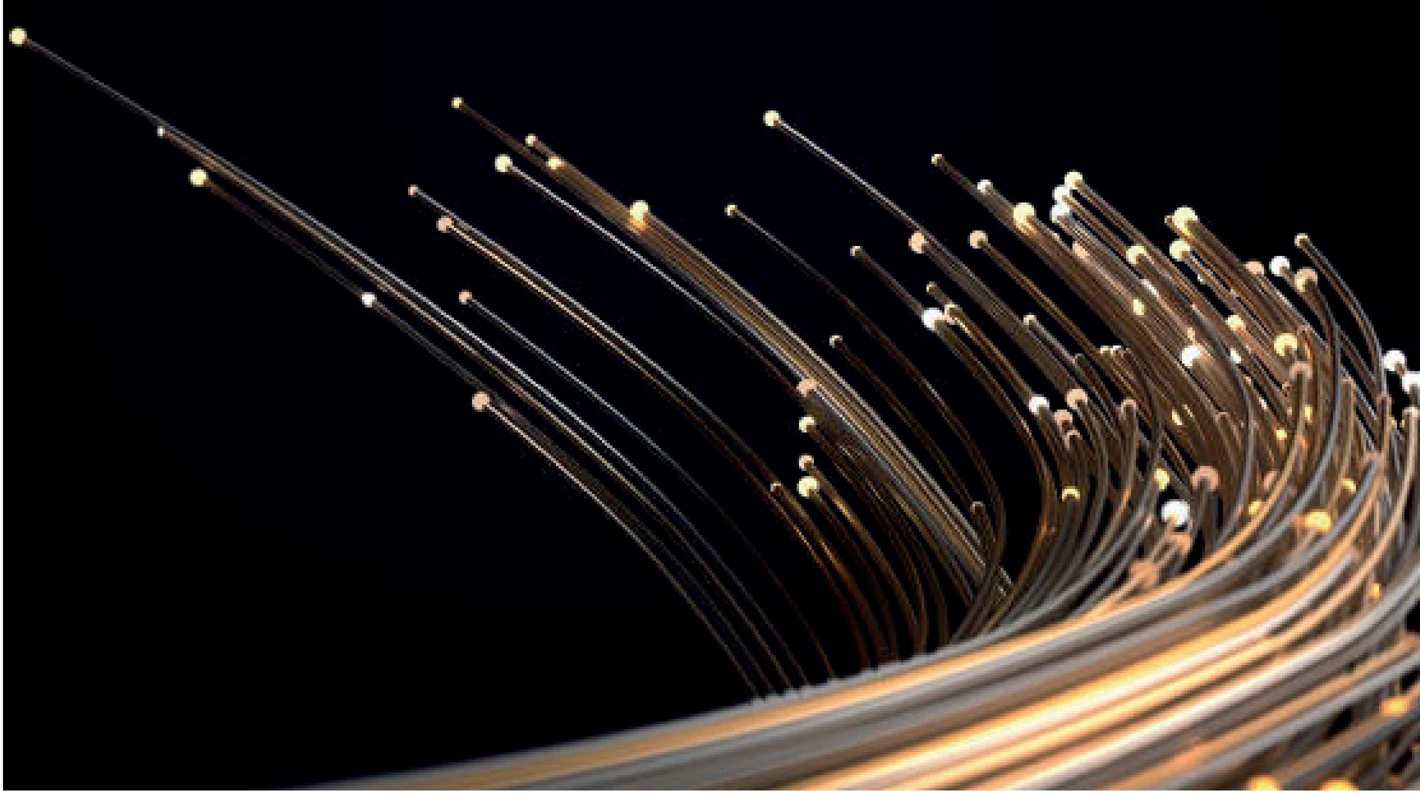
The Risk Management Committee supports the Board of Directors on risk management issues. In particular, it informs the BoD of the most important risks and their management framework, supervises the operation of the Risk Management Unit, and monitors and evaluates the risk profile of the EAC and the effectiveness 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 7 times within 2021.

OPERATIONAL UNBUNDLING



EAC continued throughout 2021 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 2021, 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 of all 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

'21

THE YEAR IN BRIEF

		2021	2020	% INCREASE (DECREASE)
FINANCIAL ACTIVITY				
Total income	€ thousand	845.723	668.491	26,5
Total costs	€ thousand	886.899	688.290	28,9
Operating loss	€ thousand	(41.176)	(19.799)	108,0
Net loss for the year	€ thousand	(41.755)	(11.943)	249,6
Average net assets employed	€ thousand	1.708.665	1.741.309	(1,9)
Return on average net assets employed	%	(2,4)	(1,1)	118,2
EMPLOYEES				
Employees in service at 31 December		2.120	2.131	(0,5)

FINANCIAL REVIEW

The financial statements of the Group for the year 2021 together with the supporting statements are set out in pages 36 to 92.

CHART 1 - INCOME, COSTS AND PROFIT /(LOSS) FROM OPERATIONS

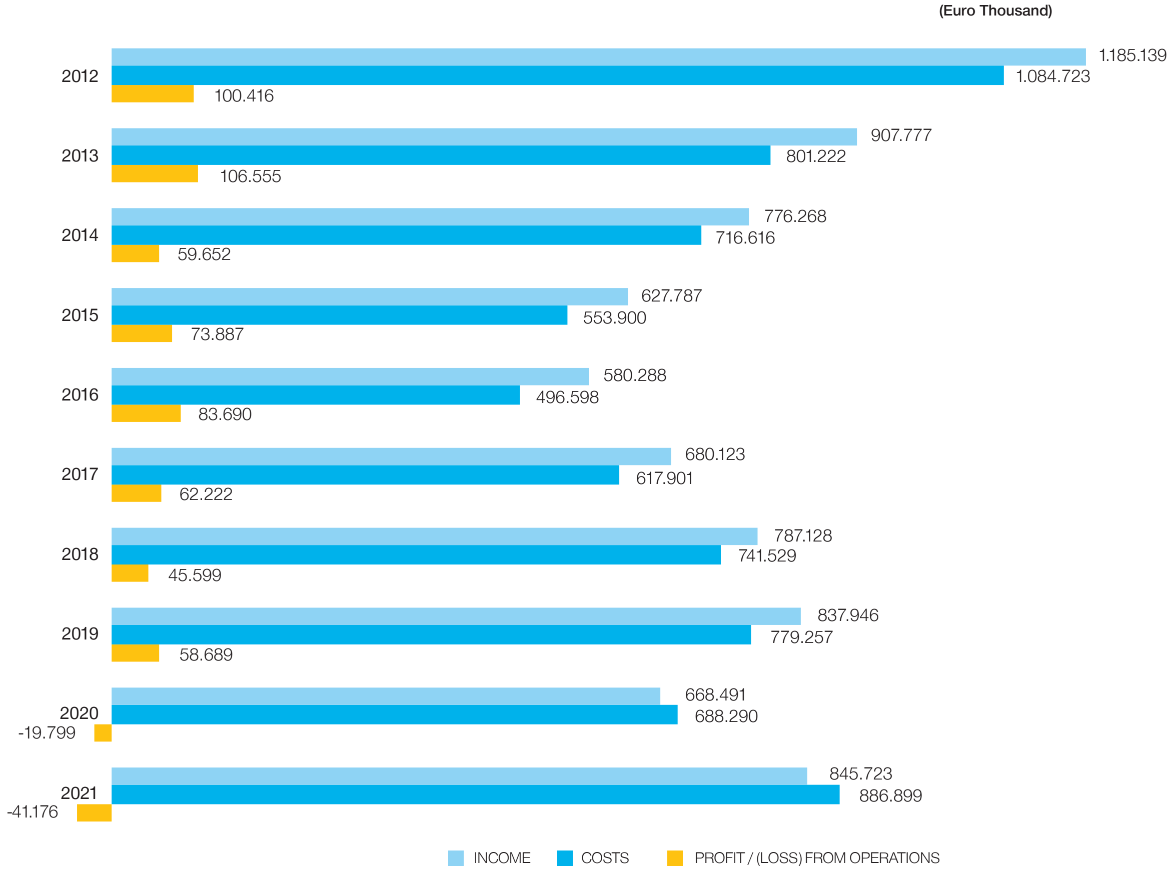
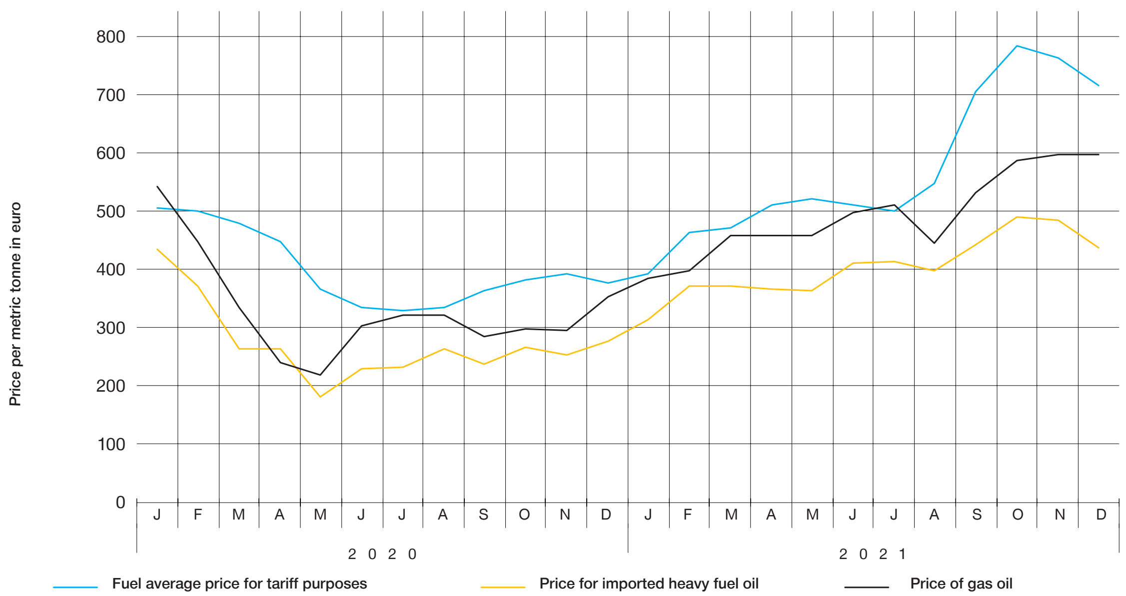


CHART 2 - PRICES PAID FOR FUEL OIL & AVERAGE PRICES USED FOR TARIFF PURPOSES (FUEL ADJUSTMENT CLAUSE)



CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 AND CHANGES FROM PREVIOUS YEAR	2021	% INCREASE (DECREASE)
	€000	€000
INCOME		
Revenue from sale of electricity	797.328	152.157
Special discount	(14.199)	17.724
Consumers' capital contributions	24.440	735
Income from desalination	13.394	4.890
Other operating income	24.075	2.030
Finance income	685	(304)
	845.723	177.232
Other losses net	(147)	(105)
OPERATING COSTS	(888.449)	(199.923)
Net profit from reversal of impairment of financial assets	1.697	1.419
Operating loss	(41.176)	(21.377)
Finance costs	(5.688)	(3.146)
Share of loss in equity accounted investees	(214)	(185)
Loss before tax	(47.078)	(24.708)
Tax income	5.323	(5.104)
Net loss for the year	(41.755)	(29.812)

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 €797.328.000 showing an increase of €152.157.000 or 24%. The significant increase in sales revenue was mainly due to the increase in units sold by 4% and the increase in the tariff price as a result of the automatic adjustment due to the increase in fuel prices. During the year, customers were granted a special discount of €14.199.000 due to the COVID-19 pandemic. The total operating costs were €888.449.000 showing an increase of €199.923.000 or 29%, mainly due to the increase in fuel costs resulting from the increase in production of electricity as well as the increase in fuel prices, and also due to the increase in greenhouse gas emission allowances cost. After accounting for net profit from reversal of impairment of financial assets of €1.697.000, finance costs of €5.688.000 and share of loss from associate of €214.000, there was a loss before tax of €47.078.000 compared to a loss before tax of €22.370.000 in the previous year. After the addition of tax income amounting to €5.323.000, the net loss was €41.755.000 (2020: net loss €11.943.000).

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 23% to €398,23 per metric tonne. The consumption increased by 2,5% to 968,7 thousand metric tonnes as a result of the respective increase in production of electricity of approximately 2,2%. Mainly as a result of the increase in production and the increase in the fuel price, the fuel oil bill increased by €80.832.000 to €385.784.000.

The purchase of electricity from third parties increased by 37% to €63.697.000 mainly due to the increase in the fuel oil price, but also due to the increase in the units purchased by approximately 9%.

The greenhouse gas emission allowances cost increased by €90.563.000 to €165.223.000. The increase was mainly due to the increase in the price per emission allowance. The average price per emission allowance purchased in 2021 reached €53,68 compared to €24,86 during the previous year. The number of allowances purchased during the year was approximately 3% higher compared to the number of allowances purchased during the previous year.

The total salaries and related costs amounted to €108.568.000 out of which €13.172.000 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 €95.396.000 or 87,9% was charged to the income statement. The increase of €2.792.000 or 3% to the total salaries and related costs charge is mainly due to salary increments and promotions and the increase in current year defined benefit cost.

Materials, services and other expenditure were €40.445.000 (increase of €2.444.000 or 6%).

The depreciation charge was €104.402.000 (increase of €5.038.000 or 5%). The depreciation charge includes €560.000 (2020: €602.000) in relation to the right-of-use assets.

OPERATING COSTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND CHANGES FROM PREVIOUS YEAR

	2021		INCREASE / (DECREASE) OVER 2020	
	€000	%	€000	%
Fuel	385.784	43,4	80.832	26,5
Purchase of electricity from third parties	63.697	7,2	17.277	37,2
Greenhouse gas emission allowances cost	165.223	18,6	90.563	121,3
KODAP fee	5.510	0,6	(469)	(7,8)
Staff costs	95.396	10,7	2.792	3,0
Repairs and maintenance	22.008	2,5	2.072	10,4
Cyprus Transmission System Operator fee	4.147	0,5	(652)	(13,6)
Cyprus Energy Regulatory Authority fees	1.837	0,2	26	1,4
Materials, services and other expenditure	40.445	4,6	2.444	6,4
Depreciation	104.402	11,7	5.038	5,1
TOTAL	**888.449**	**100,0**	**199.923**	**29,0**

CHART 3 - OPERATING EXPENDITURE

(Euro Thousand)
As percentage of total operating expenditure

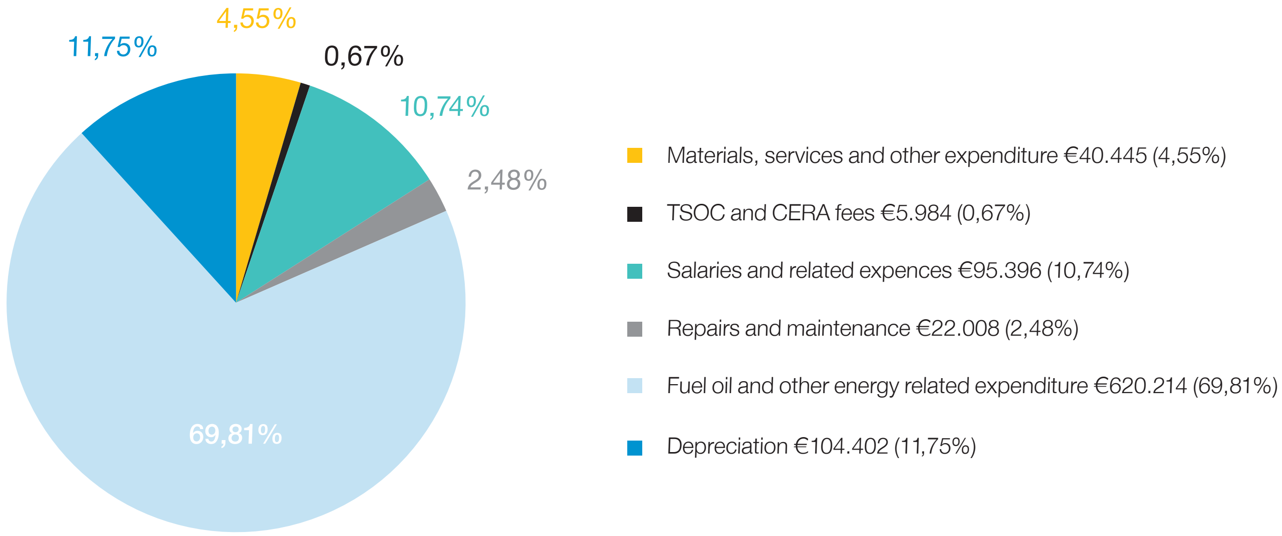
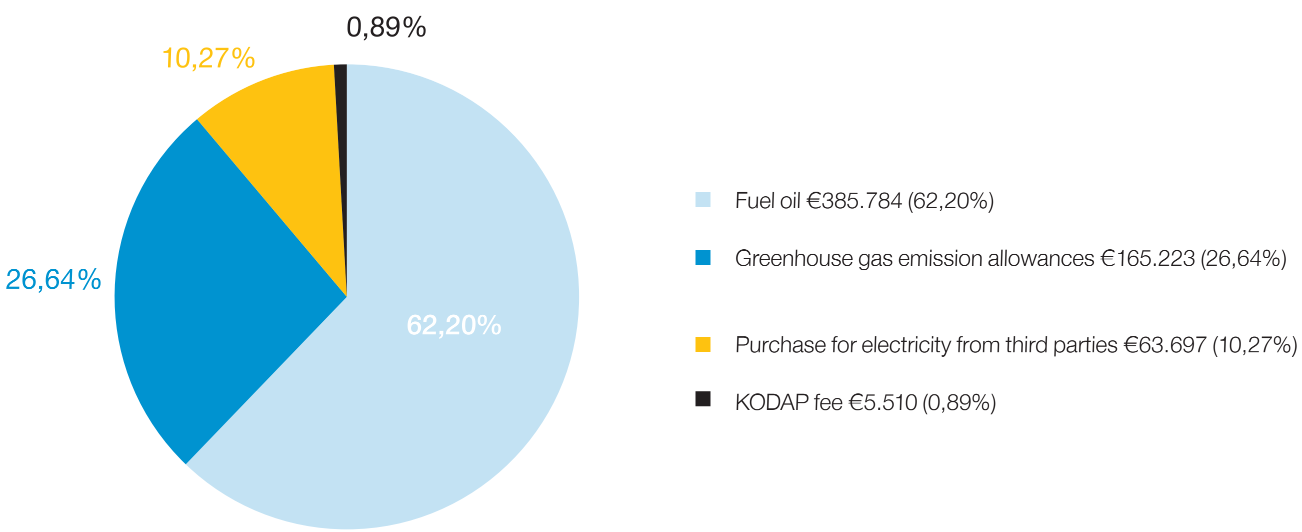


CHART 4 - FUEL OIL AND OTHER ENERGY RELATED EXPENDITURE

(Euro Thousand)
As percentage of total fuel oil and other energy related expenditure



PERFORMANCE OF BASIC REGULATED ACTIVITIES

The table below presents the returns of the Basic Regulated Activities as calculated based on the Unbundled Accounts of the EAC for the year 2021 and relevant decisions of CERA. It should be noted that based on the Regulation, the Approved Rate of Return of the Activities of Generation, Transmission (System Owner) and Distribution (Distribution System Owner and Distribution System Operator) is 4,6% on the Regulated Asset Base (RAB) of each Activity. Regarding the Regulated Activity of Supply, the approved percentage of profit margin on the cost of management services is 20%.

CALCULATION % RETURN BASED ON DECISIONS FOR ALLOWABLE INCOME AND RAB	GENERATION	SUPPLY	TRANSMI-SSION	DISTRIBU-TION
	2021	2021	2021	2021
	€000	€000	€000	€000
Operating (loss)/profit as per Income Statement	**(45.148)**	**456**	**5.909**	**(5.557)**
Provision for impairment / (reversal of impairment) of financial assets	(574)	108	(594)	(944)
Special discount*	-	-	4.413	9.786
Adjusted operating profit/(loss)	**(45.722)**	**564**	**9.728**	**3.285**
Cost of management services		16.499		
Adjustments based on decisions for allowable income:				
Allocation of annual pension fund deficiency contribution to activities	(3.226)	(1.078)	(1.242)	(6.662)
Reversal of receivables write-off		286		
Installation/inspection				1.942
Reversal of depreciation PYA	4.263			
Reversal of depreciation FGD	533			
Reversal of depreciation Units 1&2	150			
Reversal of depreciation Single Point Mooring	195			
Total adjustments	**1.915**	**(792)**	**(1.242)**	**(4.720)**
Adjusted operating (loss)/profit	**(43.807)**	**(228)**	**8.486**	**(1.435)**
Adjusted cost of management services		**17.183**		
Average Regulated Asset Base (RAB)	**537.803**		**242.423**	**265.864**
Return on Average Regulated Asset Base	**(8,15)%**		**3,50%**	**(0,54)%**
Profit margin on cost of management services		**(1,33)%**		

* Based on the decision of the Cyprus Energy Regulatory Authority no. 294/2021 a special discount of 65% on regulated tariffs for the use of transmission and distribution systems (T-NH, T-NM, T-NL) was granted for a period of 4 months from November 2021 to February 2022. Based on the decision of CERA, the reduced income of EAC will not be recovered during the rest of the current regulatory period or during the next regulatory period.

CAPITAL REQUIREMENTS AND SOURCES OF FINANCE

Capital expenditure during the year amounted to €89.881.000 compared with €92.342.000 in 2020 (decrease of €2.461.000).

The amount paid for taxation during the year 2021 amounted to €843.000 (2020: €12.396.000).

Loan repayments, repayments of lease liabilities and interest paid amounted to €37.740.000 (2020: €37.556.000).

The total financing requirements of €128.464.000 were covered from internal sources and consumers contributions. The table below shows the financing requirements of the Group and the sources of finance.

FINANCING REQUIREMENTS AND SOURCES OF FINANCE	2021		2020	
	€000	%	€000	%
FINANCING REQUIREMENTS				
Tax	843	0,7	12.396	6,7
Capital expenditure	89.881	70,0	92.342	49,8
Investment in associate company	-	-	43.000	23,2
Loan servicing	37.740	29,3	37.556	20,3
	128.464	100,0	185.294	100,0
SOURCES OF FINANCE				
Profit before interest, tax and deprecation	34.149	26,6	54.989	29,7
Proceeds from disposal of fixed assets and investments	57	0,0	333	0,2
Interest received	710	0,6	1.379	0,7
Consumers' contributions	39.204	30,5	32.404	17,5
Working capital changes	54.344	42,3	96.189	51,9
	128.464	**100,0**	**185.294**	**100,0**

FINANCIAL POSITION AT END OF YEAR

The historical cost of the assets employed at 31 December 2021 was €3.435.466.000 and the accumulated depreciation was €1.837.489.000. Therefore, the net value of the assets employed was 46,5% of the historical cost. The total net assets at 31 December 2021 were €1.736.301.000 and were financed by loans (€162.790.000 or 9,4%), other long term liabilities (€542.165.000 or 31,2%) and the balance (€1.031.346.000 or 59,4%) from own funds.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER '21

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

CHAIRMAN

Despina Panayiotou Theodosiou
(from 3.8.2021)

Michael Komodromos
(until 30.7.2021)

VICE-CHAIRMAN

George Nikolettos

MEMBERS

Chrysostomos Chrysostomou

Polyvios Lemonaris

Constantinos Loizides (from 3.8.2021)

Emilios Michael (from 3.8.2021)

Panagiotis Toulouras (from 3.8.2021)

Avraam Georgiou (from 3.8.2021)

Savvas Haperis (from 3.8.2021)

Elena Tsolakis (until 30.7.2021)

Agni Shialarou (until 30.7.2021)

Christina Zikkou (until 30.7.2021)

Charis Millas (until 30.7.2021)

Kyriacos Kyriacou (from 5.2.2020 until 30.7.2021)

LEGAL ADVISERS

Ioannides Demetriou LLC, Nicosia

AUDITORS

PricewaterhouseCoopers Limited,
as contractors of the contract EY 4/2020,
where the Coordinating Contracting Authority
is the Audit Office of the Republic.

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 2021.

PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS OF THE GROUP

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.

CHANGES IN GROUP STRUCTURE

3. During the year there were no changes in the Group structure. The Authority does not intend to proceed with any acquisitions or mergers.

REVIEW OF BUSINESS DEVELOPMENTS, POSITION AND PERFORMANCE OF THE GROUP’S BUSINESS

4. The loss of the Group for the year ended 31 December 2021 was €41.755 thousand (2020: loss €11.943 thousand). On 31 December 2021 the total assets of the Group were €2.248.357 thousand (2020: €2.307.606 thousand) and the net assets were €1.031.346 thousand (2020: €953.985 thousand). The loss was mainly due to the spread of the pandemic, the ensuing economic downturn, the increase in fuel costs and greenhouse gas emmission allowances costs and the delay in recovering such increase through the automatic price adjustment mechanism, as well as the concession of a 65% reduction to the tariffs for the use of system, High, Medium and Low Voltage based on the relevant decision of the Cyprus Energy Regulatory Authority. The total discount granted by the Group for the year 2021 amounted to €14.199 thousand. The Board of Directors does not anticipate any significant changes in the activities of the Group in the near future (refer to point 2 above).

5. As at 31 December 2021 the Group had 2.120 employees (2020: 2.131) and 597.192 consumers of electricity (2020: 587.470).

PRINCIPAL RISKS AND UNCERTAINTIES

6. The principal risks and uncertainties faced by the Group are disclosed in notes 1, 6, 7 and 27 of the consolidated financial statements.

FINANCIAL RISK MANAGEMENT

7. 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.

8. 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

9. 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.

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

FOREIGN EXCHANGE RISK

11. 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

12. 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. Refer to Note 6 for further disclosures on cash flow interest rate risk.

CREDIT RISK

13. 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

14. 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. Refer to Note 6 for further disclosures on liquidity risk.

FUTURE DEVELOPMENTS OF THE GROUP

15. 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

16. The results of the Group for the year are presented on page 9. The net loss for the year is carried forward.

BOARD OF DIRECTORS

17. The members of the Board of Directors as at 31 December 2021 and at the date of this report, as well as changes during the year, are presented on page 37.

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

EVENTS AFTER THE REPORTING PERIOD

19. Other than the events mentioned in Note 30, there were no other material events after the reporting period, which have a bearing on the understanding of the consolidated financial statements.

BRANCHES

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

INDEPENDENT AUDITORS

21. The Independent Auditors, PricewaterhouseCoopers Limited, as contractors of the contract EY 4/2020, where the Coordinating Contracting Authority is the Audit Office of the Republic, have expressed their willingness to continue in office.

By order of the Board of Directors

Despina Panayiotou Theothosiou
Chairwoman

Nicosia, 21 June 2022

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

QUALIFIED 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 42 to 92 and comprise the consolidated statement of financial position as at 31 December 2021, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 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 Law 130(I)/2021 Regulating the Electricity Market and the requirements of the Cyprus Companies Law, Cap. 113.

BASIS FOR QUALIFIED OPINION

The Authority's investment in the Natural Gas Infrastructure Company (ETYFA) Ltd, an associate company accounted for using the equity method, is recognized in the amount of €42.757 thousands (2020: €42.971 thousands) in the consolidated financial position at 31 December 2021. We were unable to obtain sufficient and appropriate audit evidence regarding any impairment of the Authority's investment in ETYFA as at 31 December 2021. Therefore, we have not been able to determine whether any adjustment to the investment value in ETYFA is required. Our prior year auditor's report was also qualified in respect of this matter.

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' International Code of Ethics for Professional Accountants (including the International Independence Standards) (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 qualified opinion.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report of the group, 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. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient and appropriate audit evidence regarding any impairment of the Authority's investment in ETYFA as at 31 December 2021. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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, except as explained in the Basis for Qualified Opinion Paragraph.

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

Cetrified Public Accountants and Registered Auditors

Nicosia, 21 June 2022

CONSOLIDATED INCOME STATEMENT OF THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 €000	2020 €000
Revenue	8	**849.446**	689.448
Special discount	8	**(14.199)**	(31.923)
Other operating income - net	9	**10.476**	10.966
Other losses - net	10	**(147)**	(42)
Operating costs	11	**(888.449)**	(688.526)
Net profit from reversal of impairment of financial assets	6	**1.697**	278
Operating loss		**(41.176)**	(19.799)
Finance costs	13	**(5.688)**	(2.542)
Share of loss in investments in equity-accounted investees	17	**(214)**	(29)
Loss before tax		**(47.078)**	(22.370)
Tax income	14	**5.323**	10.427
Loss for the year		**(41.755)**	(11.943)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 €000	2020 €000
Loss for the year		**(41.755)**	(11.943)
Other comprehensive income 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	**119.116**	(70.856)
Total income / (expenses) for the year		**77.361**	(82.799)

Other comprehensive income / (loss) is presented after tax. The tax relating to each item of other comprehensive income is shown in Note 14.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

	NOTE	2021 €000	2020 €000
Assets			
Non-current assets			
Property, plant and equipment	15	**1.597.977**	1.611.950
Right-of-use assets	16	**10.189**	9.203
Investments in equity-accounted investees	17	**42.757**	42.971
Financial assets at amortised cost	18	**1.446**	3
		1.652.369	1.664.127
Current assets			
Inventories	19	**152.019**	122.403
Trade receivables	18	**128.806**	82.504
Financial assets at amortised cost	18	**17.995**	14.993
Other non financial receivables	18	**11.728**	13.485
Greenhouse gasses emission allowances		**3.433**	492
Financial assets at fair value through profit or loss	18	**42.435**	166
Contract assets	8	**101**	844
Tax refundable	20	**4.298**	4.298
Short term deposits	21	**57.451**	203.316
Cash and cash at bank	21	**177.722**	200.978
		595.988	643.479
Total assets		**2.248.357**	2.307.606
Reserves and liabilities			
Capital reserve		**15.555**	15.555
Actuarial losses reserve		**(305.448)**	(424.564)
Revenue reserve		**1.321.239**	1.362.994
Total equity		**1.031.346**	953.985
Non-current liabilities			
Borrowings	22	**162.790**	194.573
Lease liabilities	16	**10.154**	8.898
Deferred tax liabilities	23	**78.658**	84.054
Deferred income	24	**453.353**	439.519
		704.955	727.044
Current liabilities			
Trade and other payables	25	**166.984**	160.983
Net defined benefit obligation	12	**285.007**	403.918
Contract liabilities	8	**2.573**	1.962
Tax liability	20	**-**	770
Borrowings	22	**31.783**	34.055
Deferred income	24	**25.369**	24.439
Lease liabilities	16	**340**	450
		512.056	626.577
Total liabilities		**1.217.011**	1.353.621
Total reserves and liabilities		**2.248.357**	2.307.606

These consolidated financial statements are signed today, 21 June 2022, as a result of the approval and decision of the Board of Directors.

D. PANAYIOTOU THEODOSIOU	A. YIASEMIDES	M. CHARALAMBOUS
Chairwoman	General Manager	Executive Manager Finance

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	CAPITAL RESERVE	ACTUARIAL LOSSES RESERVE	REVENUE RESERVE	TOTAL
		€000	€000	€000	€000
Balance at 1 January 2020 as previously reported		**15.555**	**(353.708)**	**1.376.933**	**1.038.780**
Remeasurement of post-employment benefit obligation		-	-	(1.226)	(1.226)
Balance at 1 January 2020 as restated		**15.555**	**(353.708)**	**1.375.707**	**1.037.554**
Comprehensive loss					
Loss for the year		-	-	(11.943)	(11.943)
Other comprehensive loss					
Remeasurement of post-employment benefit obligation	12	-	(70.856)	-	(70.856)
Contributions and distributions					
Defence contribution on deemed dividend distribution		-	-	(770)	(770)
Balance at 31 December 2020 / 1 January 2021		**15.555**	**(424.564)**	**1.362.994**	**953.985**
Comprehensive loss					
Loss for the year		-	-	(41.755)	(41.755)
Other comprehensive income					
Remeasurement of post-employment benefit obligation	12	-	119.116	-	119.116
Balance at 31 December 2021		**15.555**	**(305.448)**	**1.321.239**	**1.031.346**

(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 at the rate of 17% 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. 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 assesment 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 Plans 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.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 €000	2020 €000
Cash flows from operating activities			
Loss before tax		**(47.078)**	(22.370)
Adjustments for:			
Depreciation of property, plant and equipment	15	**103.842**	98.762
Depreciation of right-of-use assets	16	**560**	602
Amortization of consumers' capital contributions	24	**(24.440)**	(23.705)
Profit from the sale of property, plant and equipment	10	**(45)**	(64)
Fair value losses on financial assets at fair value through profit or loss		**193**	-
Net impairment gain on financial assets	6	**(1.697)**	(278)
Share of loss from investments in equity-accounted investees	17	**214**	29
Interest expense	13	**3.285**	3.002
Interest income	9	**(685)**	(989)
		34.149	54.989
Changes in working capital:			
Inventories		**(29.616)**	22.588
Contract assets		**743**	(844)
Trade receivables		**(46.530)**	34.531
Financial assets at amortised cost		**(4.466)**	9.612
Other non-financial assets		**1.757**	(1.272)
Greenhouse gasses emission allowances		**(2.941)**	2.594
Financial assets at fair value through profit or loss	10	**(42.462)**	106
Trade and other payables		**6.002**	(14.861)
Defined benefit obligation		**205**	1.301
Contract liabilities		**611**	1.962
Cash (used in)/ generated from operations		**(82.548)**	110.706
Tax paid		**(843)**	(12.396)
Net cash (used in)/ from operating activities		**(83.391)**	98.310
Cash flows from investing activities			
Acquisition of property, plant and equipment	15	**(89.881)**	(92.342)
Payment for acquisition of shares in associate company	17	**-**	(43.000)
Short-term deposits		**147.764**	131.226
Proceeds from sale of property, plant and equipment	15	**57**	333
Additions to consumers' capital contributions	24	**39.204**	32.404
Interest received		**710**	1.379
Net cash generated from investing activities		**97.854**	30.000
Cash flows from financing activities			
Repayments of long term borrowings	21	**(34.055)**	(34.055)
Proceeds from obligations under finance leases	21	**(400)**	(486)
Interest paid		**(3.285)**	(3.015)
Net cash used in financing activities		**(37.740)**	(37.556)
Net (decrease)/ increase in cash and cash at bank		**(23.277)**	90.754
Cash and cash at bank at beginning of the year		**200.978**	110.251
Loss allowance for the year		**21**	(27)
Cash and cash at bank at end of the year	21	**177.722**	200.978

The notes on pages 46 to 92 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 Law 130(I)/2021 regulating the Electricity Market and the relevant resolutions of the Cyprus Energy Regulatory Authority (CERA) regarding the functional and accounts unbundling.

Operating environment of the Group

The year 2021 was marked by the continuous effects of the COVID-19 pandemic, the emergence of new variants and the associated measures implemented by various governments globally with a view to delay the spread of the disease, safeguard public health and ensure the economic survival of working people, businesses, vulnerable groups and the economy at large.

To this end, the government of the Republic of Cyprus extended certain of the measures in place since 2020 and, in some cases, introduced new, economically costly, measures with the aim of protecting the population from further spread of the disease.

Entry regulations continued to apply within 2021, which imposed limitations in the entry of individuals to the Republic of Cyprus. A considerable number of private businesses operating in various sectors of the economy closed for a period of time while a number of lockdown measures, such as prohibition of unnecessary movements and suspension of operations of non-essential businesses, including retail companies (subject to certain exemptions), were applied throughout the year. The measures were continuously revised (lifted or tightened) by the Republic of Cyprus during the year taking into consideration the epidemic status in the country.

Industries such as tourism, hospitality and entertainment have been directly and significantly disrupted by these measures. Other industries, such as manufacturing and financial services, have also been indirectly affected.

These measures have further restricted the economic activity both in Cyprus and globally and have severely impacted and could continue to negatively impact, businesses, market participants as well as the Cyprus and global economies as they persist for an unknown period of time.

The Group has taken and continues to take necessary measures to ensure minimum disruption to and sustainability of its operations and support its employees, customers and suppliers. The measures taken comprise of: self-isolation for vulnerable employees and social distancing measures, such as replacement of face-to-face meetings with telecommunications. Specifically, since March 2020, employees in non-critical functions of the Group have been working from time to time from home on a rotation basis and employees for critical functions have been split into various locations. Further, strict rules of hygiene have been imposed to protect the health and safety of the Group's employees and customers.

On 24 February 2022, Russia launched a military operation in Ukraine. Many governments are taking increasingly stringent measures against Russia and Belarus. These measures have already slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time. The conflict may have serious consequences on the Cyprus economy and also worldwide, which are difficult to precisely estimate. The main concern at the moment is the rise of inflation, the uncertainty mainly about tourism and financial services and the increase in the price of fuel (and other commodities including the price of electricity), which will affect household incomes and business operating costs. The effect of the events occurred after the reporting date on the going concern is described in Note 30.

The unprecedented economic conditions and the significant impact to Cyprus' GDP and the fact that these may have affected the ability of the Group's trade and other debtors to repay the amounts due to the Group as well as the Group's cash flow forecasts in relation to financial and non-financial assets, the Group's management has assessed:

(1) The impact on the expected credit losses of the Group's financial instruments that are subject to impairment under IFRS 9. IFRS 9 requires forward-looking information (including macro-economic information) to be considered both when assessing whether there has been a significant increase in credit risk and when measuring expected credit losses. As with any economic forecast the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may significantly differ from those projected. Refer to Note 6 for more information on impairment of financial assets.

(2) The potential impairment of non-financial assets. IAS 36 requires goodwill and indefinite-lived intangible assets to be tested for impairment at a minimum every year, and other non-financial assets whenever there is an indicator that those assets might be impaired. Based on the impairment testing performed no impairment charges have been recognized in relation to non-financial assets as a result of the economic conditions created by the pandemic and the conflict in Ukraine.

(3) Whether the net realizable value for the Group's inventory exceeds cost.

(4) The Group's ability to comply with the terms of its loan agreements and the impact of this on the classification of the Group's borrowings, as this is detailed in Note 22.

The future effects of the COVID-19 pandemic and the conflict in Ukraine on the Cyprus economy, and consequently on the future financial performance, cash flows and financial position of the Group, are difficult to predict and management's current estimates could differ from actual results. The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current economic environment.

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 Law 130(I)/2021 Regulating the Electricity Market 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 2021 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. These accounting policies have been applied consistently for all years presented in these consolidated financial statements 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 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 2021. This adoption did not have a material effect on the accounting policies of the Group.

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 the new standards, amendments to existing standards and interpretations effective from 1 January 2021, 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.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition net of any accumulated impairment losses.

Dividends received or receivable from associate are recognised as a reduction in carrying amount of the investment.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary, to ensure consistency with the accounting policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in profit or loss.

After application of the equity method, including recognising the associates' losses, the carrying amount of the investment in associate which includes the goodwill arising on acquisition is tested for impairment by comparing its recoverable amount with its carrying amount whenever there is an indication of impairment and recognizes the amount of impairment adjacent to "share of profit/(loss) of associates" in the profit or loss.

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 good or 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 trade 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.

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 (Pension Fund), and various other defined contribution plans, the assets of which are held in separate trustee-administered funds. The Group also operates a defined benefit plan, comprising of a lump sum amount at the termination of employees on a contract basis. There is no separate Fund for this plan. These plans, with the exemption of the Provident Fund, are mainly funded by the Group.

For the two defined benefit plans, 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 where applicable (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 Pension Fund 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 Pension Fund is deducted in order to ensure its viability. For employees on a contract basis, the deduction of 3% applies from 14 February 2014.

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. In accounting for the tax effects of on-balance sheet leases, the Group views the right-of-use asset and lease liability separately and considers that the temporary difference on each item does not give rise to deferred tax since the initial recognition exception applies.

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.

Uncertain tax positions
The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within "finance costs" and other "gains/(losses)-net", respectively.

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

According to the Cyprus Law for the Scheme of Greenhouse Gas Emission Allowance Trading, N.110(I)/2011, a Greenhouse Gas Emissions Trading Scheme is established in order to promote the reduction of greenhouse gas emissions with the objective of reducing the level of pollution in the environment.

According to the Law, 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. From 2020 onwards, no free rights are assigned to any electricity operator, including the Authority.

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.

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, as FVOCI or as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments and mutual funds 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 at fair value through profit or loss (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 and mutual funds 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. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses)-net" together with foreign exchange gains and losses.

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 or 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 and mutual funds

The Group subsequently measures all equity investments and mutual funds at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments and mutual funds in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The Group's policy is to designate equity investments and mutual funds 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 and mutual funds measured at FVOCI are not reported separately from other changes in fair value.

Financial assets – impairment – credit loss allowance for expected credit losses

The Group assesses on a forward-looking basis the expected credit losses ("ECL") for debt instruments (including loans) measured at amortised cost ("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.

The impairment methodology applied by the Group for calculating expected credit losses depends on the type of financial instrument assessed for impairment. Refer to Note 6, Credit risk section, for a description of the impairment methodology applied by the Group for calculating expected credit losses for financial assets that are subject to impairment under IFRS 9.

Additionally, the Group has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to Note 6, Credit risk section for a description of how the Group determines low credit risk financial assets.

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:
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. 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 the income statement for the year.

(b) Operating lease
Where the Group is a lessor in a lease which does not transfer substantially all the risks and rewards incidental to ownership to the lessee (i.e. operating lease), rental income is recognised as "other 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. Modification of operating leases are accounted for by the Group as a new lease from the effective date of the modification, with any prepaid or accrued lease payments relating to the original lease considered as part of the lease payments for the new lease.

(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 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. Refer to 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 2021, 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:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)*. The EU endorsement is postponed as IASB effective date is deferred indefinitely. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its consolidated financial statements and as of the date of issue of these consolidated financial statements the impact of the amendments is not known.

- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss.

  An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

  The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

  IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

  The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

  Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

  IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The Group is currently assessing the impact of the amendments on its consolidated financial statements and as of the date of issue of these consolidated financial statements the impact of the amendments is not known.

- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023)*. The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Group is currently assessing the impact of the amendments on its consolidated financial statements and as of the date of issue of these consolidated financial statements the impact of the amendments is not known.
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)*. The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group is currently assessing the impact of the amendments on its consolidated financial statements and as of the date of issue of these consolidated financial statements the impact of the amendments is not known.
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)*. The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Group is currently assessing the impact of the amendments on its consolidated financial statements and as of the date of issue of these consolidated 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 €2.403.000 (2020: €(460.000)) and relates to normal operating and financing activities (Note 13).

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

31 DECEMBER 2020	UNITED STATES DOLLARS
	€000
Assets:	
Short term deposits	13.240
Cash and cash at bank	217
	13.457
Liabilities:	
Suppliers	(13.210)
Amount available for interpleader proceedings	(14.160)
	(27.370)
Net foreign currency exposure	**(13.913)**

31 December 2021	UNITED STATES DOLLARS
	€000
Assets:	
Short term deposits	12.127
Cash and cash at bank	2
	12.129
Liabilities:	
Suppliers	(16.805)
Amount available for interpleader proceedings	(12.976)
	(29.781)
Net foreign currency exposure	**(17.652)**

Sensitivity analysis
A 10% strengthening of the Euro against the following currencies at 31 December 2021 and 2020 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 below foreign currency at 31 December 2021 and 2020, there would be an equal and opposite impact on the equity and profit or loss.

	EQUITY		PROFIT OR LOSS	
	2021	2020	2021	2020
	€000	€000	€000	€000
United States Dollars	1.217	1.545	1.217	1.545
	1.217	1.545	1.217	1.545

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:

	2021	2020
	€000	€000
Fixed rate instruments		
Financial assets	57.451	203.316
Financial liabilities	(247)	(287)
Variable rate instruments		
Financial liabilities	(194.326)	(228.341)
	(137.122)	(25.312)

Sensitivity analysis

A decrease of 100 basis points in interest rates at 31 December 2021 and 2020 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	
	2021	2020	2021	2020
	€000	€000	€000	€000
Variable rate instruments	1.700	1.998	1.700	1.998
	1.700	1.998	1,700	1.998

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 2021 or 31 December 2020 respectively and the corresponding historical credit losses experienced during the period 2016-2021. 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.

In particular, any difference in the GDP growth rate of more than 50% requires a reassessment of the expected loss rates. At the reporting date, the GDP growth rate differed by more than 50% compared to the previous reporting period. Towards the end of 2021, the pandemic situation began to stabilize and the GDP growth rate in the fourth quarter of 2021 was comparable to that of the fourth quarter of 2018, when the expected loss rates were determined. Following a detailed analysis of the account profiles, the debt-sales ratio and the historical experience of credit loss, no indications of an upward trend in the percentage of bad debts that would result in a possible final loss of receivables were found. The Management of the Group considered that the expected loss rates were determined taking into account historical information of the years 2014-2018 during which the Cypriot economy was negatively affected by the financial crisis of 2013, which had a more serious economic impact on the Cypriot economy than the current pandemic. To this end, Management has concluded that the expected loss ratios already used by the Group are prudent, as they take into account financial information affected by a financial crisis, thus reflecting in the expected credit loss, rates resulting for trade debtors from an economic crisis.

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 2021 and 31 December 2020 was determined as follows:

	31 DECEMBER 2021					
	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	13.116	12.979	1.029	573	1.086	1.086
From 181 up to 365	258	168	495	68	-	-
From 121 up to180	106	64	481	69	-	-
From 91 up to 121	101	23	854	40	-	-
From 61 up to 90	97	6	1.686	31	-	-
From 21 up to 60	150	5	16.435	76	-	-
Not overdue	368	268	43.935	105	64.225	55
Total	**14.196**	**13.513**	**64.915**	**962**	**65.311**	**1.141**

	31 DECEMBER 2020					
	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	12.044	11.854	2.190	1.267	1.116	1.116
From 181 up to 365	472	309	657	91	-	-
From 121 up to180	200	124	513	72	-	-
From 91 up to 121	124	26	805	38	-	-
From 61 up to 90	142	40	1.491	28	-	-
From 21 up to 60	141	10	9.626	46	18	-
Not overdue	699	271	26.793	62	40.861	34
Total	**13.822**	**12.634**	**42.075**	**1.604**	**41.995**	**1.150**

The closing loss allowances for trade receivables and contract assets as at 31 December 2021 reconcile to the opening loss allowances as follows:

	TRADE RECEIVABLES	
	2021	2020
	€000	€000
Opening loss allowance 1 January	**15.388**	15.256
Increase in the allowance recognised in profit or loss during the year	**228**	132
Closing loss allowance as at 31 December	**15.616**	15.388

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.

<u>Other financial assets at amortised cost</u>

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.

• 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 REVENUE
Performing	Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime	Gross carrying amount
Underperforming	Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Stage 2: Lifetime expected losses	Gross carrying amount
Non-performing	Interest and/or principal repayments are 90 days past due	Stage 3: Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)
Write-off	Interest and/or principal repayments are 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 cash and cash equivalents, short term deposits and financial assets at amortised cost. 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 2021 and 31 December 2020:

INTERNAL CREDIT RATING	EXTERNAL CREDIT RATING	2021 €000	2020 €000
Performing	BBB - B	**25.260**	100.973
Performing	Without rating	**32.584**	104.635
Total short-term deposits		**57.844**	205.608

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 2020 and 31 December 2021 reconciles to the opening loss allowance for that provision as follows:

	STAGE 1 PERFORMING	TOTAL
	€000	**€000**
Opening balance 1 January 2020	**(2.756)**	(2.756)
Changes in short-term deposits	**464**	464
Loss allowance at 31 December 2020	**(2.292)**	(2.292)
Changes in short-term deposits	**1.899**	1.899
Loss allowance at 31 December 2021	**(393)**	(393)

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 2021 and 31 December 2020:

INTERNAL CREDIT RATING	EXTERNAL CREDIT RATING	2021 €000	2020 €000
Performing	BBB - B	**89.898**	7.999
Performing	CCC - C	**-**	72.953
Performing	Without rating	**87.443**	119.956
Total (1)		**177.341**	200.908

(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 2020 and 31 December 2021 reconciles to the opening loss allowance for that provision as follows:

	STAGE 1 PERFORMING	TOTAL
	€000	**€000**
Opening balance 1 January 2020	**(42)**	**(42)**
Changes in cash and cash at bank	(27)	(27)
Expected credit loss 31 December 2020	**(69)**	**(69)**
Changes in cash and cash at bank	21	21
Expected credit loss 31 December 2021	**(48)**	**(48)**

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 2021 and 31 December 2020:

INTERNAL CREDIT RATING	2021	2020
	€000	€000
Performing	**19.695**	15.246
Under performing	**-**	-
Non performing	**75**	75
Total other financial receivables	**19.770**	15.321

The expected credit loss for other financial receivables at 31 December 2020 and 31 December 2021 is reconciled with the opening expected credit loss as follows:

	STAGE 1 PERFORMING	STAGE 3 NON-PERFORMING	TOTAL
	€000	**€000**	**€000**
Opening balance 1 January 2020	**(223)**	**(75)**	**(298)**
Changes in other financial receivables	(27)	-	(27)
Expected credit loss 31 December 2020	**(250)**	**(75)**	**(325)**
Changes in other financial receivables	4	-	4
Expected credit loss 31 December 2021	**(246)**	**(75)**	**(321)**

(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	2021	2020
	€000	€000
Movement in loss allowance for trade receivables	**(228)**	(132)
Decrease / (increase) in loss allowance for other financial assets	**4**	(27)
Reversal of previous impairment loss on cash and cash equivalents	**1.921**	437
Net impairment losses on financial assets	**1.697**	278

• **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.

	LESS THAN ONE YEAR	BETWEEN ONE AND TWO YEARS	BETWEEN TWO AND FIVE YEARS	MORE THAN FIVE YEARS
AT 31 DECEMBER 2020	**€000**	**€000**	**€000**	**€000**
Borrowings (Capital and interest)	37.004	37.147	76.397	116.550
Trade and other payables [1]	140.533	-	-	-
Lease liabilities	637	436	1.037	12.557
	178.174	37.583	77.434	129.107
AT 31 DECEMBER 2021				
Borrowings (Capital and interest)	34.357	25.401	69.652	95.260
Trade and other payables (1)	147.462	-	-	-
Lease liabilities	549	490	1.207	14.473
	182.368	25.891	70.859	109.733

[1] *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 2021, the Group's strategy, which was unchanged from 2020, was to maintain the gearing ratio within 0% to 10%. The gearing ratio at 31 December 2021 and 2020 was as follows:

	2021	2020
	€000	€000
Total borrowings (Note 22)	**194.573**	228.628
Less: Short term deposits (Note 21)	**(57.451)**	(203.316)
Cash and cash equivalents (Note 21)	**(177.722)**	(200.978)
Net debt	**(40.600)**	(175.666)
Total equity including deferred income	**1.510.068**	1.417.943
Total Capital as defined by the Group	**1.469.468**	1.242.277
Gearing ratio	**(3)%**	(14)%

(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	
	2021	2020
ASSETS	**€000**	€000
Financial assets at fair value through profit or loss:		
- Equity securities	**240**	166
- Mutual funds	**42.195**	-
Total financial assets measured at fair value	**42.435**	166

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.

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) Estimated impairment of property, plant and equipment
The Group assesses at the end of each reporting period whether there are any indications for impairment of its property, plant and equipment, in accordance with the accounting policy stated in Note 4. As a result of the impairment assessment performed, no impairment charge has been recognized in relation to property, plant and equipment.

(ii) 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 2021 and 31 December 2020 would result in an increase or decrease in credit loss allowances by €9.799 and €52.479 respectively.

(iii) 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.

(iv) Defined Benefit Plans
The present value of the defined benefit plans' 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 plans. An increase or decrease in the discount rate by 50 basis points would result in a decrease by €75.590 thousand or increase by €86.909 thousand respectively to the present value of the retirement plans' obligation.

(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 31 December 2021 and 31 December 2020, 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 €154 thousand (2020: €406 thousand).

(vi) Investment in the associate company ETYFA Ltd
Management assesses at the end of each reporting period whether there is any indication of impairment of the investment in accordance with the accounting policy referred to in Note 4. As a result of the assessment, no indication of impairment was found and no impairment test was performed in relation to the investment in the associate company ETYFA Ltd.

8. REVENUE

	2021	2020
	€000	€000
Revenue from sale of electricity	797.328	645.171
Electricity market income	1.645	-
Income from desalination	13.394	8.504
Consumers' capital contributions	24.440	23.705
Income from reconnection	1.577	1.471
Replacement/maintenance public lighting contracts	9.025	8.856
Income from photovoltaics at schools	1.294	-
Other revenue	743	1.741
Total revenue before special discount	849.446	689.448
Special discount	(14.199)	(31.923)
Total revenue	835.247	657.525

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 €671.000 (2020: €538.000).

With the Decision of the Cyprus Energy Regulatory Authority no. 294/2021 (2020: Decisions 104/2020, 141/2020 and 222/2020), the Authority granted for a period of 4 months from November 2021 to February 2022 (2020: period of 6 months April-September 2020), a 65% discount on regulated tariffs for the use of transmission and distribution systems (T-NH, T-NM, T-NL) that have been approved by Decision No. 15/2021 of CERA (2020: 10% discount on the final price of electricity with (a) Reduction of all regulated electricity tariffs that had been approved by Decision No. 05/2020 of CERA by 10% and (b) Reduction of the fuel clause coefficients for the adjustment of the wholesale tariff (T-W) that have been approved by Decision No. 01/2020 of CERA, by 10%). Based on the decisions of CERA, the reduced revenue that the Basic Regulated Activities will suffer due to the reduction of regulated electricity tariffs will not be recovered during the remaining current regulatory period or during the next regulatory period but instead will be covered by the Authority's cash reserves.

The total discount granted during 2021 was €14.199 thousand (2020: €31.923 thousand).

Assets and liabilities related to contracts with customers

The Group recognised the following assets and liabilities related to contracts with customers:

	2021	2020
	€000	€000
CONTRACT ASSETS		
Current		
Contract assets related to projects for the replacement / maintenance of street lighting in progress	101	844
Loss allowance	-	-
Total current contract assets	101	844
Non-current	-	-
Total contract assets	101	844

	2021	2020
	€000	€000
CONTRACT LIABILITIES		
Current		
Contract liabilities related to projects for the replacement / maintenance of street lighting in progress	2.573	1.962
Non-current	-	-
Total contract liabilities	2.573	1.962

All projects in progress related to replacement / maintenance of street lighting are expected to be completed within the following financial year.

(i) Significant changes in contract assets and liabilities

The increase in contract liabilities is due to prepayments received by clients with whom the Group had contracts for the replacement / maintenance of street lighting which were not completed as at the reporting date.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2021	2020
	€000	€000
REVENUE RECOGNISED THAT WAS INCLUDED IN THE CONTRACT LIABILITY BALANCE AT THE BEGINNING OF THE PERIOD		
Projects for the replacement / maintenance of street lighting	1.599	-

(iii) Unsatisfied long-term contracts

The unsatisfied contract liabilities resulting from long-term contracts for the replacement / maintenance of street lighting are presented below.

	2021	2020
	€000	€000
Aggregate amount of the transaction price allocated to long-term contracts for the replacement / maintenance of street lighting that are partially or fully unsatisfied as at 31 December	8.671	5.797

The above amount is included in trade and other payables (Note 25).

Management expects that an amount of €1.181.000 of the transaction price allocated to the unsatisfied contracts as of 31 December 2021 will be recognised as revenue during the next reporting period. The remaining amount will be recognised in the financial years 2023-2028. The amount disclosed above does not include variable consideration which is constrained.

9. OTHER OPERATING INCOME - NET

	2021	2020
	€000	€000
Income from fees for telecommunication usage of optical fibres	1.519	2.213
Income from TSOC	3.926	3.775
Sundry income	4.346	3.989
Interest income calculated using effective interest rate method for financial assets at amortised cost:		
Bank balances	242	551
Other	443	438
	10.476	10.966

10. OTHER LOSSES - NET

	2021	2020
	€000	€000
Property, plant and equipment (Note 15):	45	64
Loss from sales	(192)	(106)
Fair value losses on financial assets at fair value through profit or loss	(147)	(42)

11. OPERATING COSTS

	2021	2020
	€000	€000
Fuel	385.784	304.952
Purchase of electricity from third parties	63.697	46.420
Temporary generating units	-	4.087
Greenhouse gas emission allowances cost	165.223	74.660
KODAP fee	5.510	5.979
Salaries and employer's contributions (Note 12)	95.396	92.604
Depreciation of property, plant and equipment (Note 15)	103.842	98.762
Depreciation of right of use assets (Note 16)	560	602
Repairs and maintenance	22.008	19.936
Expenses of projects for replacement/maintenance of street lighting and other third party projects	8.251	6.317
Independent auditor's fees for the compulsory audit of the annual financial statements	64	65
Rental expenses	42	24
Provision for impairment of inventories	1.100	1.100
Stock write off	337	-
Bad debts writen off	297	(16)
Cyprus Energy Regulatory Authority fees	1.837	1.811
Cyprus Transmission System Operator fee	4.147	4.799
Transport	3.053	2.964
Insurance	4.002	3.804
Telephones and postages	1.985	1.879
Electricity, cleaning and water	1.796	1.737
Other expenses	19.518	16.040
Total expenses	888.449	688.526

The total fees charged by the Authority's statutory auditor during the year ended 31 December 2021 for other non-audit services amounted to €72.700 (2020: €63.294).

12. STAFF COSTS

	2021	2020
	€000	€000
Salaries	77.592	74.963
Social insurance and other costs	12.571	11.854
Social cohesion fund	1.596	1.554
Provident fund contributions	353	302
Defined benefit cost - current year cost	16.310	15.449
Employees' deductions for the defined benefit plan*	(1.853)	(1.818)
Other defined contribution plans	1.999	2.726
	108.568	105.030
Average number of staff employed during the year	2.126	2.143

*The amount represents deduction of 3% on the employees salaries and is paid to the Group for maintaining the viability of the retirement plans per Law 216(i)/2012 paragraph 4 and Law 14(i)/2014 and is included in employer's contributions.

	2021	2020
	€000	€000
The staff costs were allocated as follows:		
Income statement:		
Staff costs (Note 11)	95.396	92.604
Capitalised in fixed assets and work in progress	13.172	12.426
	108.568	105.030

(i) Defined Benefit Plan - Pension Fund

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 2021 are in accordance with the actuarial valuation performed with reporting date 31 December 2021 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 2021.

	2021	2020
	€000	€000
Present value of defined benefit obligation	878.576	970.327
Fair value of plan assets	(595.014)	(567.878)
Net obligation on the consolidated statement of financial position	283.562	402.449
Funding level	68%	59%

	2021	2020
	€000	€000
Current service cost	14.333	11.964
Net interest expense	1.847	3.360
Total expense recognized in 'staff costs'	16.180	15.324

Movement in net obligation included in the consolidated statement of financial position	2021	2020
	€000	€000
Net obligation in the statement of financial position at the beginning of the year	402.450	330.535
Contributions by the employer	(16.085)	(14.149)
Total expense recognised in the consolidated income statement	16.180	15.324
Total amount recognised in other comprehensive loss	(118.982)	70.740
Net obligation at the end of the year	**283.563**	402.450

Changes to the present value of the defined benefit obligation during the year	2021	2020
	€000	€000
Present value of the defined benefit obligation at beginning of the year	970.327	890.495
Current service cost	14.333	11.963
Interest cost	4.441	9.023
Contributions by participants	1.130	1.116
Benefits paid out	(25.108)	(24.848)
Adjustments: - Actuarial (gain)/ loss - (financial assumptions)	(93.553)	99.252
- Actuarial loss/ (gain) - (experience)	7.006	(16.674)
Present value of the defined benefit obligation at the end of the year	**878.576**	970.327

Changes to the fair value of plan assets during the year	2021	2020
	€000	€000
Fair value of plan assets at the beginning of year	567.878	559.960
Expected return on plan assets	2.594	5.663
Contributions by the employer *	16.085	14.149
Contributions by participants	1.130	1.116
Benefits paid out	(25.108)	(24.848)
Adjustments: Actuarial gain	32.435	11.838
Fair value of plan assets at the end of the year	595.014	567.878

*Employer's contributions include an amount of €1.787.000 (2020: €1.787.000), 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:	2021	2020
	€000	€000
Gain/ (loss) from the remeasurement of the defined benefit obligation	86.547	(82.578)
Difference between the expected and actual return on plan assets	32.435	11.838
Total actuarial gain/ (loss) recognized in other comprehensive income	**118.982**	(70.740)

The cumulative actuarial amount recognised in the statement of other comprehensive income until 31 December 2021 was €305.466.000 deficit (2020: €424.448.000 deficit).

The principal actuarial assumptions used for the actuarial valuation were:

	2021	2020
Discount rate	**1,05%**	0,46%
Average expected return on plan assets	**1,05%**	0,46%
Total salary increases	**1,40% (0,90%+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	**1,80%**	1,50%
Pension increases	**1,15%**	1,00%
Increase on maximum insurable earnings limit	**2,30%**	2,00%
Price inflation	**1,80%**	1,50%
Mortality table	**60% of PA90 for men and 65% of PA90 for women**	60% of PA90 for men and 65% of PA90 for women
Plan duration	**19,3 years**	20,6 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 Euro Composite AA Bloomberg Index with maturity of 19,3 years (2020: 20,6 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 (2020: PA90). The underlying table reduced by 40% for men and by 35% for women 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 18,9 years and 22 years respectively.

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

	2021		2020	
	CHANGE	IMPACT	CHANGE	IMPACT
Discount rate	+0,50%	-8,60%	+0,50%	-9,20%
Discount rate	-0,50%	9,90%	-0,50%	10,70%
Salaries	+0,50%	5,40%	+0,50%	5,80%
Salaries	-0,50%	-5,00%	-0,50%	-5,40%
Pensions	+0,50%	10,90%	+0,50%	11,20%
Pensions	-0,50%	-9,90%	-0,50%	-10,20%
Life expectancy	+1 year	3,70%	+1 year	4,00%
Life expectancy	-1 year	-3,70%	-1 year	-3,90%

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

	2021		2020	
	€000	%	€000	%
Immovable property	29.520	4,94	29.581	5,19
Shares	168.756	28,27	141.107	24,77
Bonds - (Government)	5.096	0,85	30.268	5,31
Receivables	482	0,08	694	0,12
Loans to members	16.462	2,76	15.330	2,69
Hedge Funds	34.187	5,73	17.602	3,09
Mutual bond funds	248.409	41,61	270.897	47,55
Cash and cash equivalents	94.076	15,76	64.237	11,28
	596.988	100,00	569.716	100,00

The amount above represents the total of assets before deducting reserves and liabilities. The Plan's liabilities amount to €1.973 thousand (2020: €1.838 thousand).

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 2022 based on the amended IAS 19 is as follows:

	2022	2021
	€000	€000
Current service cost	10.610	13.888
Net interest charge	3.059	1.881
Total	13.669	15.769

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 Pension Fund for the next year are €24.940.672 (2021: €24.855.277).

The expected contributions to be paid to the Pension Fund for the financial year 2022 are €16.781.331 (2021: €17.189.361).

(ii) Defined Benefit Plan - Employees on a contract basis

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 2021 are in accordance with the actuarial valuation as at 31 December 2021 for the defined benefit plan for employees on a contract basis.

	2021	2020
	€000	€000
Present value of defined benefit obligation	1.444	1.467
Net obligation on the consolidated statement of financial position	1.444	1.467

	2021	2020
	€000	€000
Current service cost	124	111
Net interest expense	6	14
Total expense recognized in 'staff costs'	130	125

Movement in net obligation included in the consolidated statement of financial position	2021	2020
	€000	€000
Net obligation in the statement of financial position at the beginning of the year	1.467	1.226
Total expense recognised in the consolidated income statement	130	125
Payments to retired employees	(19)	-
Total amount recognised in other comprehensive loss	(134)	116
Net obligation at the end of the year	1.444	1.467

Changes to the present value of the defined benefit obligation during the year	2021	2020
	€000	€000
Present value of the defined benefit obligation at beginning of the year	1.467	1.226
Current service cost	124	111
Interest cost	6	14
Benefits paid out	(19)	-
Adjustments:		
- Actuarial (gain)/ loss - (financial assumptions)	(105)	158
- Actuarial gain - (experience)	(29)	(42)
Present value of the defined benefit obligation at the end of the year	1.444	1,467

Remeasurements:	2021	2020
	€000	€000
Gain/ (loss) from the remeasurement of the defined benefit obligation	134	(116)
Total actuarial gain/ (loss) recognized in other comprehensive income/(expense)	134	(116)

The actuarial amount recognised in the statement of other comprehensive income until 31 December 2021 was €18.000 surplus (2020: €116.000 deficit).

The principal actuarial assumptions used for the actuarial valuation were:

	2021	2020
Discount rate	1,05%	0,43%
Total salary increases	1,40% (0,90%+0,50%) + promotional and merit increases	1,25% (0,75%+0,50%) + promotional and merit increases
General salary increases	0,50%	0,50%
Price inflation	1,80%	1,50%
Plan duration	19,3 years	20,6 years

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

	2021		2020	
	CHANGE	IMPACT	CHANGE	IMPACT
Discount rate	+0,50%	-7,90%	+0,50%	-8,40%
Discount rate	-0,50%	8,80%	-0,50%	9,50%
Salaries	+0,50%	5,70%	+0,50%	6,40%
Salaries	-0,50%	-5,30%	-0,50%	-5,80%

The estimated regular statement of profit or loss charge for the financial year 2022 based on the amended IAS 19 is as follows:

	2022	2021
	€000	€000
Current service cost	**112**	122
Net interest charge	**16**	6
Total	**128**	128

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 plan for employees on a contract basis for the next year are €17.490 (2021: €19.476).

13. FINANCE COSTS

	2021	2020
	€000	€000
Interest expense:		
Borrowings	**2.046**	2.491
Other	**1.239**	511
	3.285	3.002
Net foreign exchange transaction losses/(gains)	**2.403**	(460)
	5.688	2.542

The finance cost is allocated as follows:

	2021	2020
	€000	€000
Consolidated income statement	**5.688**	2.542
	5.688	2.542

14. TAX

	2021	2020
	€000	€000
Current tax:		
Defence contribution	73	165
Total current tax	73	165
Deferred tax (Note 23):		
Origination and reversal of temporary differences	(5.396)	(10.592)
Total deferred tax	(5.396)	(10.592)
Tax credit	(5.323)	(10.427)

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

	2021	2020
	€000	€000
Loss before tax	(47.078)	(22.370)
Tax calculated at the applicable tax rates on income	(5.885)	(2.796)
Tax effect of expenses not deductible for tax purposes	598	92
Tax effect of expenses not deductible for tax purposes	(109)	(266)
Deferred tax	-	(7.622)
Defence contribution	73	165
Tax charge	(5.323)	(10.427)

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

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 certain cases, dividends received from abroad may be subject to special contribution for defence at the rate of 17%. In addition, in certain cases, dividends received from other Cyprus tax resident companies may also be subject to special contribution for defence.

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 2021			YEAR ENDED 31 DECEMBER 2020		
	BEFORE TAX €000	TAX (CHARGE)/ CREDIT €000	AFTER TAX €000	BEFORE TAX €000	TAX (CHARGE)/ CREDIT €000	AFTER TAX €000
Defined benefit obligation: Remeasurement of post employment benefit obligation	119.116	-	119.116	(70.856)	-	(70.856)
Other comprehensive income	119.116	-	119.116	(70.856)	-	(70.856)

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 2020										
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
Year ended 31 December 2020										
Opening net book value	43.825	181.656	693.289	629.792	2.917	619	444	1.768	64.329	1.618.639
Additions	278	85	283	279	556	195	110	2.305	88.251	92.342
Disposals	(3)	(59)	(206)	-	-	-	-	(1)	-	(269)
Depreciation charge	-	(11.846)	(55.919)	(28.675)	(661)	(170)	(103)	(1.388)	-	(98.762)
Transfers	244	1.127	13.238	19.542	-	-	-	6	(34.157)	-
Closing net book value	44.344	170.963	650.685	620.938	2.812	644	451	2.690	118.423	1.611.950
At 31 December 2020										
Cost	44.344	365.147	1.590.784	1.145.990	24.041	7.796	7.827	42.317	118.423	3.346.669
Accumulated depreciation	-	(194.184)	(940.099)	(525.052)	(21.229)	(7.152)	(7.376)	(39.627)	-	(1.734.719)
Net book value	44.344	170.963	650.685	620.938	2.812	644	451	2.690	118.423	1.611.950
Year ended 31 December 2021										
Opening net book value	44.344	170.963	650.685	620.938	2.812	644	451	2.690	118.423	1.611.950
Additions	1.122	2.309	7.163	760	760	93	211	1.846	75.617	89.881
Disposals	(3)	(2)	-	-	(5)	-	-	(2)	-	(12)
Depreciation charge	-	(12.237)	(58.309)	(29.190)	(768)	(155)	(96)	(3.087)	-	(103.842)
Transfers	416	12.407	74.622	27.383	-	-	-	4.467	(119.295)	-
Closing net book value	45.879	173.440	674.162	619.891	2.798	582	566	5.914	74.745	1.597.977
At 31 December 2021										
Cost	45.879	379.852	1.672.525	1.174.134	23.904	7.867	8.038	48.522	74.745	3.435.466
Accumulated depreciation	-	(206.412)	(998.363)	(554.243)	(21.106)	(7.285)	(7.472)	(42.608)	-	(1.837.489)
Net book value	45.879	173.440	674.162	619.891	2.798	582	566	5.914	74.745	1.597.977

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

	2021	2020
	€000	€000
Net book value	12	269
Profit from the sale of property, plant and equipment (Note 10)	45	64
Proceeds from disposal of property, plant and equipment	57	333

Depreciation amounting to €103.842.000 (2020: €98.762.000) 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 2021 in respect of these assets was NIL (2020: NIL) bringing the accumulated provision at 31 December 2021 to €12.440.000 (2020: €12.440.000) and leaving a written down value of €538.000 (2020: €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:

	2021	2020
	€000	€000
Right-of-use assets		
Land and buildings	10.189	9.203
Total	10.189	9.203
Lease liabilities		
Short term amount	340	450
Long term amount	10.154	8.898
Total	10.494	9.348

Additions to the right-of-use assets during the financial year 2021 were €1.480.251 (2020: €1.041.412 and the modifications €153.775 (2020: €406.000).

(iii) Amounts recognised in the income statement

	2021	2020
	€000	€000
Depreciation expense on right-of-use assets		
Land and buildings	(560)	(602)
Total	(560)	(602)
Interest on obligations under finance leases	(217)	(176)
Total	(217)	(176)

Expenses relating to lease contracts amounting to €42.000 (2020: €23.000) 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 2021 was €617.030 (2020: €662.024).

17. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

	2021	2020
	€000	€000
At beginning of year	42.971	-
Additions	-	43.000
Share of loss in investments in equity-accounted investees	(214)	(29)
At end of year	42.757	42.971

The details of the investments are as follows:

NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	HOLDING %	2021 €000	2020 €000
AHK-IAK AXERA Ananeosimes Ltd	Cyprus	Development of photovoltaic parks	49.99	-	-
Natural Gas Infrastructure Company of Cyprus (ETYFA) Ltd	Cyprus	Management of natural gas infrastructure	30,00	42.757	42.971
				42.757	42.971

On 9 March 2020, the Authority signed a shareholders' agreement with the Natural Gas Infrastructure Company of Cyprus (ETYFA) Ltd and on 29 April 2020 the Authority acquired 4.285 shares (30% of the share capital of the company) by paying the amount of €43m. 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 the natural gas infrastructure that will be developed in Cyprus. The Board of Directors of ETYFA is comprised of nine members, six of which (one of whom is the President) are appointed by DEFA and three (one of whom is the Vice President) are appointed by the Authority. The interest of the Authority in ETYFA is regarded as an investment in associate. ETYFA is a private company and there is no quoted market price available for its shares.

The Authority owns 4.999 shares in the company AHK-IAK AXERA Ananeosimes Ltd ("AHK-IAK") which represent 49,99% of the share capital of AHK-IAK. The Board of Directors of AHK-IAK is comprised of five members, two of which are appointed by the Authority, two are appointed by the Holy Archbishopric of Cyprus ("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 the Authority in AHK-IAK is regarded as an investment in associate. The associate company is of strategic importance for the extension of the operations of the Group in the field of Renewable Energy Sources. AHK-IAK is a private company and there is no quoted market price available for its shares.

Significant aggregate amounts in respect of Investments in equity-accounted investees:

	2021	2020
	€000	€000
ETYFA - Statement of financial position overview		
Non-current assets	78.782	74.432
Current assets	23.039	74.043
Current liabilities	(29.785)	(79.563)
Equity attributable to owners of the company	72.036	68.912
ETYFA - Income statement overview		
Loss from continuing operations	(712)	(96)
Total comprehensive loss	(712)	(96)

The information above reflects the amounts presented in the financial statements of the associate company (and not the Authority's share of these amounts).

	2021	2020
	€000	€000
ETYFA - Carrying amount of the investment in associate		
Net assets of associate	72.036	68.912
Proportion of the Authority's ownership interest in the associate	30%	30%
Goodwill	-	-
Authority's 30% interest	21.611	20.674
Other adjustments (other assets) (1)	21.146	22.297
Carrying amount of the EAC's interest in the associate (2)	42.757	42.971

(1) This amount represents the fair value of certain committed outstanding funds to be contributed by DEFA through government, based on an approved grant received from EU (€75m).

(2) This amount represents the initial acquisition cost for 30% interest amounting to €43m less the Authority's share of the associate's accumulated losses.

18. FINANCIAL ASSETS AND OTHER NON-FINANCIAL RECEIVABLES

a) Trade receivables

	2021	2020
	€000	€000
Trade receivables	144.422	97.892
Less: expected credit loss on trade receivables	(15.616)	(15.388)
Trade receivables - net	128.806	82.504

(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:

	2021	2020
	€000	€000
Euro - functional and presentation currency	128.806	82.504
	128.806	82.504

b) Financial assets at amortised cost

Financial assets at amortised cost include the following:

	2021	2020
	€000	€000
Capital contributions receivable by instalments	406	564
Other receivables	19.356	14.757
	19.762	15.321
Less: Loss allowance for financial assets at amortised cost	(321)	(325)
Net financial assets at amortised cost	19.441	14.996
Less non-current amounts	(1.446)	(3)
Current amounts	17.995	14.993

The maturity of non-current receivables is as follows:

	2021	2020
	€000	€000
Between 1 and 2 years	76	3
Between 2 and 5 years	228	-
Over 5 years	1.142	-
	1.446	3

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:

	2021	2020
	€000	€000
Euro - functional and presentation currency	17.995	14.993
	17.995	14.993

c) Financial assets at fair value through profit or loss

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

	2021	2020
	€000	€000
Listed Equity securities - Cyprus Stock Exchange	240	166
Mutual funds	42.195	-
	42.435	166

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 - net' (Note10) in profit or loss.

d) Other non-financial assets

	2021	2020
	€000	€000
Advance payments to subcontractors	4.933	7.208
Deposits and prepayments	6.795	6.277
	11.728	13.485

19. INVENTORIES

	2021	2020
	€000	€000
Fuel	67.016	41.175
Spare parts and other consumables	85.003	81.228
	152.019	122.403

The cost of inventories recognized as expense and included in operating costs amounted to €402.160.601 (2020: €318.478.544).

At 31 December 2021, inventories amounting to €3.515.571 (2020: €4.273.039) were impaired and provided for. The amount of the provision was €1.100.000 (2020: €1.100.000).

Inventories are stated at cost less impairment.

20. TAX REFUNDABLE

	2021	2020
	€000	€000
Corporation tax - receivable	4.298	4.298
Special contribution for defence	-	(770)
	4.298	3.528

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

	2021	2020
	€000	€000
Short-term bank deposits	57.844	205.608
Less loss allowance for short-term bank deposits	(393)	(2.292)
Short-term bank deposits net	57.451	203.316

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 0,00% - 1,10% (2020: 0,00% - 3,25%) and these deposits had a maturity of 3-12 months (2020: 3-12 months). Deposits of €13,2 million (2020: €12,1 million) are used as guarantees for fuel deliveries.

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

	2021	2020
	€000	€000
Euro - functional and presentation currency	44.265	191.413
United States Dollars	13.186	11.903
	57.451	203.316

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:

	2021	2020
	€000	€000
Cash at bank and in hand	**177.312**	194.330
Short-term bank deposits	**458**	6.717
	177.770	201.047
Less loss allowance of cash at bank	**(48)**	(69)
Cash and cash at bank - net	**177.722**	200.978

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 0,00% (2020: 0,00% - 0,10%) and these deposits had a maturity of 30 days (2020: 30 days).

Cash and bank balances are denominated in the following currencies:

	2021	2020
	€000	€000
Euro - functional and presentation currency	**177.505**	200.976
United States Dollars	**217**	2
	177.722	200.978

The main investing and financing non-cash transactions during the current year were the acquisition of right-of-use assets through leasing which amounted to €1.480.000 (2020: €1.041.000), the terminations of right-of-use assets which amounted to €89.000 (2020: €-) and the modifications to the right-of-use assets which amounted to €154.000 (2020: € 406.000).

Reconciliation of liabilities arising from financing activities:

	BANK BORROW-INGS	LEASE LIABILITIES	TOTAL
	€000	**€000**	**€000**
Balance at 1 January 2020	262.683	8.387	271.070
Cash flows:			
Capital repayments	(34.055)	(486)	(34.541)
Repayment of interest	(2.491)	(176)	(2.667)
Interest expense	2.491	176	2.667
Non-cash changes:			
Additions	-	1.041	1.041
Modifications	-	406	406
Balance at 31 December 2020 / 1 January 2021	**228.628**	**9.348**	**237.976**
Cash flows:			
Capital repayments	(34.055)	(399)	(34.454)
Repayment of interest	(2.046)	(217)	(2.263)
Interest expense	2.046	217	2.263
Non-cash changes:			
Additions	-	1.480	1.480
Terminations	-	(89)	(89)
Modifications	-	154	154
Balance at 31 December 2021	**194.573**	**10.494**	**205.067**

22. BORROWINGS

	2021	2020
	€000	€000
Current		
Bank borrowings	31.783	34.055
Non-current		
Bank borrowings	162.790	194.573
Total borrowings	194.573	228.628

Maturity of non-current borrowings is as follows:

	2021	2020
	€000	€000
Between 1 and 2 years	22.238	31.783
Between 2 and 5 years	57.349	61.775
Over 5 years	83.203	101.015
	162.790	194.573

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:

	2021	2020
	%	%
Bank overdrafts and loans	0,9	0,9

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

	2021	2020
	€000	€000
Floating rate		
6 months or less	194.326	228.341
Fixed rate on maturity	247	287
	194.573	228.628

The Group has the following unutilized borrowing facilities:

	2021	2020
	€000	€000
Floating rate		
Expiring within one year	73.000	68.000
Expiring beyond one year	86.000	86.000
	159.000	154.000

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:

	2021	2020
	€000	€000
Euro - functional and presentation currency	194.573	228.628
	194.573	228.628

23. DEFERRED TAX LIABILITIES

Deferred tax liabilities are analysed as follows:

	2021	2020
	€000	€000
Deferred tax liabilities to be settled after twelve months	78.658	84.054

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 €249.914 thousand (2020: €369.030 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:

	2021	2020
	€000	€000
At 1 January	84.054	94.646
Credit to income statement	(5.396)	(10.592)
At 31 December	78.658	84.054

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

	ACCELERATED TAX DEPRECIATION	DEFERRED INCOME	TAX LOSS	OTHER	TOTAL
	€000	€000	€000	€000	€000
At 1 January 2020	153.307	(56.907)	-	(1.754)	94.646
Charged/ (credited):					
Income statement	(9.426)	(1.087)	-	(79)	(10.592)
Balance at 31 December 2020 / 1 January 2021	143.881	(57.994)	-	(1.833)	84.054
Charged/ (credited):					
Income statement	(2.659)	(1.845)	(1.113)	221	(5.396)
Balance at 31 December 2021	141.222	(59.839)	(1.113)	(1.612)	78.658

24. DEFERRED INCOME

	2021	2020
	€000	€000
Balance at 1 January	463.958	455.259
Additions	39.204	32.404
Transferred to the consolidated income statement	(24.440)	(23.705)
Balance at 31 December	478.722	463.958
Deferred income more than one year	(453.353)	(439.519)
Deferred income within one year	25.369	24.439

25. TRADE AND OTHER PAYABLES

	2021	2020
	€000	€000
Fuel oil suppliers	13.210	16.804
Other suppliers	22.486	21.173
Interest payable	50	51
Accrued expenses	16.510	17.180
Creditors for purchase of land and substations	9.731	9.149
Amount available for interpleader proceedings*	14.160	12.976
Other creditors	16.155	14.869
Total financial liabilities to trade and other creditors at amortised cost	92.302	92.202
Deferred income - road lighting contracts	8.671	5.797
Deferred income - road lighting maintenance	29	-
Value Added Tax payable	9.881	13.800
Pay As You Earn tax payable	940	853
Retention from contractors on capital contracts	11.309	8.217
Consumers' deposits	43.852	40.114
Other liabilities	74.682	68.781
Trade and other creditors	166.984	160.983

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. The District Court of Nicosia issued on 27/5/2022 a decision by which the Electricity Authority of Cyprus, as the plaintiff in this lawsuit, was ordered to pay the full amount held in a bank account as available for the interpleader proceedings, to the three claimants of the amount. The Electricity Authority of Cyprus fully complied with this Decree.

26. SUBSIDIARY UNDERTAKINGS

	2021 HOLDING	2020 HOLDING	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES
Electriki Ananeosimes Limited (previously 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 2021 the Group had a contingent liability in respect of possible tax for various expenses, amounting to €3.223.786 (2020: €3.185.171) and possible tax refund amounting to €535.000 (2020: €535.000) as well as possible refund for defence contribution amounting to €10.457.586 (2020: €10.450.339)

(b) As at 31 December 2021 the Group had contingent liabilities in respect of pending litigations amounting to €1.777.080 (2020: €1.517.730). As at 31 December 2021 and 31 December 2020 the Group did not have any contingent assets in relation to pending legal cases. 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.

(c) On 31 December 2021 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 €10.000 for the benefit of the Department of Electrical and Mechanical Services regarding participation in a tender.

(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

	2021	2020
	€000	€000
Commitments in respect of contracts or with work in progress	**90.254**	64.696
Approved commitments but not contracted or without any work in progress	**105.500**	204.308
Approved commitments with expenditure outstanding	**195.754**	269.004

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

	2021	2020
	€000	€000
Sales of electricity to related parties of the Group	**71.626**	58.976
Replacement/ maintenance of street lighting	**9.025**	8.856
	80.651	67.832

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

	2021	2020
	€000	€000
Receivable from related parties from sales of electricity	8.778	5.243

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:

	2021	2020
	€000	€000
Salaries	384	378
Social insurance and other costs	72	71
Social cohesion fund	8	8
Pension fund costs	67	64
	531	521

(iv) Directors' remuneration

The total remuneration of the Directors is as follows:

	2021	2020
	€000	€000
Emoluments in their executive capacity	79	98

30. EVENTS AFTER THE REPORTING PERIOD

In February 2022, news of an increased concentration of Russian troops along the Russian-Ukrainian border raised concerns about possible Russian military intervention in Ukraine, causing political tensions to escalate. On February 24, real military action took place with the Russian invasion of Ukraine. Diplomatic talks between Ukraine and Russia are currently under way, but so far no agreement has been reached. The European Union has imposed a series of sanctions against Russia.

These developments have resulted in an increase in the price of oil in international markets, which will lead to a significant increase in the price of electricity. As a result, demand for electricity may decline, having a negative impact on the Group's profitability.

The future effects of this situation on the future financial performance, cash flows and financial position of the Group are difficult to predict and management's current estimates could differ from actual results. The Group's management believes that it is taking all the necessary measures so as not to complicate the Group's daily operations and to maintain the viability of the Group and the development of its business in the current economic environment. The Group's management is closely monitoring the situation and will act in accordance with the developments.

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 40 to 41.