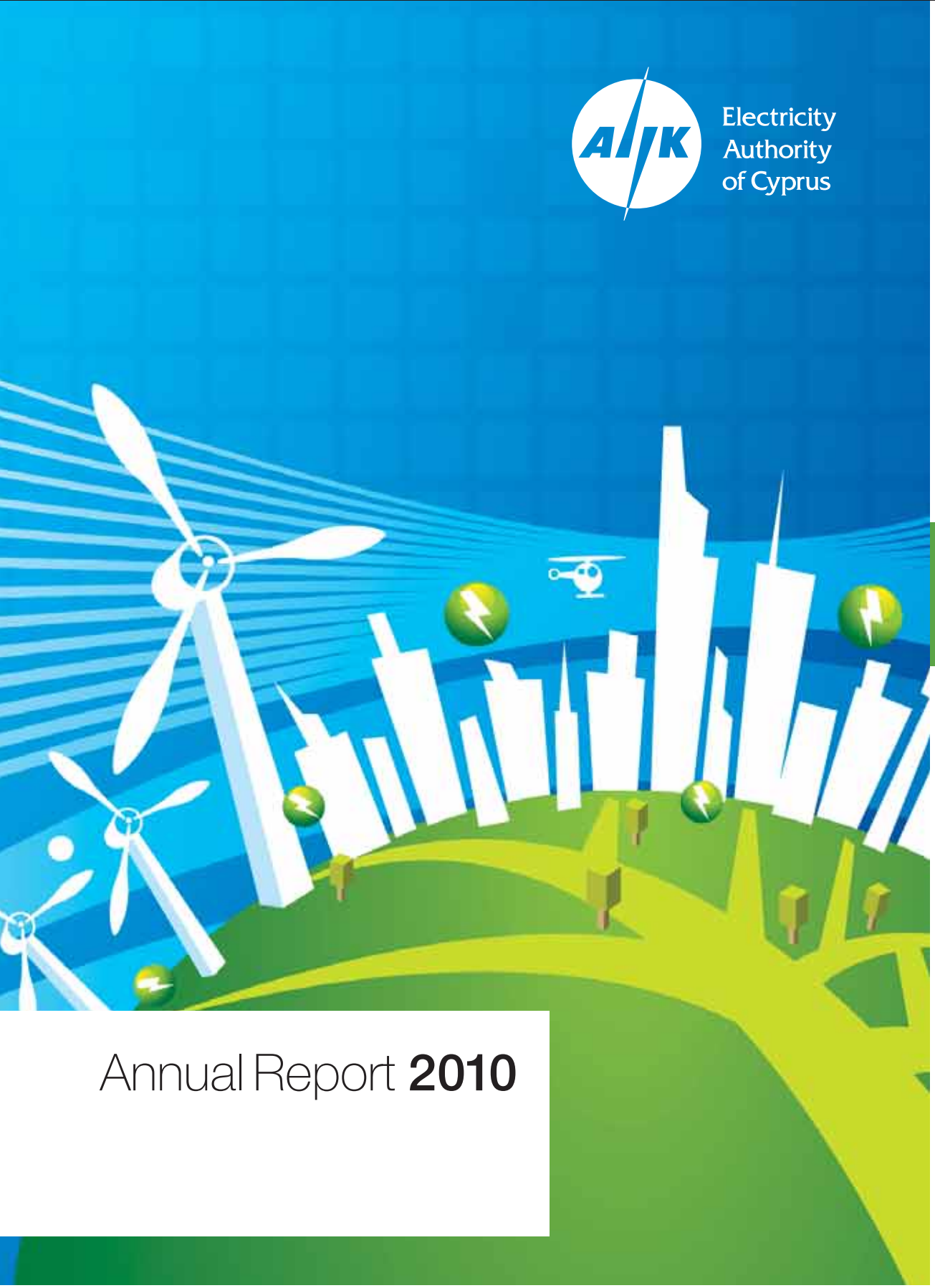
Electricity
Authority
of Cyprus



Annual Report **2010**



individual actions, individual talents, individual identities.

we all however,
share the same
desire to offer
a life filled with light
and an everyday
reality filled
with energy.

The Electricity Authority of Cyprus

The Electricity Authority of Cyprus is an independent, semi government corporation established under the Electricity Development Law Cap. 171 of 1952 in order to exercise and perform functions relating to the generation 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 Commerce, Industry and Tourism, is empowered to give directives to the Authority on matters appertaining to the general interest of the Republic.

Our Mission is...

To provide our customers with the highest quality of safe and reliable services in the energy sector and in other activities at competitive prices, respecting society, the environment and our people and contributing to the development of our country.

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The Year in Brief

		2010	2009	% Increase (Decrease)
GENERATION				
Total units generated	million kWh	5 204,9	5 133,3	1,4
Maximum output capacity of power stations	MW	1 438	1 388	3,6
Maximum demand met	MW	1 148	1 098	4,6
Thermal efficiency of generation	%	36,1	33,7	7,1
SALES OF ELECTRICITY				
Sales	million kWh	4 782,0	4 655,7	2,7
Consumption in the turkish occupied area	million kWh	7,8	8,4	(7,1)
Average charge per kWh sold	cents	16,232	13,473	20,5
Consumers at 31 December	thousand	535,1	520,0	2,9
FINANCE				
Total income	€ thousand	810.159	651.131	24,4
Operating costs	€ thousand	698.062	595.095	17,3
Operating profit	€ thousand	112.097	56.036	100,0
Finance costs	€ thousand	10.243	10.757	(4,8)
Tax	€ thousand	10.440	(58.305)	117,9
Provision as a result of Tax Council Decision	€ thousand	18.239	-	100,0
Net profit for the year	€ thousand	73.175	103.584	(29,4)
Capital expenditure	€ thousand	281.976	269.212	4,7
Average net assets employed	€ thousand	1.683.627	1.550.758	8,6
Return on average net assets employed	%	6,7	3,6	86,1
EMPLOYEES				
Permanent employees in service at 31 December		2 465	2 466	(0,1)
Sales per employee	million kWh	1,94	1,89	2,6
Consumers per employee		217	211	2,8

Board of Directors and Management

THE AUTHORITY

CHAIRMAN

H. Thrassou	Civil Engineer, MSc, ex Minister of Communications & Works

VICE CHAIRMAN

G. Pistentis	Businessman - Computers

MEMBERS

Filitsa Ioannou	Economist of National Kapodistriako University, Athens, Bank Employee
P. Chadjicharalambous	Mathematics University of Leipzig, Germany
Y. Valanides	Managing Director, Laiko Group, Mechanical Engineering of National Metsovio University (until 10/2/2010)
Y. Ioannou	Business Management - Economics - Greece
C. Enotiades	Businessman - Economist
S. Shialaros	Greek Literature Teacher
A. Tzitzos	Economist
A. Oratis	Mechanical Engineer - Teacher (since 23/2/2010)

H. Thrassou
Chairman

G. Pistentis
Vice Chairman

F. Ioannou
Board Member

Y. Ioannou
Board Member

P. Hadjicharalambous
Board Member

C. Enotiades
Board Member

S. Shialaros
Board Member

A. Tzitzos
Board Member

A. Oratis
Board Member

S. Stylianou
General Manager

LEGAL ADVISERS

Ioannides Demetriou, Lefkosia

AUDITORS

Auditor General of the Republic
PricewaterhouseCoopers, Lefkosia

EXECUTIVE

GENERAL MANAGER

S. Stylianou
BSc (Eng), PhD, MBA, MIMechE, CEng
(since 15/6/2010)

Vacant
(until 14/6/2010)

EXECUTIVE MANAGER FINANCE

H. Hadjiyerou
FCA, MBA

EXECUTIVE MANAGER CUSTOMER SERVICE

G. Petoussis
Dip. Eng. CEng, MIET

EXECUTIVE MANAGER NETWORKS

A. Avraamides
BSc (Eng), CEng, MIET

EXECUTIVE MANAGER GENERATION

A. Patsalis
BSc (Eng), MIOSH
(since 1/4/2010)

Vacant
(until 31/3/2010)

EXECUTIVE MANAGER COMMON SERVICES

A. Valanides
BSc Computer Science
Member of Cyprus Computer Society
(since 1/5/2010)

Vacant
(1/2/2010 until 30/4/2010)

C. Eliopoullos
Dipl Eng, Dipl Eng Mgt, CEng, MIMechE
(until 31/1/2010)

EXECUTIVE MANAGER CORPORATE DEVELOPMENT

N. Papadopoulos
BSc (Eng), CEng, MIET, CDipAF

Chairman's Message

Once again, the Annual Report of the Electricity Authority of Cyprus is here to put the past twelve months under scrutiny and review. 2010 can be considered a successful year for the EAC. Its contribution and its work have helped to reinforce its image as a reliable Public Benefit Organisation, one which has made a long-term contribution to the development of the economy and to the country's progress during its almost 60 years of existence.

In 2010, despite the fact that it was a difficult and somewhat peculiar year, the EAC continued its far from easy task of providing a dependable, uninterrupted supply of electricity throughout Cyprus and we are satisfied with what we have achieved.

Our efforts will continue with the unwavering aim of maintaining a healthy, robust Organisation which is dedicated to providing willing service to all its customers.

Financial situation

Our Organisation's financial situation is reflected in the statistics contained in this Annual Report. Fuel costs for 2010 represented 63% of the EAC's total expenses. This percentage reveals the long-term dependence of the EAC and the country as a whole on oil and the need to adopt alternative energy sources for electricity generation.

The average return on assets rose from 3,6% in 2009 to 6,7% in 2010.

The EAC Board and Management are aware of the difficulties that the Organisation is going to face in the future. The results of the past year reflect, on the one hand, the long-term result of the hard teamwork carried out by our human resources and, on the other, the need to increase productivity and to reduce the EAC's operating costs. Our every decision and action is taken in this framework and we have a duty to ensure that the EAC retains its leading role in the future. I am sure that our personnel's efficiency and productivity will increase even further so that they are the Organisation's most important asset in dealing with the demands imposed by the new competitive environment in the electricity market.

This significant observation of our human resources' all-encompassing efforts and total faith in the need to adapt to this new environment is something that makes us optimistic about our Organisation's new vision, a vision that sees us as leaders in the energy and services sectors.

Bringing natural gas to Cyprus

During the year under review, work continued on procedures relating to the advent of natural gas in Cyprus. The arrival of natural gas is of tremendous significance since it will determine important developments in the state's energy policy with considerable financial consequences. For the EAC, the advent of natural gas means losing our dependence on oil and its by-products for electricity generation, with positive repercussions on generating costs and environmental protection.

Continuous negotiations and close cooperation with the Ministry of Commerce, Industry & Tourism, the Cyprus Energy Regulatory Authority (CERA) and the Natural Gas Public Company Ltd (DEFA) are key elements in achieving our objective of ending our dependence on oil and its by-products as quickly as possible. At this point, it is up to the State to take its decisions immediately since the delays that have already occurred regarding this matter have already cost the citizens of Cyprus a great deal and any further delays will only make the situation worse.

Development of the Generation System

Regarding development works on the Generation System, in 2010 work continued at Vasilikos Power Station on the 220 MW combined cycle Unit No. 5. Delivery is due on 1 July 2011 for open cycle operation and on 1 January 2012 for a commercial combined cycle operation.

On 4 May 2010, the EAC Board of Directors authorized the Generation Business Unit to start negotiations (with no prior commitment) with the Unit No. 5 contractor for the awarding of a contract for Unit No. 6, as provided for in the relevant Tender for Unit No. 5, and its delivery for commercial operation in 2014.

During 2010 and specifically on 1 June 2010 the second array of 50 MW Internal Combustion Units (ICU 2) came into operation at Dhekelia Power Station in accordance with a CERA decision to raise the long-term backup system margin from 11% to 20%. The unit operates on mazut with the possibility of switching to natural gas at a later stage.

Chairman's Message

Development of the Transmission and Distribution Systems

During the year under review, a number of projects were undertaken on the Transmission and Distribution Systems.

The transmission network is the backbone of the EAC's system, connecting the power stations with the load centres. Development works respond to the ever-increasing demand for electricity and, at the same time, increase transmission system reliability. During the year under review, the installed capacity of the transmission substations increased by 29MVA to 3 158,5MVA.

In 2010 and specifically in July, the Oreites 132kV open-type substation in the Pafos district was energized. It is a connecting substation linking the 82MW Oreites Wind Park to the Transmission System.

Furthermore, during 2010, work continued on the Lakatamia, Amathus, Dhekelia, Psevdas, Alexigros, Stroumbi, Athienou, Trimiklini, Xeropotamos and New Pafos substations. The total cost of the above projects was €45,9 million. Also, the Vasilikos South 132kV substation was partially energized on 17 December 2010 in order to monitor Generation Unit No. 5.

With the aim of expanding and developing the distribution system, some 7 431 studies were completed in 2010 compared with 7 554 in 2009. The cost of construction work for the expansion and development of the distribution system in 2010 amounted to €65,1 million compared to €64,2 in 2009.

Renewable Energy Sources

As the main producer and supplier of electricity in Cyprus, the EAC could not but contribute actively to the overall effort to satisfy the demands of the European Union regarding RES, while acting within the strict framework of Cyprus' appropriately adapted and amended Laws and Regulations.

In this regard the EAC, in collaboration with the Lemesos Bishopric, is studying the possibility of establishing a solar power plant station on land owned by the Bishopric in the Akrotiri area of Lemesos. For Cyprus, this technology is the most promising for electricity generation using RES. Moreover, the EAC is examining a proposal by Bouygues Batiment International (Cyprus) for the joint submission by the EAC and Hermes Airports of a proposal to the Ministry of Communications & Works for the establishment of a 4 500kW photovoltaic park in the vehicle parking area at Larnaka International Airport.

Proposals are also being studied for partnerships for electricity generation from biogas and wind power.

Customer Service

In May 2010, the first service of the Contact Centre - the Meter Reading service - came into operation. This service enables customers whose meters have not been read to call and give the reading themselves. It has worked with extremely satisfactory results.

Moreover in August 2010, the Billing service of the Contact Centre was activated. The service provides customers with automated information about the amount of their bill and other billing information and clarifications on issues such as methods of settlement, connections/reconnections/disconnections, details of domestic tariffs and more.

Corporate Social Responsibility

Health, environmental protection, sport, visual arts, dance, music, the promotion of cultural monuments and support for families enclaved in the occupied part of Cyprus are the main pillars of the Electricity Authority's Corporate Social Responsibility (CSR) programme. In recent years, the EAC has helped hundreds of Associations and Organisations involved in the above sectors through this programme.

The "Light up a Life" event jointly organised every December by the Cyprus Anti-Cancer Society and the Electricity Authority of Cyprus has become a firmly established institution, providing financial support and helping the Society to achieve its aims. For the 10th consecutive year, Christmas events were held in all the island's towns, during which the EAC/CACS Christmas tree lights were switched on. In addition to these established events, a special day for children was held at the EAC's Head Offices, offering activities, items for sale and an entertainment programme. All the proceeds from these events, amounting to around €12.000, were donated to the Cyprus Anti-Cancer Society.

For the second time, the EAC hosted the World Press Photo exhibition at its Head Offices. The 2010 exhibition was held in collaboration with the Embassy of the Netherlands and the Cyprus Union of Journalists.

Thanks

To end this brief review of the past year, I would like to express particular thanks to all the services, individuals and bodies with whom the EAC and I personally cooperated in 2010.

I wish to thank the Minister of Commerce, Industry & Tourism, Antonis Paschalides, for his personal interest, his efforts and collaboration in promoting the work of the EAC, and all those working in his ministry. I also thank the Government, the House of Representatives, the President and Members of CERA, the Director of the Transmission System Operator, the Auditor-General, all the Government departments and Local Authorities with whom the EAC collaborated, and also the representatives of the media for their promotion of the EAC's work.

Finally, I would like to thank all my colleagues on the EAC Board, the General Manager Dr. Stelios Stylianou, the members of the Organisation's Management Team, the Unions and every member of our personnel for the superb cooperation that we had in 2010.

Haris Thrassou
Chairman

General Manager's Message

Fully aware of the rapid changes that are taking place in the electricity sector, of our important objectives and of the challenges that we shall be obliged to face in the future, the Electricity Authority of Cyprus achieved the difficult task of providing an uninterrupted supply of electricity in 2010, while completing several of its Development Plan projects. The Plan will enable the EAC to continue providing its services across Cyprus for many years to come, thereby benefiting the national economy and, at the same time, strengthening the Organisation's public image.

The EAC continued to flourish in 2010 and this is reflected in the progress achieved in its Development Plan projects as well as in the Organisation's financial results. Our endeavours throughout the year were unceasing and they touched on many parameters. Increased productivity, improved and upgraded services and a 12% reduction in our operating costs have filled us with optimism for the future. In the efforts we made in 2010 to provide the best possible service to customers and to carry out our mission to provide electricity in a responsible and safe manner, everyone made his/her contribution, irrespective of their position and rank within the Organisation. The role and work of all members of our personnel were more than crucial to our progress and I would like to take this opportunity to express my personal thanks to each and every EAC employee.

In summer 2010 we were able to provide an uninterrupted power supply under extremely difficult circumstances and this was a major success for the Organisation. Despite the fact that the demand for electricity is increasing significantly every year, we succeeded - thanks to our personnel's coordinated actions - in experiencing very few power cuts. In the isolated cases where the power supply was interrupted due to faults in the distribution system, the response of the EAC's technical crews was immediate, indicating once again that correct planning, of the kind that has taken place over the years in relation to the generation, transmission and distribution systems, always pays off in the end.

During the year under review, one of the main issues occupying the EAC was that of the arrival of natural gas (LNG) in Cyprus and its soonest possible deployment by the new Generation Units at Vasilikos Power Station. I am convinced that the close cooperation that exists between the EAC and other involved parties such as the Ministry of Commerce, Industry & Tourism, the Cyprus Energy Regulatory Authority (CERA) and the Natural Gas Public Company Ltd (DEFA) will bear fruit and thereby give the country the option of generating electricity with a more environmentally-friendly fuel and reaping all the benefits that this entails.

The effort that the EAC needs to make, in the light of the challenges arising in the new competitive environment that is being created in the electricity sector, requires hard work, greater productivity and respect for the customer. Our unwavering aim and duty towards future generations is to create a modern, strong and financially robust Organisation which is in a position to provide its own customers and consumers in general with an excellent, streamlined service. We are fully aware of the difficulties that lie ahead but I am sure that the zeal and obliging nature of our personnel will provide us with the wherewithal to continue the work that the EAC has carried out for almost 60 years.

Based on the load forecast by CERA in 2008, it was evident that in summer 2010 the long-term backup system margin would reach 11%. This percentage was below the 20% margin determined by CERA, rendering it imperative to reinforce the installed capacity in Cyprus. Taking the above position into account, the EAC decided to install a second array of internal combustion engines (ICU2) with a total capacity of 50MW at Dhekelia power station. These came into operation on 1 June 2010. The unit will operate on diesel fuel with the possibility of switching at a later stage to natural gas.

Work on Unit No. 5 intensified in 2010. Progress so far has been satisfactory. The Unit No. 5 work schedule confirms that the main deadlines in the contract will be met, i.e. open cycle operation on 1 July 2011 and combined cycle operation on 1 January 2012.

In the generation sector, on 4 May 2010, the EAC Board of Directors authorized the Generation Business Unit to start negotiations (with no prior commitment) with the Unit No. 5 contractor for the awarding of a contract for Unit No. 6, as provided for in the relevant Tender for Unit No. 5, and its delivery for commercial operation in 2014.

In July 2010 the Oreites 132kV open-type Substation in the Pafos district was energized. It is a connecting Substation linking the 82MW Oreites Wind Park to the Transmission System. A small section (0,18km) of a 132kV double circuit overhead power line was constructed to connect the Substation to the Polemidia and Anatoliko Substations.

Work continued in 2010 on a number of transmission Substations, including the Vasilikos South, Lakatamia, Amathus, Dhekelia, Psevdas, Alexigros, Stroumbi, Athienou, Trimiklini, Xeropotamos and New Pafos Substations.

On the issue of Renewable Energy Sources (RES) the EAC has already reached agreement with the Lemesos Bishopric to study the possibility of establishing a solar power plant station on land owned by the Bishopric in the Akrotiri area of Lemesos. Moreover, the EAC has signed a memorandum of cooperation with Bouygues Batiment International (Cyprus) and Hermes Airports for the establishment of a 4 500kW photovoltaic park in the vehicle parking area at Larnaka International Airport.

All the relevant procedures relating to the rebalancing of tariffs took place in 2010. Following CERA's public consultation, a draft of which was published on 26 November 2010 in issue 4653 of the Official Gazette of the Republic, CERA approved by decision 539/2011 the rebalancing of the EAC's tariffs which involves increases and reductions in various customer categories. The purpose of these is the gradual removal of cross-subsidies among consumer categories. They do not provide any financial benefit to the EAC.

General Manager's Message

In the realm of customer service, particular mention must be made of the Meter Reading and Billing services of the Customer Contact Centre which came into operation in 2010. The Meter Reading service enables customers whose meters have not been read to call and give the reading themselves while the Billing service provides automated information about the amount of their bill, as well as other billing issues, connections and tariffs.

Work continued at an intensified pace on the New Area Offices in Pafos in 2010. The project, which includes a closed type 132kV transmission Substation, is located at the roundabout at the entrance to Pafos and will thus become a point of reference for the town. The transmission Substation has been completed and energized while the building remains under construction and is due to be completed at the end of 2011.

The EAC continued its social contribution throughout 2010. Health, environmental protection, sport, visual arts, dance, music, the promotion of cultural monuments and support for families enclaved in the occupied part of Cyprus are the main pillars of the Electricity Authority's Corporate Social Responsibility (CSR) programme. In recent years, the EAC has helped hundreds of Associations and Organisations involved in the above sectors through this programme. The "Light up a Life" event, jointly organised every December by the Cyprus Anti-Cancer Society and the Electricity Authority of Cyprus, has become a firmly-established institution, providing financial support and helping the Society to achieve its aims. In 2010 the EAC co-organised with the Cyprus Anti-Cancer Society its first-ever special day for children at its Head Offices.

A major cultural event in 2010 was the World Press Photo exhibition, hosted by the EAC for the second time in Cyprus in collaboration with the Embassy of the Netherlands and the Cyprus Union of Journalists.

At this point I would like to express my particular thanks to the Chairman of the EAC Board, Mr Haris Thrassou, and to the other Board Members for their collaboration and to assure them that this collaboration will continue with the sole aim of bringing progress to our Organisation and looking after the welfare of our personnel.

To end this brief message, I would like to express my warm thanks to all my associates and in particular to the Executive Managers of the Business and Management Units for their superb collaboration, as well as to all the Staff Unions for the high level of responsibility that they have shown during the ongoing negotiations aimed at achieving business process improvement at the EAC.

I am certain that, by continuously upgrading the service it provides to the public but mainly thanks to the experience it has gained over all these many years of service to Cyprus, our Organisation will continue to be the leader in the new electricity market environment that has already begun to emerge.

Dr. Stelios Stylianou
General Manager

business and management units

Generation Business Unit

GENERATION OF ELECTRIC POWER

During the year 2010, the Electricity Authority of Cyprus continued the implementation of its operational and development program, which provides for the full utilisation, maintenance and extension of the existing Vasilikos, Dhekelia and Moni Power Stations.

VASILIKOS POWER STATION

Vasilikos Power Station, with an installed capacity of 648 MW (3 X 130 MW Steam Units, 220 MW CCGT Unit and 38 MW Gas Turbine Unit) generated in 2010, 3 162 958 MWh, which corresponds to 60,77% of the total electricity generated from the Authority's Power Stations. During the same period the Station exported, 2 999 616 MWh, which corresponds to 60,78% of the total electricity exported from the Authority's Power Stations.

The thermal coefficient of efficiency of the Steam Units, for units generated, reached 38,46%, for the CCGT Unit 47,95% whereas the corresponding thermal coefficient of efficiency for the Gas Turbine reached 22,73%.

Moreover, the thermal coefficient of efficiency of the Steam Units, for units exported, reached 36,04%, for the CCGT Unit 46,89%, whereas the corresponding thermal coefficient of efficiency for the Gas Turbine reached 19,64%.

Maintenance

During the period January-December 2010, Units No. 2 and 3 were taken out of service for a scheduled annual maintenance of the Steam Turbines and of the Steam Boilers.

The annual maintenance of the two Units included all the electrical equipment, transformers and auxiliary equipment as well as repairs of various defects.

All scheduled maintenance for the combustion systems of Gas Turbines No. 41 and 42, according to their number of operating hours, were carried out.

An external Contractor carried out the annual inspection and maintenance of the single mooring and all the heavy fuel oil unloading pipes were replaced. A new certificate was issued.

Works for the upgrading of the Human-System Interface Hardware and Software of the control system of Units No. 1, 2 and 3 were completed and the system has been put in service.

Generation Business Unit

DHEKELIA POWER STATION

Dhekelia Power Station, with an installed capacity of 460 MW (6 x 60 MW Steam Units and 100 MW for Internal Combustion Engines (ICE 1 & ICE 2) Plants), generated in 2010, 1 782 692 MWh which corresponds to 34,25% of the total electricity generated from the Authority's Power Stations. During the same period, Dhekelia Power Station exported, 1 695 224 MWh which corresponds to 34,35% of the total electricity exported from the Authority's Power Stations.

The thermal coefficient of efficiency of the Steam Units, for units generated, reached 30,27% whereas the corresponding thermal coefficient of efficiency for the Internal Combustion Plants reached 41,75%.

The thermal coefficient of efficiency of the Steam Units, for units exported, reached 28,64% whereas the corresponding thermal coefficient of efficiency for the Internal Combustion Plants reached 40,70%.

Maintenance

During the period January-December 2010 the annual maintenance of Units No. 2, 5 and 6 was completed. During the same period the annual maintenance of Unit No. 3, which began in 2009, was also completed whereas the annual maintenance of Unit No. 4 began and is expected to be completed by February 2011.

The annual maintenance of the Units included all the mechanical and electrical equipment, transformers, auxiliary equipment and repairs of various defects. Moreover in Units No. 5 and 6 the generator and exciter air cooler pipes were replaced with new ones.

For Units No. 5 and 6, life assessment studies for the remaining life of No.3 superheaters, carried out in 2009, showed that both superheaters need a replacement. The replacement of the two superheaters was completed successfully during 2010.

For the fire protection system, a replacement of various water pipes with a total length of 200m was carried out.

The Station moorings were inspected and maintained by an external Contractor and a new certificate was issued.

The performance tests for the ICE 2 Plant were completed successfully and the Engines were put on commercial use on the 1st of June 2010 as per Contract agreement.

A severe defect on the turbocharger of engine 1 of the ICE1 led to its replacement. The manufacturers are currently examining a change on the design of the flue gas filters of the turbocharger. It is expected that this change will be completed during 2011.

MONI POWER STATION

Moni Power Station, with an installed capacity of 330 MW (6 x 30 MW Steam Units and 4 x 37,5 MW Gas Turbine Units), generated in 2010, 259 247 MWh which corresponds to 4,98% of the total electricity generated from the EAC's Power Stations. During the same period the Station exported 240 675 MWh, which corresponds to 4,87% of the total electricity exported from the Authority's Power Stations.

The thermal coefficient of efficiency of the Steam Units for units generated reached 24,56% whereas the thermal coefficient of efficiency for the Gas Turbines was 22,56%.

Moreover, the thermal coefficient of efficiency of the Steam Units for units exported reached 22,77% whereas the corresponding thermal coefficient of efficiency for the Gas Turbines reached 21,61%.

Maintenance

During the period January-December 2010, the annual maintenance of Steam Boilers No. 1, 5 and 6 was completed whereas the annual overhaul of Steam Boiler No. 4 began and continued through 2011. The yearly maintenance of the Boilers included visual checks and cleaning of all parts, various repairs inside the boiler, replacement of superheater tubes, which have reached their design limits, with other better quality material tubes and repairs in the air and flue gas ducts in order to avoid leakages.

For Boiler No. 1 the elements of the hot and cold side of the air pre-heaters were replaced with new ones.

For Boilers No. 1, 4 and 5 the elements of the hot and cold side of the air pre-heaters were replaced with new ones.

During the same period the annual overhaul of Steam Turbines No. 1 and 2 was completed whereas the annual overhaul of Steam Turbines No. 5 and 6 began and continued through 2011.

The annual maintenance of the above Turbines included all the electrical equipment, transformers and auxiliary equipment.

The Station moorings were inspected and maintained by an external Contractor whereas the tanker mooring buoys chains were all replaced.

Generation Business Unit

ENVIRONMENTAL ISSUES

For the protection of the environment and the continuous monitoring of the air quality, six mobile air quality units, two for each Power Station, are in continuous operation at selected sites in the vicinity of the Power Stations. These fully equipped units are capable of monitoring the ground level concentrations of dust, nitrogen oxides (NOx), sulphur dioxide (SO_2), carbon dioxide (CO) and ozone (O_3). The units are also capable of measuring other meteorological data such as the wind speed and direction, the air temperature and the relative humidity.

STUDIES

- The Contract for the updating of the previous Development Program of the Operational Generation Unit was awarded to Lahmeyer International GmbH of Germany. For the preparation of the study the EAC took part with its own team of officers from various Operational Units. The study was completed at the beginning of 2010.
- Officers of the Operational Generation Unit were involved in the procedures required for the Accession of Cyprus in the European Union and the effects these will have on EAC operation and more specifically in matters involving the environment and the generation of electricity.
- The Operational Generation Unit prepared the verification report with calculations of the carbon dioxide CO2 emissions for the period January-December 2009 based on the greenhouse gas Emissions Trading Directive. This report was subsequently verified by an external consultant and submitted to the Ministry of Agriculture, Natural Resources and Environment.

PURCHASES

By the end of 2010, a total of 267 purchase orders were fulfilled out of which 208 were completed by the Operational Generation Unit (percentage 78%). Since the 1st of May 2010, after modification of the Technical Instruction YA/1/2009 all purchases from selective tenderers up to the amount of €100.000, are fulfilled by the Station personnel.

VASILIKOS POWER STATION DEVELOPMENT WORKS

Fourth Phase of Vasilikos Power Station

- Phase IV consists of two dual firing (liquefied natural gas and diesel) combined cycle Units with a capacity of 220 MW each (Units No. 5 and 6).
- For this Project the method of a completed contract (Turn Key) will be followed.

- The Consultants of the project, Lahmeyer International GmbH of Germany, have submitted to the Electricity Authority of Cyprus their final report which refers to the total review of the Generation Development Program and its formation so that it will be successfully implemented in the liberalized electricity market. The report was submitted in November 2006 and thereafter, the Business Unit Generation, after considering the best applicable scenario as well as other parameters analyzed in the report, prepared and submitted a specific proposal to the Board of Directors which was eventually approved on the 6th of December 2006. According to the approved proposal, Unit No. 5 was regarded as a definite Unit and should have been delivered for commercial operation in 2011 whereas Unit. No. 6 was regarded as an optional Unit and in case this option was materialized then the Unit should have been delivered for commercial operation either in 2011 (together with Unit No. 5), or in 2012 or in 2013.

In May 2009 the Consultants Lahmeyer International GmbH of Germany were asked to update the previous development program of 2006. Upon completion of the new program, the Board of Directors decided on the 4th of May 2010 to authorize the Generation Operational Unit to begin, without any commitment, the process of negotiations with the Contractor of Unit No. 5 for the award of a new Contract for Unit No. 6 with the prospect of delivering the Unit for commercial operation in 2014.

Generation Business Unit

Unit No. 5

- The EAC Board of Directors decided on the 30th of June 2009 to award the Contract to the joint venture J&P Avax / Hitachi Power Europe for a total price of €225.081.500.

  A separate Contract was awarded for the maintenance of the Gas Turbines for a period of six (6) years from the date of commercial delivery of the Turbines. The Contract was awarded to General Electric USA which is the manufacturer of the Gas Turbines. The Contract price is €29.961.000. The Contract covers the planned maintenance of the Gas Turbines as well as the provision of spare parts. At the same time a strategic stock of spare parts will be kept on site in order to avoid delays in case of unexpected defects.

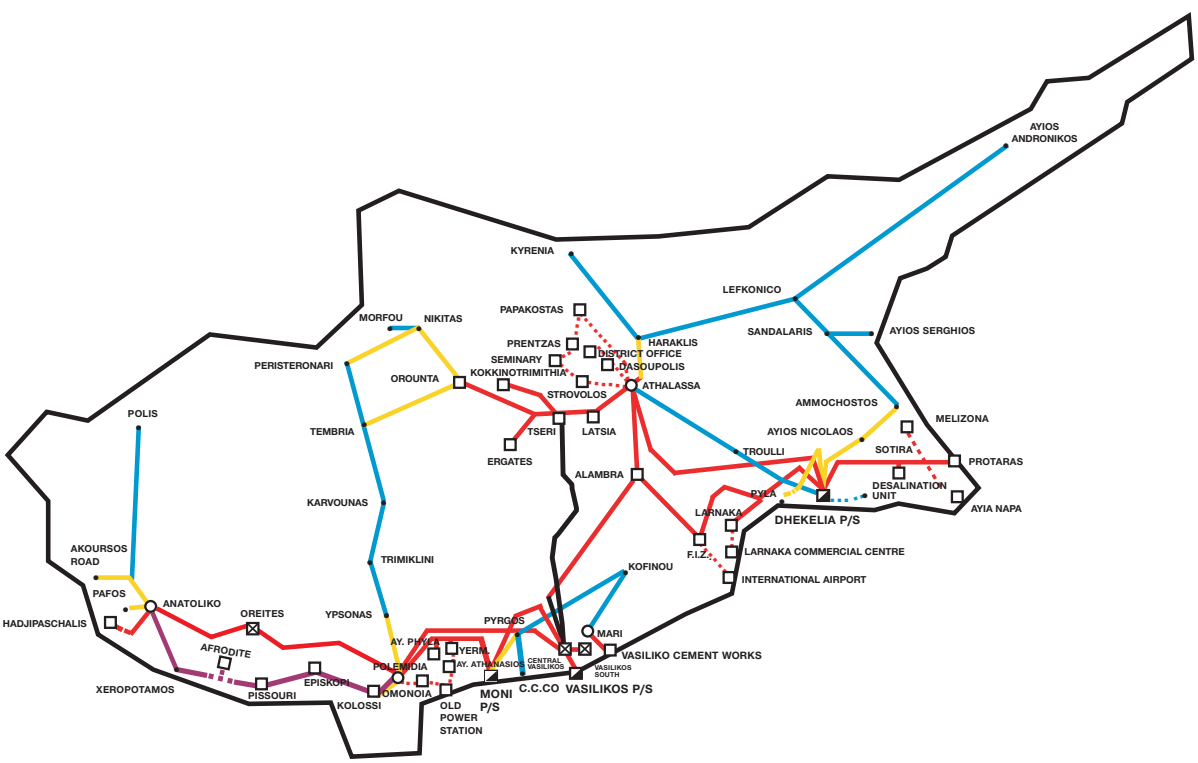
- In the meantime the submission of technical documents and designs from the Contractor concerning the detailed design of the Plant continued. The documents are examined by the consultants and the EAC project team and various comments are submitted to the Contractor. The design of the Project has been almost completed.

- The works at the site are currently carried out intensively and the equipment as well as the Contractor's personnel are increased according to the progress of the Project. The last update of the works program was done in August 2010. According to this program the Unit is expected to operate in an open cycle commercial mode on the 1st of July 2011 and in a combined cycle commercial mode on the 1st of January 2012.

Unit No. 6

- EAC and the Consultants Lahmeyer International GmbH of Germany have signed an agreement for consultancy services concerning Unit. No. 6 and the respective date of commencement of works was the 27th of September 2010.

- Generation Stations
- Substations 132/66/11kV
- Substations 132/11kV
- Substations 132kV
- Substations 66/11kV
- Overhead Lines 132kV
- Underground Cables 132kV
- Overhead Lines 132kV operated at 132/66kV
- Underground Cables 132kV operated at 132/66kV
- Overhead Lines 132kV operated at 66kV
- Underground Cables 132kV operated at 66kV
- Overhead Lines 66kV
- Underground Cables 66kV
- Overhead Lines 220kV operated at 132kV



Generation Business Unit

DHEKELIA POWER STATION DEVELOPMENT WORKS

Internal Combustion Engines (ICE 2) with a total capacity of 50 MW

- The electricity demand forecast for 2008 of the Cyprus Energy Regulatory Authority (CERA), indicated that the capacity reserve margin for the summer of 2010 would be of the order of 11%. This amount was below the limit of 20% and CERA's position was that it considered the value of 11% as not satisfactory and that the installed capacity in Cyprus should have been increased. The Electricity Authority of Cyprus, taking into account the above position decided to proceed with the installation of another three Internal Combustion Engines (ICE 2) with a total capacity of 50 MW which were put in operation on the 1st of June 2010. The Plant burns heavy fuel oil with the possibility of converting it in such a way so as to burn liquefied natural gas in the future.

SYSTEM OPERATION

Electricity supplied

In 2010 the total number of units generated by the EAC's three Power Stations was 5 204 897 000 kWh, compared with 5 133 330 000 kWh in 2009, representing an increase of about 1,39% over the previous year.

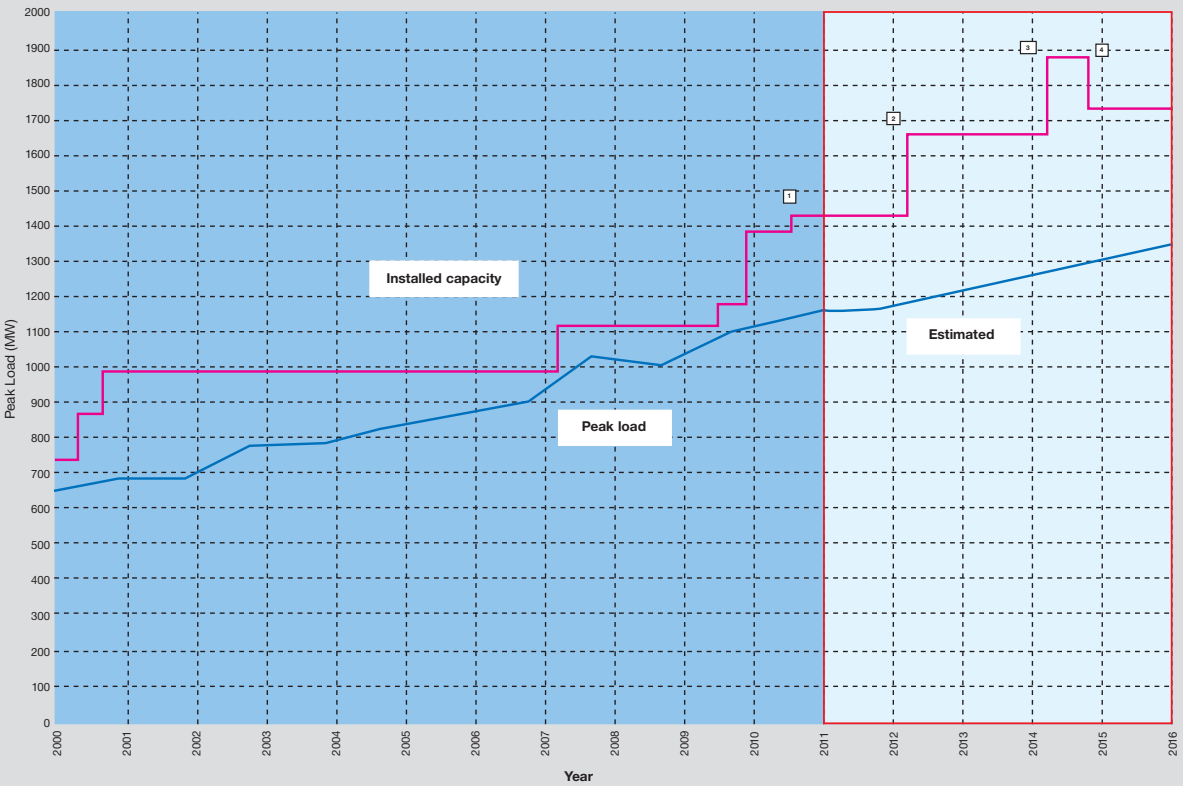
Figure 2 (page 32) shows the total number of units generated annually from 2003 to 2010. The predicted generation for the period 2011- 2018 is also shown.

Generation, Transmission and Distribution Losses

Electricity consumption at the power stations amounted to about 5,2% of the total generation, compared with 5,5% the previous year.

Figure 3 (page 32) shows electricity generation and sales distribution of sales to the various consumer categories.

Figure 1



DEVELOPMENT PLAN OF EAC

(1) COMMISSIONING OF INTERNAL COMBUSTION ENGINES (ICE 2) PLANT 50 MW (June 2010)

(2) COMMISSIONING 1 x 220 MW (COMBINED CYCLE UNIT No. 5, VASILIKOS) - 2012 (beginning)

(3) COMMISSIONING 1 x 220 MW (COMBINED CYCLE UNIT) - 2014 (beginning)

(4) DE-COMMISSIONING 6 x 30MW = 180MW (STEAM UNITS, MONI) - 2014 (end)

It is estimated that the steam units at Moni P/S will be taken out of service at the end of 2014.

Generation Business Unit

Fuel Consumption

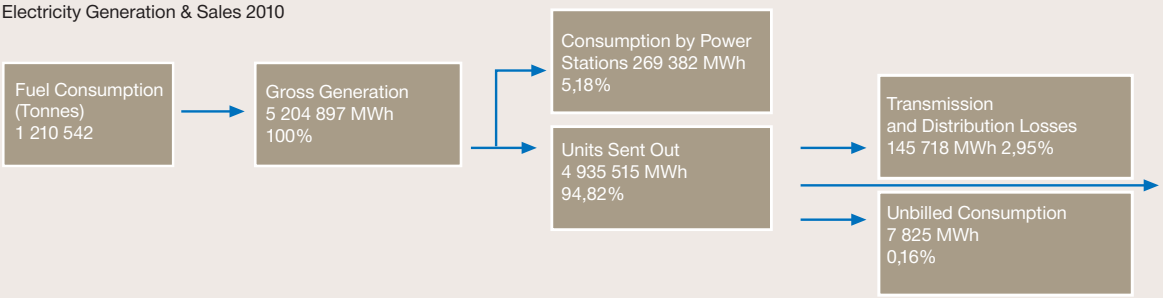
The amount of heavy fuel oil consumed by the power stations totalled 1 053 038 metric tonnes, compared to 1 163 081 metric tonnes the previous year, representing a decrease of 9,46%.

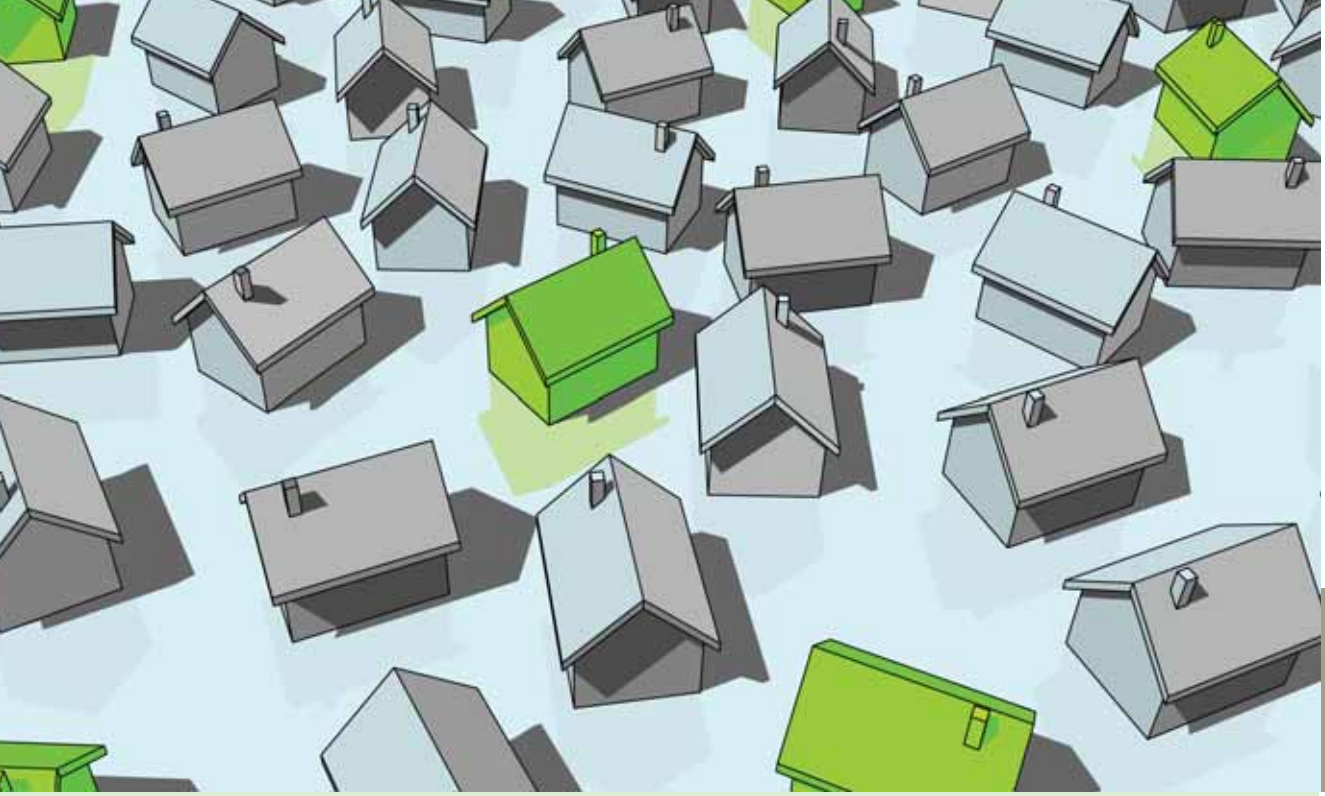
Figure 2

TOTAL GENERATION
(Million kWh)

Figure 3

Electricity Generation & Sales 2010



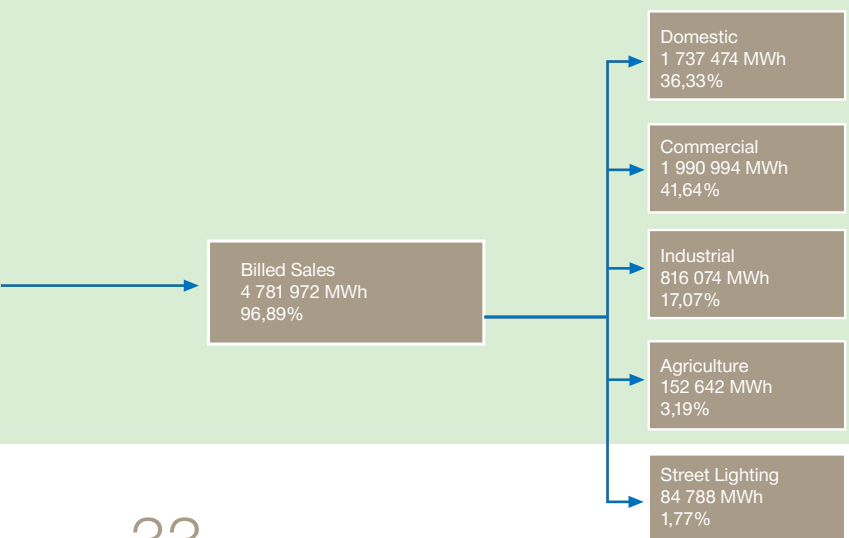


The total quantity of diesel fuel consumed by the power stations was 157 504 metric tonnes, compared to 91 918 metric tonnes consumed during 2009.

The average calorific value of the fuel oil used was 42 906 kJ/kg compared to 42 908 kJ/kg in 2009.

Plant Efficiency

Average generating system efficiency in 2010, based on the total units generated by the EAC's three power stations, was 36,08% compared with 34,32% in 2009. The heat rate per kWh generated was 9 979 kJ/kWh compared to 10 490 kJ/kWh in 2009. The main aim was to utilise the higher efficiency units of the Vasilikos and Dhekelia Power Stations to cover the basic load to the maximum possible extent, taking maintenance and load demand into account.



Networks Business Unit

TRANSMISSION NETWORK

INTRODUCTION

The transmission network is the backbone of the EAC's system, connecting the power stations with the load centres.

Development works respond to the ever-increasing demand for electricity and, at the same time, increase transmission system reliability. During the year under review, the installed capacity of the transmission substations increased by 29MVA, from 3 129,5MVA to 3 158,5MVA.

CONSTRUCTION PROJECTS

New substations

Completed substations

Oreites 132kV substation

The Oreites 132kV open-type substation in the Pafos district was energized in July 2010. It is a connecting substation linking the 82MW Oreites Wind Park to the Transmission System. A small section (0,18km) of a 132kV double circuit overhead power line was constructed to connect the substation to the Polemidia and Anatoliko substations.

New substations under development

Vasilikos South 132kV substation

The Vasilikos South 132kV substation (Vasilikos South No. 1 Circuit) was partially energized on 17 December 2010 in order to monitor Generation Unit No. 5. Moreover, in the Vasilikos Central substation, the 132kV panel was extended by one gate.

Lakatamia 132/22-11kV substation

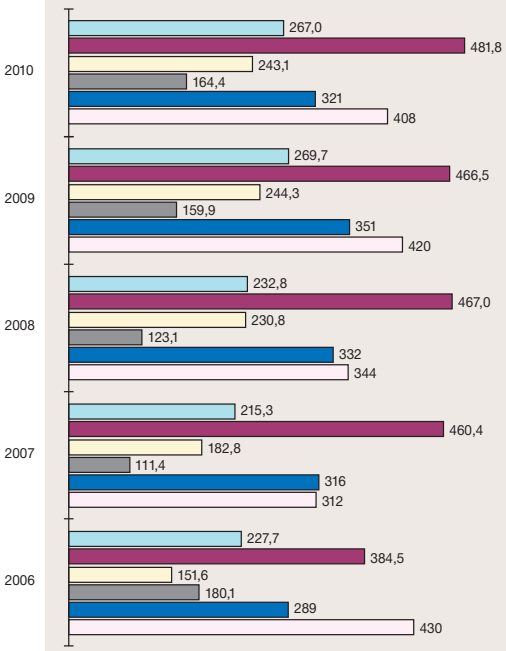
Electrical installation work on the Lakatamia 132/22-11kV substation has been completed. Pre-testing and energization of the substation is due in the middle of February 2011.

Amathus 132/22-11kV substation

Installation of the 6,1km 132kV Moni-Amathus underground circuit will be completed at the beginning of February 2011. It forms part of the broader Lemesos overhead power line undergrounding project with which the Amathus 132/22-11kV GIS 80MVA substation will be energized. The electrical installation work has already been finished.

Figure 4

NEW DISTRIBUTION PROJECTS EXECUTED IN THE LAST FIVE YEARS



Dhekelia 132/11kV substation

Electrical installation work is at an advanced stage and energization of the upgraded Dhekelia 132/11kV substation is scheduled for the beginning of May 2011.

Psevdas 132/11kV substation

Work on the Psevdas 132/11kV substation has begun and the substation is due to be completed and energized at the end of May 2011.

Alexigros 132/11kV substation

Work on the Alexigros substation is ongoing and is due to be completed in June 2011.

Stroumbi 132/22-11kV substation

Construction work on the Stroumbi 132/22-11kV 32MVA substation has begun. Delivery of the civil engineering work is expected in October 2011. Energization of the substation, which will be equipped with metal enclosed switchgear for outdoor installation, is expected to take place in March 2012.

Athienou 132/22-11kV substation

Work is progressing on the new Athienou 132/22-11kV 32MVA substation containing conventional outdoor installation circuit breaker equipment. Construction and equipment tenders have been awarded and the project is scheduled for completion by summer 2012.

Trimiklini 132/66/22-11kV substation

Electrical equipment has been delivered to the substation and it is currently being installed by EAC personnel. Completion and energization of the substation are scheduled for July 2011.

Xeropotamos 132/22-11kV substation

Outdoor equipment, control and protection panels have been installed in the new Xeropotamos 132/22-11kV substation and installation of the remaining equipment continues. Commissioning and pre-testing will follow while energization of the substation is due at the end of April 2011.

New Pafos 132/22-11kV substation

Electrical installation work on the substation is at an advanced stage and is due to be completed in the middle of February 2011.

In June 2010, the new Anatoliko-Pafos 66kV circuits 1 and 2, constructed at 132kV and operating at 66kV, were energized via a new overhead power line and an underground cable stretching approximately 7,14km (overhead line 3,19km, cable 3,95km). Following energization, the existing 66kV overhead power lines were dismantled.

In order to connect the New Pafos 132/22-11kV substation to the transmission system, minor modifications will be made to both the overhead and underground sections of the present 66kV Anatoliko-Pafos circuits 1 and 2. This work is also due to be completed by mid-February 2011.

Networks Business Unit

Upgrades to existing substations

Ongoing upgrades

Kolossi 132/22-11kV substation

The upgraded Kolossi 132/22-11kV substation is due to come into full operation in March 2011 following installation of a second 31,5/40MVA transformer circuit (Circuit No. 1).

Pissouri 132/22-11kV substation

Electrical installation work (phase 2) on the Pissouri 132/22-11kV substation is due to be completed by the end of 2011. On 16 December 2010 the Polemidia-Episkopi-Pissouri overhead power line circuit operated at 132kV. Work was also finished on the T1, 10/16MVA transformer circuit but the transformer was not energized.

Free Industrial Zone 132/11kV substation

The T2, 16MVA 132/11kV transformer in the Free Industrial Zone 132/11kV substation was replaced by a 31/40MVA transformer, thereby increasing the substation's installed capacity to 56MVA.

Tembria 66/11kV substation

Work to replace the T1, 5MVA transformer in the Tembria 66/11kV substation with a 10MVA transformer was completed.

Overhead Power Lines

New Constructions

Ypsonas-Trimiklini 132kV overhead power line

Construction work has begun on the new Ypsonas-Trimiklini 132kV double circuit overhead power line, approximately 17km in length as far as the new location of the Trimiklini substation.

The new line will replace the old 66kV single circuit line between the 132/11kV Ypsonas substation and the old 66/11kV Trimiklini substation. The project is due for completion in May 2011.

132kV interconnection for the Psevdas substation

Work is under way on this project which will interconnect the new Psevdas substation with the Free Industrial Zone and Alambra substations. It is due to be completed in May 2011.

Upgrades/Relocations of existing overhead power lines

Stroumbi-Polis 132kV overhead power line

The new 132kV double circuit power line, some 22km in length, will start at connection tower 43 on the existing Anatoliko-Stroumbi-Akoursos Road line and terminate at the Polis substation. Once the project is completed, the present 66kV single circuit line will be dismantled.

Powering of the 132kV Vasilikos Cement Factory substation

On September 20, 2010 and October 29, 2010 respectively, work was completed on the Mari-Vasilikos 132kV underground circuits 1 & 2 which power the Vasilikos Cement Factory substation. A short (0,12km) double circuit underground cable was installed.

TRANSMISSION SYSTEM DEVELOPMENT STUDIES

In 2010 the Studies and Pre-planning Section prepared the following studies:

Lefkosia Area

The following studies were completed and approved for Lefkosia and the surrounding area:

- Revised study on connecting the Dasoupolis and District Office transmission substations via an 800mm^2 xlpe underground transmission cable instead of oil-insulated cables.

The following studies are planned:

- Powering of the new 3x40 MVA 132/22-11KV closed-type GIS Engomi transmission substation.
- Installation of power transformers and a medium voltage automatic switchboard in the Tseri transmission substation.
- Undergrounding of the Athalassa-Latsia line.
- Establishment of the new Archangelos transmission substation.
- Karvounas-Tembria 132kV double circuit overhead power line.

Lemesos Area

The following studies were completed and approved for Lemesos and the surrounding area:

- Lemesos Marina 11kV primary substation.

The following studies are planned:

- Ypsonas Industrial Area nodal transmission substation.
- Upgrading of the Moni transmission substation from 66kV open-type to 132kV GIS closed-type.
- New Vasilikos-Moni overhead power line (rubus twin).
- Development of the transmission system in the greater Lemesos area.

Ammochostos-Larnaka Area

The following studies were completed and approved for Ammochostos-Larnaka and the surrounding area:

- Powering of the desalination plant at Vasilikos power station.
- Establishment of the new Alexigros substation and connection to the transmission system.
- Temporary connection of the Vasilikos Cement Factory with the Authority's transmission network.
- Installation of transformers in the Vasilikos South substation.
- Upgrading of the Kophinou transmission substation from 66kV to 132kV.
- Establishment of the new Psevdas transmission substation and its connection to the 20MW Agia Anna Wind Park belonging to Rokas (Aeoliki) Cyprus Ltd.

Networks Business Unit

The following studies are planned:

- Interconnection of the Pyla and Commercial Centre transmission substations via a double circuit underground transmission cable.
- Establishment of the new Klavdia transmission substation.
- Establishment of the new Vasilopotamos transmission substation.
- Connecting the new Vasilopotamos transmission substation to the Vasilikos Power Station.

Pafos Area

The following studies were completed and approved for Pafos and the surrounding area:

- Establishment of the new Oreites transmission substation.
- Replacement of the 10MVA transformer at the Akoursos transmission substation.
- Development of a new photovoltaic park in the Saouris area near the village of Agios Ioannis.

The following studies are planned:

- Connecting the new Ikaria transmission substation to the New Pafos and Hadjipaschalis substations.
- Upgrading of the 66kV Akoursos substation to a GIS 132kV open-type substation.

Other studies:

The following studies have also been completed:

- Action plans dealing with safety and security issues, emergencies and environmental consequences for closed-type, open-type and compact/open-type transmission substations.
- Transmission System Project Costing Manual.
- Transmission System Reliability in summer 2010.
- Upgrading of the Ripple Control system 2010-2020.

The following studies are planned:

- Introduction of Capacitors on the Transmission System.
- Continuous Modelling of the Transmission System and Equipment and System Analysis.
- Transmission substation load prediction for 2010-2030.
- Transmission System Reliability in summer 2011.
- Replacement of fire detection systems in transmission substations.

All Transmission System studies are carried out in collaboration with the Transmission System Operator (TSO) which is directly responsible for the operation and development of the Transmission System.

DISTRIBUTION NETWORK

INTRODUCTION

The Distribution Network is the link between the EAC's transmission system and its customers.

DEVELOPMENT PROJECTS

Technical Specifications

The Networks Business Unit is responsible for the drawing up of technical specifications for all Distribution Network equipment and materials. These technical specifications are under constant revision due to changes to international standards, improvements in technology and/or alterations in the use of materials. There are, in total, 256 approved technical specifications concerning 1 872 materials. In 2010, 13 new technical specifications were drawn up while 20 were revised.

Code of Practice

The correct and uniform application of distribution network construction work requires the existence of a detailed Code of Construction Practice. Revision of the code for overhead power lines has been completed and revisions take place at regular intervals to cover new applications and improved construction practices aimed at raising productivity and increasing personnel and public safety.

Network construction standards

In order to carry out studies that include distribution networks, Distribution Network Specifications have been drawn up for all types of construction. Distribution Network Standards are maintained and reviewed by the Networks Business Unit to ensure the proper use of materials and the correct costing of studies.

Networks Business Unit

Evaluation of Tenders -
Materials Supply and Service Provision Contract Management

The role of the Networks Business Unit in the evaluation of tenders and the subsequent management of contracts for the supply of materials and the provision of services is of crucial importance.

Safety issues and the uninterrupted supply of electricity to customers require the implementation of strict quality criteria in the choice and manufacture of equipment and materials.

In 2010 the Unit's distribution section participated in the evaluation of 29 international tenders. At the same time it was responsible for the technical management of 52 materials supply and service provision contracts.

Smart Meters and Smart Grids

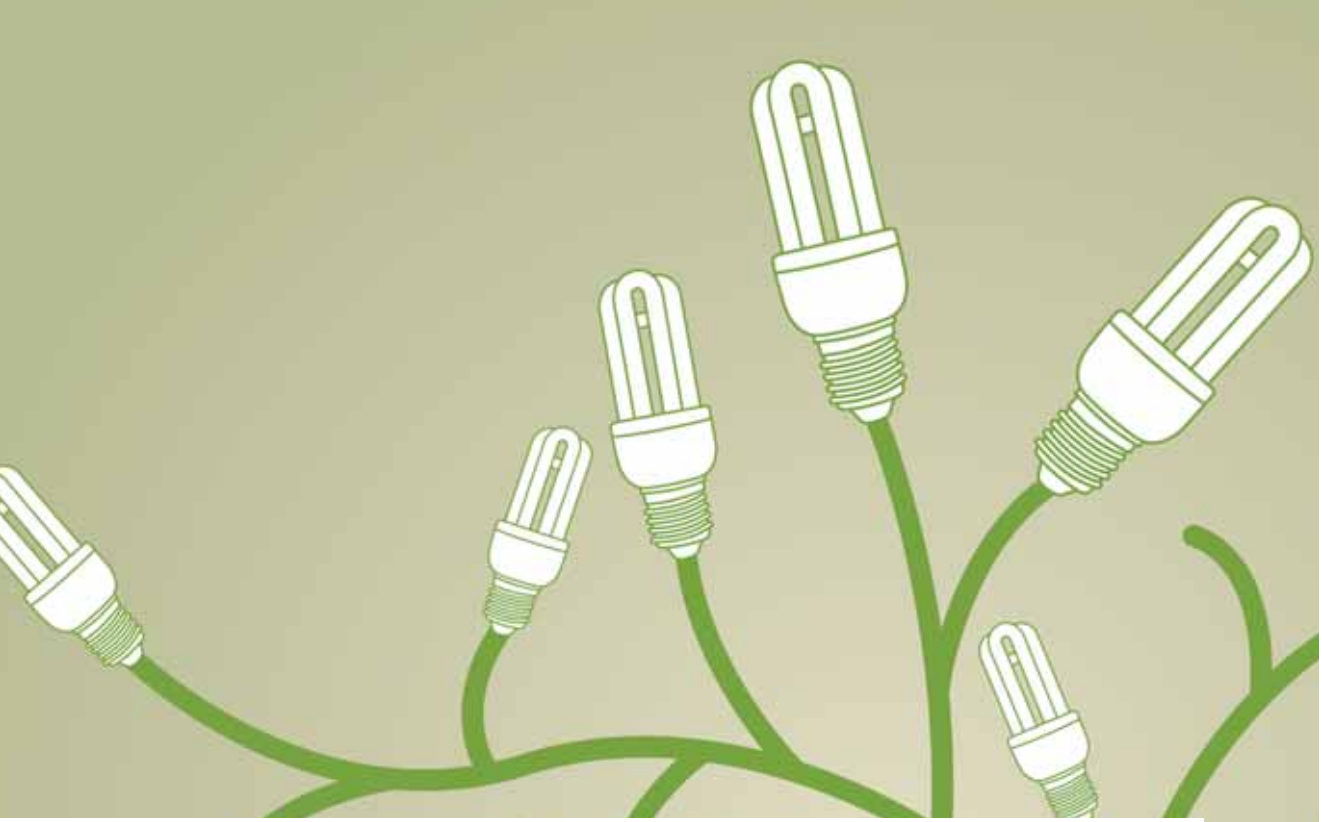
In recent years there have been significant developments in power electronics, electronic metering systems and telecommunications systems and these have resulted in the implementation of distributed management, interactive movement of electricity and data as well as smart metering systems which have enabled electricity companies to offer their customers a broader and higher-quality range of services.

Following ratification of the EU Directive 2009/72/EK, member states are obliged to install smart meters on 80% of customer premises by 2020.

The EAC has taken the strategic decision to implement, initially a trial basis, an Automatic Meter Management (AMM) system which supports the following functionality:

- Automatic gathering, processing, transmission, management and use of the data gathered by the meters.
- Automatic meter management - connection/disconnection.
- Interactive communication with meters.
- Availability at the right time of targeted information on consumption to all involved parties and their systems, including consumers.
- Support of services that can improve energy saving, both regarding consumption by customers and that lost within the system (generation, transmission, distribution).
- Capability for expansion/upgrading so as to support Smart Grid operations.

All of the above lead to increased productivity and a drastic reduction in operating costs.



In 2010 the Authority appointed the Dutch consultancy firm KEMA to draw up the technical specifications for a tender or the procurement of the above system. Work is already at an advanced stage and the tender is due to be published in 2011.

Aerial Bundled Conductors

The Networks Business Unit has decided to introduce aerial bundled conductors throughout the low voltage overhead network and covered conductors across the medium voltage overhead network in wooded areas and others where deemed necessary.

The relevant specifications have been drawn up and a tender will be published for the introduction of the above technologies to the Authority's Transmission Network.

At the initial stage the tender will include the replacement by an external contractor of part of the existing low and medium voltage networks through the use of twisted and covered conductors respectively, the supply of materials (conductors and spares), personnel training, drawing up of a code of practice or the use of twisted and covered conductors, the supply of the required network construction tools and submission of deflection and stress calculations.

The Authority will then carry out such work on the low and medium voltage overhead networks using its own personnel.

DISTRIBUTION SYSTEM DEVELOPMENT STUDIES

In order to expand and develop the distribution system, 7 431 studies were completed by the Area study sections in 2010 compared with 7 554 in 2009. The cost of construction work for the expansion and development of the distribution system in 2010 amounted to €65,1 million, compared with €64,2 million in 2009.

Moreover, the following studies have also been completed and approved by the Networks Business Unit:

- Starting up high voltage desalination generators.
- Procurement of buildings for overground 11 000V transmission stations.
- Electromagnetic Fields at Transmission Substations.

Networks Business Unit

TELECOMMUNICATIONS AND ELECTRONIC SYSTEMS

The Electronic Systems and Telecommunications section deals mainly with the development and support of the EAC's electronic telecommunications systems and with the security systems that protect the Authority's installations.

Optical Fibre Telecommunications System

The Authority's Optical Fibre Telecommunications System uses SDH/PDH digital multiplexers to interconnect transmission stations, power stations and the Authority's offices with the objective of catering for the requirements of Telecontrol and Energy Management systems, Transmission Line Teleprotection, Telephony, Load Management (Ripple Control), IT and other services.

In 2010 the system's digital multiplexers were upgraded at four points and upgrading work began on the Network Management Unit (NMS). It is expected to be completed in March 2011.

Furthermore, in 2010 new optical fibre telecommunications equipment was installed at seven points to cover the needs of the Protective Security and Information systems.

Optical Fibre Network

The Authority has an extensive overhead and underground optical fibre network along the length of the Transmission Network. In 2010 the optical fibre network was extended to connect five additional transmission substations and the new Lemesos stores.

Also, in 2010 additional optical fibre circuits were made available to the EAC's two strategic partners in telecommunications, PrimeTel and Cablenet.

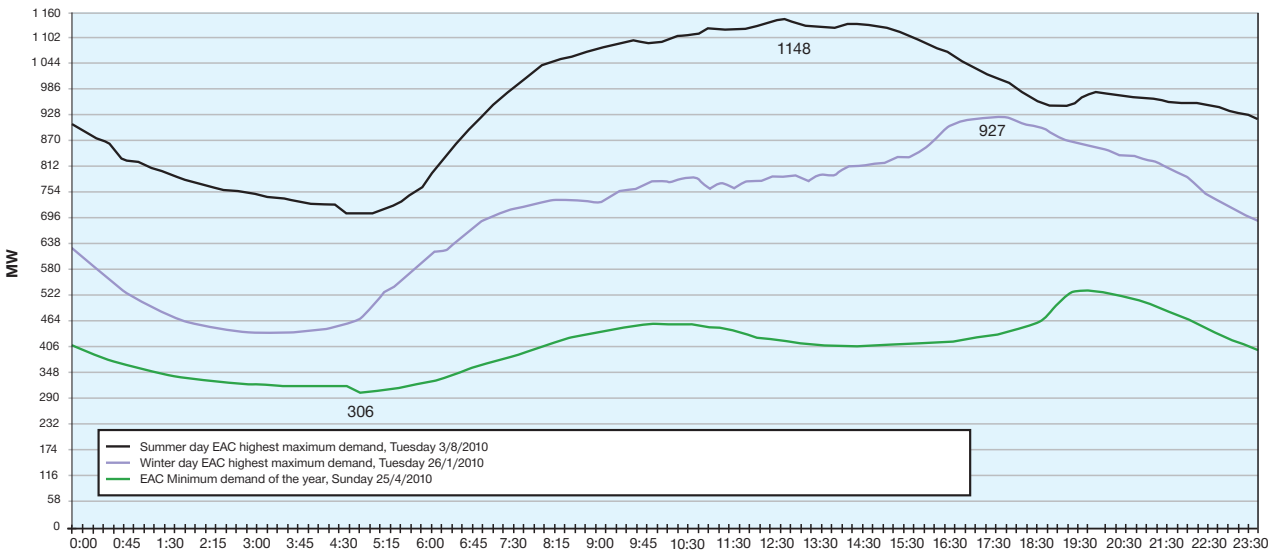
Supervisory Control and Data Acquisition and Energy Management System (SCADA/EMS)

The computerised real time Supervisory Control and Data Acquisition and Energy Management System (SCADA/EMS) was first implemented in 1997. Via the Energy Control Centre (ECC) and the Area Control Centres, it controls the Generation, Transmission and Primary Distribution Network systems. A Backup Energy Control Centre has also been in operation since 2006.

SCADA/EMS implementation was extended in 2010 to control three additional transmission substations while control equipment was upgraded in another five substations. Moreover, 45 SCADA/EMS faults were repaired together with 16 faults in auxiliary equipment (battery power adaptors/chargers, telephone systems, etc.)

All the above were carried out in collaboration with the TSO.

Figure 5



Note: As shown in T.S.O. 2010 Annual Report

Load Management System (Ripple Control)

This system for controlled load management on customer premises (solar heaters, centralised climate control systems, water pumps, street lighting, etc.) uses the Transmission and Distribution Networks as a telecommunications tool.

In 2010, upgrading work began on the equipment installed in the Anatoliko substation. It is expected to be completed in mid-2011. Additionally, repairs were carried out to 14 faults in the Load Management System.

The Authority intends to expand and upgrade the Load Management System during 2011-2013.

Protective Security

Systems were installed to monitor (a) unauthorised access and (b) the protection via cameras of EAC stores, offices and customer service centres. It was decided to install security systems in all new substations and in a large number of important existing substations.

The Section provided technical support for the Authority's installed security systems as well as support for those responsible for protective security at power stations.

Regular contacts continued with the Crime Prevention Office at Police Headquarters for coordination of efforts to deal with the growing instances of theft from the Authority's premises. Work also began on ensuring the Authority's compliance with the Law governing the protection of Personal Data linked to security systems.

Networks Business Unit

Access Monitoring Systems

Expansion of the monitored access system at the Head Offices was completed. We have now begun studying the possibility of installing or upgrading access monitoring systems at all the Authority's Area Offices.

Telephone Network and Systems

Expansion of the telephone system in the Lefkosia-Kyrenia-Morfou area office was completed. The telephone system in the Lemesos Stores was transferred from the old to the new buildings. All telephone systems were upgraded while the study of and work on the expansion of the internal networking of the Authority's telephone systems continued. This includes the replacement of leased circuits used for internal telephony which will be covered by the Authority's existing optical fibre network. These leased circuits are used for connections between Area Offices, Stores, Customer Service Centres and Power Stations.

Two links were made between the existing telephone network and systems with the Authority's Customer Contact Centre.

Customer Contact Centre (CCC)

The Meter Reading and Billing services of the CCC were activated. Planning and monitoring work continued with the aim of activating the New Applications service too. Technical assistance on telecommunications issues is still provided to the CCC by the Electronics and Telecommunications section.

Wireless Communication

In 2010 the first Free Space Optical (FSO) link operated between the EAC's Head Offices and the Lefkosia Stores.

Tender 214/2008 for the purchase, installation and maintenance of radio telephones for the Authority's islandwide needs is now being implemented. All the mobile radio telephones have been programmed and delivered and work continues on installing the phone bases in vehicles and substations. Also, a relay station was installed at Dhekelia power station.

CIVIL AND BUILDING WORKS SECTION

INTRODUCTION

The Civil and Building Works Section deals with the EAC's construction projects.

Power Stations

Construction work on Phase IV of Vasilikos Power Station continued while Tender documents are being drawn up for Unit No. 6 at Vasilikos.

In 2010 detailed planning began on civil engineering projects for the Desalination Plant at Vasilikos and work intensified during summer 2010.

Also in 2010, construction work continued and was completed on the installation of Internal Combustion Engine No. 2 at Dhekelia Power Station.

During the third quarter of the year a geotechnical survey was carried out on the land-based area in which the LNG Terminal is due to be built at Vasilikos.

Transmission/Distribution systems projects

Work was completed on the 132kV Dhekelia, Xeropotamos, Trimiklini, Pissouri, Episkopi substations while it continues on the 132kV Lakatamia and New Pafos substations and has begun on the 132kV Stroumbi and Athienou substations. The 132kV Psevdas, Agia Anna and Alexigros substations for the Wind Park are being constructed under the supervision of the Civil and Building Works Section.

Stores and Technical Staff Offices

Construction work on the Lemesos Stores was completed in July 2010.

Area Offices

In March 2009 construction work began on the new Pafos Area Offices which are expected to be ready at the beginning of 2012. Cost-cutting modifications have been made to the architectural plans for the new Ammochostos-Larnaka Area Offices and the relevant tender is due to be published in 2011 when work should also begin.

Customer Service Business Unit

CONSUMERS

At the end of 2010, the total number of consumers in the government-controlled areas of Cyprus stood at 535 050, a net increase of 15 020 or 2,9%.

Table 1 (page 51) shows the number of consumers by category as well as the percentage increase over the previous year.

BILLED SALES OF ELECTRICITY

Billed sales of electricity in the government-controlled areas increased to 4 782,0 GWh, compared to 4 655,8 GWh the previous year, representing an increase of 2,7%.

- Table 2 (page 51) shows the allocation of billed sales of electricity by consumer category, as well as the percentage increase over the previous year.

- Sales for the years 2008, 2009 και 2010 are shown in Fig. 6 (page 49). Sales and revenue for 2010 are shown by consumer category and as a percentage of the EAC's total sales and revenue in Fig. 7 (page 57).

OFF-PEAK SUPPLIES

Off-peak sales (tariff Code 55) totalled 80 698 MWh representing a reduction of 18 429 MWh or 18,6% compared to 2009. This reduction is attributed mainly to the mild weather. The average per kWh charge rose from 8,67 cents in 2009 to 10,42 cents in 2010, while the number of consumers increased by 586.

- Consumers opting for the off-peak tariff totalled 21 430, of whom 21 051 (98,2%) were domestic consumers with an average consumption of 3 735 kWh compared to 4 725 kWh in 2009.

TARIFFS

- The EAC Tariffs Group continued to work with its external consultants on the introduction of new marginal cost tariffs in the context of Cyprus' liberalised electricity market. In collaboration with its consultants, the Group prepared an initial proposal for the introduction of new tariffs which was submitted to the Cyprus Energy Regulatory Authority (CERA) for negotiation on 30 November 2006.

The study was finally approved by CERA regarding a total increase of 6,1%, to be implemented in three equal annual increases to the current tariffs from 1.1.2010 with full implementation from 1.1.2012 rather than 1.1.2007 as proposed in the study. This translates into a loss of revenue over the 5-year period 2007-2011 of around €120 million. The first increase was implemented as per the original decision from 1.1.2010.

CERA then decided that a gradual rebalancing of tariffs should start with the objective of removing cross-subsidies among the various tariffs.

To this end, on 8 June 2010 the EAC submitted a revised Tariffs study to CERA based on the new ten-year development plan for 2008-2017. The proposal provides for new tariffs for corporate customers receiving medium voltage supply. In formulating the new tariffs, commercial criteria and practices were taken into consideration according to which corporate customers are given priority of supply by the network, in which case the cost/supply ratio differs from that of other consumers.

After a series of negotiations with CERA, the EAC proposed a number of different scenarios for the rebalancing of tariffs.

Following CERA's public consultation, a draft of which was published on 26 November 2010 in issue 4653 of the Official Gazette of the Republic, CERA approved by decision 539/2011 the rebalancing of the EAC's tariffs which involves increases and reductions in various customer categories. The purpose of these is the gradual removal of cross-subsidies among consumer categories. They do not provide any financial benefit to the EAC.

In accordance with CERA's decision, the EAC revised its existing tariffs and introduced new charges based on a basic fuel cost of €300 per metric tonne in compliance with the above decision. The new tariffs are expected to be approved by CERA and to be published in the official Gazette of the Republic at the beginning of January 2011.

The above decision resulted in a further loss of income for the EAC, estimated at €5 million for 2011 and 2012.

- In the context of the upgrading of the EAC's services and its efforts aimed at energy conservation, we once again sent out an annual statistical report to all our monthly billed customers. This report includes information on monthly consumption and peak demand for their premises, as well as monthly voltage and load indicators, which are directly linked to correct energy use and conservation.

- In the framework of the special domestic tariff (code 08) for large and needy families, by the end of December 2010 some 23 902 customers were benefiting from this. The total benefit to customers in 2010 and, consequently, the reduction in revenue to the EAC as a result of this special tariff, was €5.193.828 compared to what it would have been if these customers had remained on tariff codes 05, 06 and 07.

- On 23 June 2010, the Cyprus Energy Regulatory Authority (CERA), by its decision 1/2010, approved the reimbursement to the EAC of costs imposed as Public Benefit Obligations, specifically the additional cost borne by the EAC due to the implementation of Special Tariff 08 for large and needy families.

The reimbursement of these costs has been made possible by the imposition of a charge of €0.00134/ kWh on electricity bills. It is part of the tariff and is subject to VAT. The charge appears on electricity bills issued from 1 August 2010.

Additionally, on all electricity bills issued from 1 August 2010 the charge for Renewable Energy Sources increased from €0,0022/kWh to €0,0044/kWh, in accordance with the relevant decision of the Ministry of Commerce, Industry & Tourism and the approval of the House of Representatives on 8 July 2010.

- The average selling price of electricity per kWh in all categories rose from 13,472 cents in 2009 to 16,232 cents in 2010, an increase of 20,5%, as a result of higher tariffs, the reimbursement of emission costs, the Public Benefit Obligations charge, increased fuel costs and the automatic fuel cost adjustment.

Customer Service Business Unit

LOAD RESEARCH AND CONTROL

Since 2000, in the context of its efforts to upgrade its Load Research, the EAC has been using a software package by which meter data is retrieved automatically. This programme enables direct monitoring of customer loads, the automatic retrieval of data and the timely preparation of Load Research reports.

During 2010 the EAC continued to implement this Load Research method for all its corporate customers who are supplied at high and medium voltage. The data obtained was analysed, processed and subsequently used in the drawing up of the relevant load research reports. The conclusions of these studies are used for new tariff structuring and for load forecasting and management.

CUSTOMER SERVICE AND BILLING SYSTEM

In order to provide the best possible service and information to the Organisation's customers, in May 2008 the EAC adopted a new, modern customer service and billing system, which has responded satisfactorily to the demands of the new competitive environment created by the liberalisation of the electricity market.

Since the implementation of this new system, the standard of EAC customer service and information has improved significantly. Moreover, the system facilitates and speeds up the day-to-day work of the EAC's Customer Service department to a considerable degree.

The entire system will become the main tool and source of information for the EAC Contact Centre.

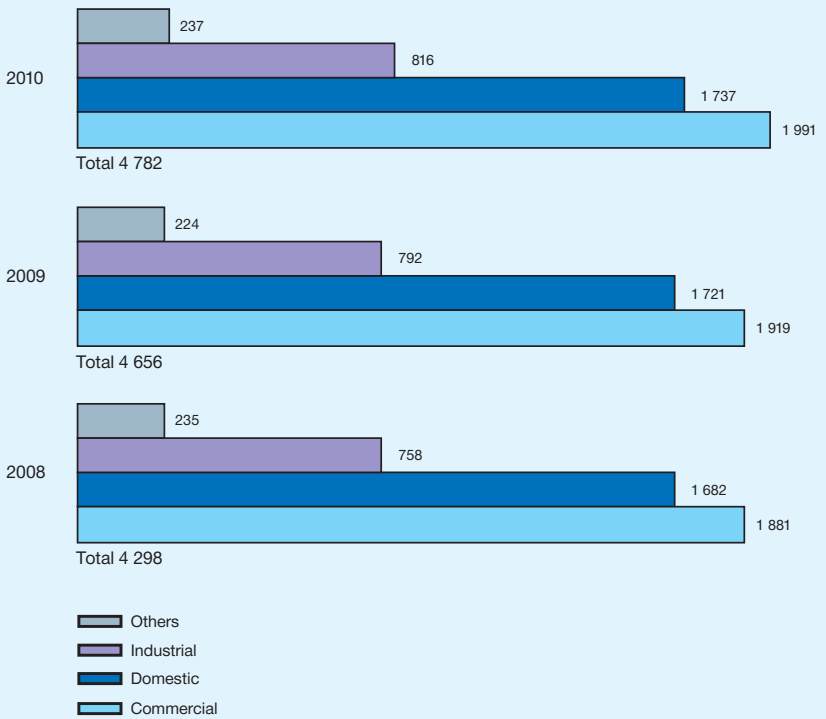
Since 1 December 2008, the EAC has enabled customers to settle their electricity bills at no additional charge by credit card at all EAC Customer Service Offices and via the EAC website (www.eac.com.cy) or the JCC website (www.jccsmart.com). In 2009, customers were also able to settle their bills online via the websites of the commercial banks. Since September 2010 customers have also had the option of receiving their bills by e-mail if they request this.

EAC CONTACT CENTRE

The EAC's decision to set up a Customer Contact Centre (CCC) is of strategic importance since the Organisation already finds itself in a competitive environment following the liberalisation of the energy market.

Figure 6

SALES OF ELECTRICITY
(millions kWh)



The CCC will enable the EAC to provide good quality service and information to consumers/customers quickly and efficiently, to promote the image of a progressive and dynamic organisation and, in general, to respond to the expectations of consumers/customers.

In May 2010, the first CCC service, that of Meter Reading, came into operation. This service enables customers whose meters have not been read to call the freephone number 80006000 at any time. On request, customers key in the “Premises Number” that appears on the card left by the responsible EAC official. They then key in the meter reading which, if correct, is automatically accepted. If for some reason the customer cannot give the correct reading, the call is redirected to member of staff at the Contact Centre. The results of the operation of this service are extremely satisfactory.

The Contact Centre's Billing Service came into operation in August 2010. Our customers can now call the islandwide four-digit number 1801 and be informed of the amount of their bill by keying in their bill number. They may also receive information and clarifications about bills, methods of settlement, connections, reconnections, disconnections, transfers, domestic tariffs, how to become a first-time customer, etc.

Customer Service Business Unit

From March 2011 we expect to provide a Faults Reporting and Complaints service via the Customer Contact Centre. It will also provide services that are currently the responsibility of the Islandwide Faults Reporting Centre (IFRC) which was set up in the framework of the EAC's efforts to improve its customer service in the area of faults reporting.

Moreover, during the first half of 2011 the New Applications service is due to become available via the Customer Contact Centre. Customers will be informed either automatically or by a Contact Centre officer about the documentation required to accompany an application for electricity supply and about what stage their application has reached.

RENEWABLE ENERGY SOURCES

In accordance with the provisions of European Directive 2001/77/EC issued during Cyprus' accession process and its compliance with the directives, legislation and regulations of the European Union, the Government has proceeded with, among other things, legislative, regulatory and administrative measures for the promotion of the use of Renewable Energy Sources (RES) and, more generally, of energy conservation with the ultimate goal of increasing the contribution of RES to the country's energy balance. As the main producer and supplier of electricity in Cyprus, the EAC could not but contribute actively to this effort, so as to satisfy the demands of the European Union regarding RES, while acting within the strict framework of Cyprus' appropriately adapted and amended Laws and Regulations.

The EAC enjoys good cooperation with the Institute of Energy of the Ministry of Commerce, Industry & Tourism, with the Cyprus Energy Regulatory Authority (CERA) and the Transmission System Operator regarding joint action on the subject of RES. Interested applicants/producers are given all possible technical assistance and priority in the examination of their applications to install units for generating electricity from RES.

In accordance with existing legislation and the relevant decisions of the Council of Ministers, the EAC is obliged to purchase electricity produced from Renewable Energy Sources and to distribute it on its grid at an avoidance cost price determined by the Cyprus Energy Regulatory Authority (CERA). To this end, a 15-year purchase agreement is signed between the producer and the EAC (a 20-year agreement according to the proposed new scheme). In addition to the purchase price paid to the producer by the EAC, the producer receives a subsidy for the generated kilowatts of electricity from the Special Fund for Grants/Subsidies, having been approved/registered with the Special Fund for Grants/Subsidies and having signed the Subsidy Agreement with the Special Fund Management Committee.

Table 1

NUMBER OF CONSUMERS

CONSUMER CATEGORY	AS AT 31.12.2010	AS AT 31.12.2009	INCREASE %
Domestic	415 150	402 671	3,1
Commercial	84 800	83 160	2,0
Industrial	11 391	11 618	(2,0)
Agricultural	14 209	13 546	4,9
Street Lighting	9 500	9 035	5,1
TOTAL	**535 050**	**520 030**	**2,9**

Tabel 2

BILLED SALES OF ELECTRICITY (MWh)

CONSUMER CATEGORY	2010	2009	INCREASE %
Domestic	1 737 474	1 720 777	1,0
Commercial	1 990 994	1 918 932	3,8
Industrial	816 074	791 640	3,1
Agricultural	152 642	143 971	6,0
Street Lighting	84 788	80 426	5,4
TOTAL	4 781 972	**4 655 746**	**2,7**

By the end of 2010, a total of 647 photovoltaic systems had been installed and were producing up to 150 kW (compared to 469 photovoltaic systems at the end of 2009, i.e. an increase of 38%), with a total installed voltage of 5 564,8 kW (2 694,79 kW at the end of 2009, i.e. an increase of 106,5%) and a total production of 4 839 445 kWh (compared to 2 908 511 kWh in 2008, i.e. an increase of 66,4%). It should also be noted that by the end of 2010, ten Generation Units using biomass/biogas were in operation with a total installed capacity of 7 214 kW and total production of 24 801 956 kWh. Furthermore, on 27 July 2010, the Oreites Wind Park in Pafos was connected and by the end of 2010 it had produced 31 370 230 kWh. Considerable interest has been shown in new photovoltaic systems, despite the relatively high capital outlay required for the installation of such systems, and in Biomass/Biogas Generation Units and wind parks.

Customer Service Business Unit

TECHNICAL ISSUES

During 2010 the department of the Customer Service Business Unit responsible for Technical Issues dealt with issues pertaining to:

- The metering system.
- Street lighting.
- Energy conservation.
- Wiring regulations for electrical installations.
- Electricity generation via Renewable Energy Sources.
- EAC revenue protection from electricity theft.
- Monitoring of the quality of electricity supply.
- Testing of the reliability of gloves for high-voltage work.

Specifically, during the year under review, the Meter and Relay Testing Centre (MRTC) received 545 101 new meters. A total of 56 861 new single-phase and three-phase meters of all types were checked and calibrated. Additionally, 1 212 Ripple Control Receivers were programmed and tested, 1 429 were sent to the Area Offices and 177 were repaired.

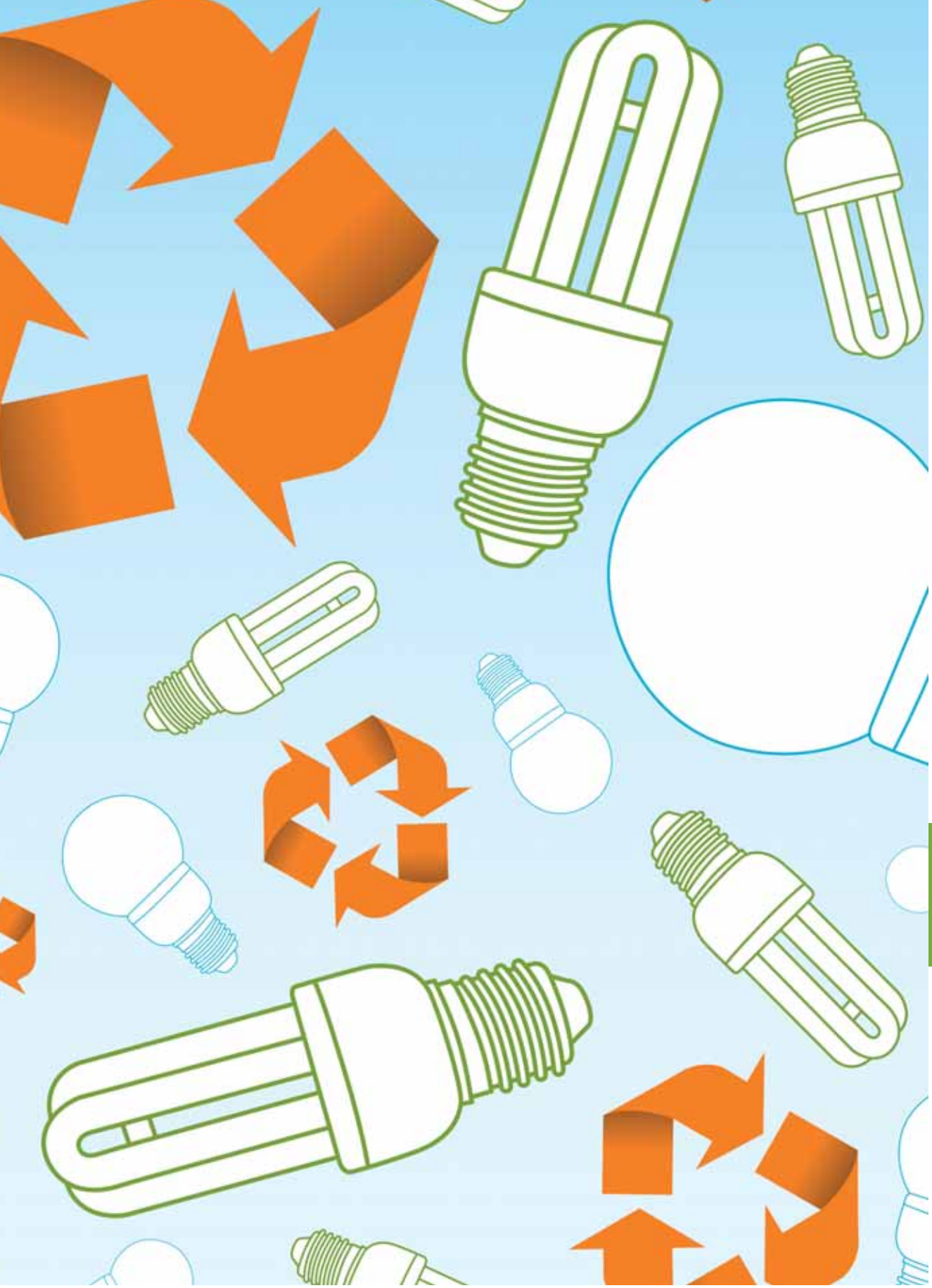
During 2010, the EAC Area office inspection department carried out 23 560 inspections of electrical installations throughout Cyprus.

Additionally, specifications were drawn up, Calls for Tenders were issued and the subsequent tenders were assessed for the purchase of materials and equipment used in the Meter and Relay Testing Centre (MRTC) and the Area Offices relevant to the metering system, street lighting and electrical installation inspection.

Regarding the monitoring of the quality of supply, the Exploitation Department installs special power disruption analysers and, wherever it is considered necessary, corrective measures are taken.

EAC REVENUE PROTECTION

In 2010, personnel dealing with EAC revenue protection from electricity theft checked 4 634 meters on the premises of high-risk customers. Of these, 1 552 were found to be intact, while 2 694 had been tampered with, though they showed no sign of electricity theft. In 338 instances, meters were found to have been tampered with and there were signs of electricity theft. In relation to these, a total of €1.597.590 was recovered in costs for investigating the cases, damage to meters/equipment, additional load/exceeding the approved load, disconnection of supply due to non-payment of bills and unrecorded consumption due to unauthorised tampering with meters.



Customer Service Business Unit

Investigations that began in 2001 into 168 cases of electricity theft (the Masouras case) continued during 2010. The total value of unrecorded consumption has been estimated at €4,95 million and, up to now, payment of approximately €2,7 has been arranged. The EAC has taken legal action against those involved in order to recover the outstanding amount. It should be noted that, in addition to the Masouras case, the EAC has also secured payment of €335.065 relating to other cases of electricity theft.

ACCREDITATION OF THE METER AND RELAY TESTING CENTRE

In the context of its stated policy of upgrading the quality of its operations and its customer services, the EAC took the strategic decision to seek ISO 17025 accreditation of its workshop in the Meter and Relay Testing Centre (MRTC). Certification work has now been completed and in July 2010 the relevant applications for accreditation of the workshop were submitted to the Hellenic Accreditation System and the Cyprus Organization for the Promotion of Quality. The evaluations of these bodies are being awaited for the awarding of the Accreditation Certificate.

The Accreditation Certificate will officially recognise the technical capability of the MRTC to carry out the relevant testing and calibration work on meters and the results of these tests will be accepted anywhere.

PUBLIC RELATIONS

The continuously growing demands of its customers and rapid developments in technology oblige the EAC to plan public relations campaigns aimed at letting customers know about all issues pertaining to energy and the Authority's work.

The Public Relations Department is responsible for planning integrated PR campaigns aimed at upgrading the EAC's image, consolidating its corporate identity, improving its relations with all sections of the public, involving it in society and ensuring that people are fully aware of the EAC's activities and services.

In this context, the EAC continued to provide advisory services to all its customers on matters of interest to them in 2010. The general terms governing the provision of electricity, the EAC's charging policy on electrification, tariffs and general information are topics that are always of interest. As happens every year, during 2010 lectures were given to organised groups and to EAC customer groups on issues concerning the conservation and safe use of electricity, new tariffs and electromagnetic fields.

In the framework of improving relations among personnel, the Organisation publishes the quarterly magazine EAC News which is distributed not only to EAC personnel but also to various other groups, individuals and services outside the Organisation. During 2010, issues 100-102 were published.

Health, environmental protection, sport, visual arts, dance, music, the promotion of cultural monuments and support for families enclaved in the occupied part of Cyprus are the main pillars of the Electricity Authority's Corporate Social Responsibility (CSR) programme. In recent years, the EAC has helped hundreds of Associations and Organisations involved in the above sectors through this programme.

The "Light up a Life" event jointly organised every December by the Cyprus Anti-Cancer Society and the Electricity Authority of Cyprus has become a firmly established institution, providing financial support and helping the Society to achieve its aims. Every year Christmas events are held in all the island's towns, during which the Society's Christmas tree lights are switched on.

In addition to these established events, a special day for children was held at the EAC's Head Offices in Lefkosia, offering many and varied activities as well as food, drinks, handicrafts, cards, wines, candles and other items for sale. Throughout the day there was an entertainment programme featuring choirs, dance groups, puppet theatre and gym displays. All the proceeds from these events, amounting to around €12.000, were donated to the Cyprus Anti-Cancer Society.

For the second time, the EAC hosted World Press Photo exhibition at its Head Offices. The exhibition, held in collaboration with the Embassy of the Netherlands and the Cyprus Union of Journalists, is the result of a competition to which more than 5 000 photographers from 125 countries submit pictures taken during the course of their journalistic duties. Every year the exhibition travels to more than 50 countries (100 cities) and is seen by more than 2 million visitors.

Customer Service Business Unit

Another event that has become an institution is the Save Energy exhibition, organised jointly with the Employers and Industrialists Federation with the aim of promoting products that contribute to energy conservation as well as to raising public awareness of environmental protection issues. Moreover, the EAC sponsors the biannual scientific conference on Renewable Energy Sources organised by the Cyprus Chamber of Commerce & Industry.

In the framework of its efforts to contribute to the provision of a rounded education to our young people, the Electricity Authority has always funded sport. In 2010, for the seventh consecutive year, the EAC was the main sponsor of the Cyprus National Basketball Team which has enjoyed considerable success, including winning the Gold Medal at the Games of the Small States of Europe which took place in Cyprus in 2009.

Furthermore, for the three-year period 2010-2012, the EAC has become a sponsor of the Cyprus Olympic Committee to support the preparations of the island's team for the 2012 Olympic Games.

We consider it a duty and a privilege to support the efforts of our heroic enclaved fellow-citizens to remain in the place of their birth in the occupied part of Cyprus. Our support will continue. At the beginning of every year, the Board and Management visit occupied villages and schools and financial assistance is offered to the children of enclaved families.

The EAC participated in various conferences, seminars and specialist exhibitions and fairs (CCCI, CHA) in 2010, enabling the public to obtain first-hand information on all aspects of its activities and its major development projects. As every year the EAC also participated in the Cyprus International Fair.

Every year the Public Relations Department undertakes the presentation of the EAC's Annual Report. Representatives of the commerce and industry sector as well as Government Ministers, Members of Parliament, officials of other semi-government organisations, government departments and professional associations were invited to the presentation of the 2009 Annual Report at which a full audiovisual account of the Organisation's financial results and its Development Plan was given.

In 2010 in collaboration with the Ministry of Commerce, Industry & Tourism, the free distribution of energy-saving Compact Fluorescent Lamps (CFLs) to consumers was completed. The aim of the campaign was energy conservation and the development of energy awareness. The Public Relations Department undertook all the work required for the implementation of an integrated public information campaign.

Each year various campaigns and schemes are implemented in the context of the EAC's policy of developing energy awareness among the Cypriot public. In 2010 an islandwide media campaign was carried out with the aim of raising consumer awareness on the issue of saving electricity and, by extension, protecting the environment.

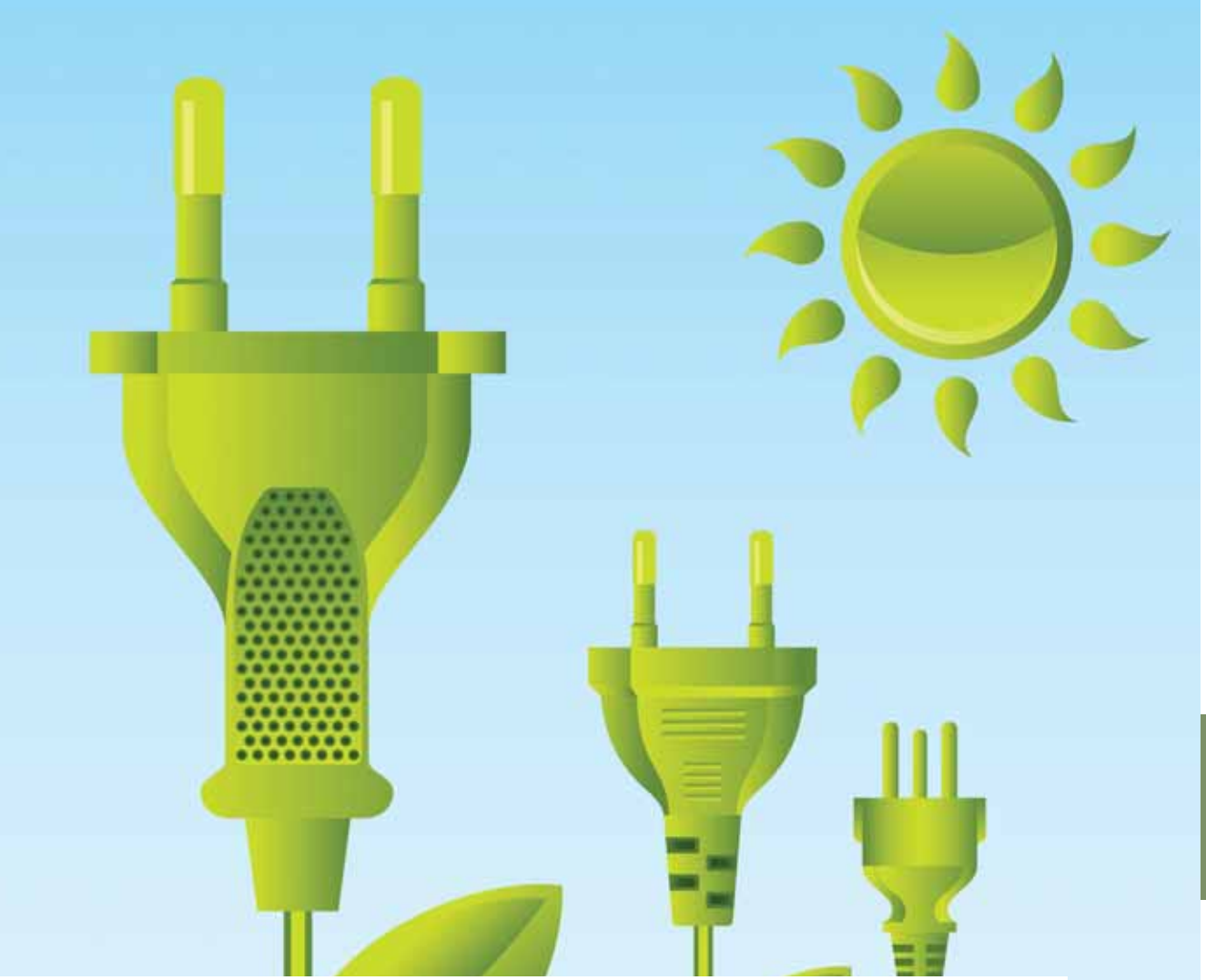
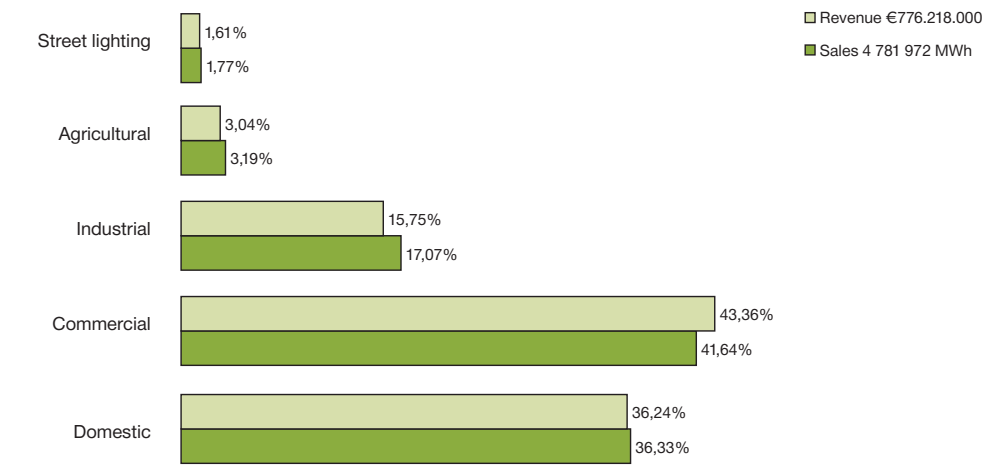


Figure 7

ELECTRICITY SALES & REVENUE BY CONSUMER CLASS



Common Services Business Unit

INFORMATION TECHNOLOGY DEPARTMENT

The mission of the Information Technology (IT) Department is to select, provide and support IT systems, to ensure that Information Technology is used as a strategic tool to achieve the EAC's business aims in a reliable, fast and efficient manner, and to cultivate in the Authority's personnel a modern mentality that is fully in tune with IT.

In this framework, the IT Department deals with:

- The provision of information services.
- IT services for internal customers.
- The development, implementation and maintenance of IT software and systems.
- Technical infrastructure services.
- Security services and Administration.

During the period January-December 2010 the main tasks accomplished by the IT Department were as follows:

- The SAP R/3 WM (Warehouse Management) was successfully implemented together with the relevant Wi-Fi telecommunications network for the support of the Central Warehouse Administration and Operation and the supply chain of the EAC.

- The Hierarchy structure within the SAP R/3 HR system was successfully extended and implemented to a more detail level.

- The electronic mailing of the Salary pay slips to the EAC employees was successfully implemented.

- The electronic mailing of the electricity bills to all consumers requesting it was successfully implemented.

- The electronic transfer of bank orders for the direct payment of electricity bills was successfully extended to seven Banks.

- The installation of “Bar Code Readers” at all EAC cash collection points to facilitate payments of EAC Bills was completed and implemented successfully.

- The redesign of the administration and monitoring of the special tariff for the large families and needy persons was completed and successfully implemented.

- The automatic metering, through telephone lines, for Medium Voltage customers via MV90xi software was successfully implemented.

- The services provided by Customers' Contact Centre for meter reading and information on Bills were implemented successfully for the whole of Cyprus.

- The permanent stations of GPS atlas system for serving GPS users and topographic works of GIS concerning the EAC's development program of the Power Stations and the Transport/Distribution Lines was completed and implemented successfully.

The following were successfully implemented:
- The drawing capability of the Underground and Overhead Distribution Grid in a GIS environment.
- The workflow procedures for the effective administration of operations between the Drawing and the Construction Departments.
- The use of software tool for viewing the Lines and the Land drawings.

The following were successfully completed:
- The scanning of existing drawings of Distribution Grid and the georeference drawings of the Lefkosia, Lemesos and Pafos district offices.

- The digitizing of the Distribution Substations and the Underground Cables of Medium Voltage of all district offices apart from Ammochostos which is still in progress.

- The Internet Perimeter Security Infrastructure was successfully completed and implemented.

- The upgrading of EAC's Active Directory from Microsoft Active Directory 2003 to Microsoft Active Directory 2008 was successfully completed and implemented.

- The creation of IT Security Bulletin Board for the EAC's employees update was successfully completed and implemented.

- The introduction of the ISO 9001 Quality System was completed successfully.

PURCHASING DEPARTMENT

The mission of the Purchasing Department is to draw up contracts for the supply of materials, services and works at competitive prices for the safe and smooth operation of the Authority, to ensure strict adherence to the principles of Equality and total Transparency and to properly apply EU and National Legislation, Regulations and Internal Directives related to the awarding of contracts.

In this framework, the Purchasing Department deals with:

- Formulating policy on issues concerning the processes that lead to the award of contracts.

- Ensuring the implementation of this policy.

- Issuing all the tenders of the Business Units and autonomous Sections, apart from local tenders and small purchases.

- Supporting the Business Units and autonomous Sections in the management of their contracts.

- Monitoring, planning and securing adequate stocks of materials and equipment.

- Centrally managing EAC's fleet of vehicles.

Common Services Business Unit

During the period January-December 2010:

- 18 contracts were awarded, of a total value of €50.837.917, as a result of High Expenditure Tenders, as stipulated by the provisions of the Law 11(I)/2006 and EU Tender Regulations.

- 217 contracts were awarded, of a total value of €69.526.918,91, as a result of Tenders issued for the execution of works, the provision of services and the supply of materials and equipment, the value of which fall below the threshold, as stipulated by the provisions of the Law 11(I)/2006.

- six contracts were awarded with a total value of €752.195.180 for the supply of heavy fuel oil and gasoil.

ADMINISTRATION SECTION

The mission of the Administration Section is to provide swift, reliable, professional and efficient administrative support to the other Business Units.

Within this framework, the Administration Section deals with:

Contract Management

- Agreements concerning the leasing of buildings, parking space, stores, housing for technical consultants.
- Canteen management agreements.
- Maintenance agreements for photocopiers, fax machines, lifts, etc.

In 2010, 54 such agreements were concluded or renewed.

Publication of Announcements/Notices

Announcements/Notices concerning tenders, job vacancies, interruptions to the power supply, etc. are published in the local press and the Official Gazette of the Republic and are sent to the CyBC for broadcast.

In 2010, the Authority published 591 such announcements.

Head Office Building Maintenance

Maintenance of the Head Offices involves:

- Ensuring that the building is clean.
- Functionality regarding electrical/mechanical issues, repairs and office operations.
- The Building Monitoring System (BMS).
- Photovoltaic system monitoring.
- Access Cards.

In 2010, the Section dealt with 936 requests from personnel concerning their office operations.

Telephony Support

This involves carrying out all the necessary procedures concerning the Authority's telephone connections.

A total of 54 applications were made to CYTA concerning the installation of telephone lines, transfers, obtaining GSM cards, etc.

Head Office Archive Operations

This concerns the computerisation and archiving of incoming and outgoing correspondence.

Customs-related issues were dealt with, together with the daily distribution of correspondence within all the Authority's Units/Sections, Area Offices and Power Stations.

Purchase and Supply of Stationery and General Provisions

This relates to the supply of all the Authority's Units/Sections, Area Offices and Power Stations with stationery and general provisions.

LEGAL SERVICES DEPARTMENT

The mission of the Legal Services Department is to provide Legal Advice to the Management and Direction of the Authority on all issues deriving from the EAC's activities.

In this framework, during 2010 the Legal Services Department dealt with and/or provided legal advice on the following issues and cases:

- 27 appeals against decisions by the EAC Board regarding promotions, appointments and transfers of personnel.
- Two appeals against the Authority in connection with the location of EAC power lines/network on the immovable property of third parties.
- Two appeals against decisions of the Board of Directors related to demands by EAC employees.
- 10 instances of legal action against the Authority in which the plaintiffs are demanding compensation or orders related to the location of EAC power lines/network on their immovable property.
- 34 instances of legal action against third parties concerning pending final bills and unpaid invoices.
- Four disciplinary investigations resulting from infringements by employees of the Authority in accordance with Authority's Code of Discipline.
- Five applications for Expropriation in the form of reports with written opinion, as submitted to the Ministry of Commerce, Industry & Tourism.
- Payment of rents and monitoring of leasing contracts with the Government and private individuals, rent reviews (Leasing of premises), payment of taxes and submission of objections wherever necessary regarding the Authority's immovable property.
- Drawing up of agreements concerning relocations of substations and high voltage overhead power lines.
- Evaluations of substation land and buildings.

In the framework of securing its property and the interests of its Human Resources, the Electricity Authority of Cyprus insures its movable and immovable property and its employees' interests. To this end, in 2010 tenders were published and awarded for five lapsed insurance policies.

The Insurance sector takes care of cases of accidents involving the EAC personnel and third parties and those concerning property belonging to the Authority and to third parties, with the insurance companies.

Human Resources Management

The Authority's staff

	2010	2009
Professional	282	288
Clerical	394	382
Technical	1 741	1 747
Other	48	49
TOTAL	**2 465**	**2 466**

Three employees who have been missing since the Turkish Invasion of 1974 are included in the above figures. The employees in active service at the end of the year were, therefore 2 462.

"Other" employee refers to employees which their conditions of employment are regulated by a certain collective agreement.

The Authority's pensioners

The total number of pensioners at the end of the year who received pension was 1 033 (including 5 missing persons since the Turkish invasion of 1974) compared to 1 018 at the end of the previous year. In addition 271 pensions were paid to widows and orphans of deceased pensioners/employees compared to 257 at the end of the previous year.

Manpower indicators and Productivity

Variations in productivity are shown in Figure 9 (page 64) which indicates the relationship between the Authority's manpower, the total units billed and the number of consumers during the ten year period 2001-2010.

Absenteeism due to sickness and/or industrial accidents was 3,7% or 13,2 days per EAC employee compared to 3,5% or 12,9 days per employee at the and of the previous year.

INDUSTRIAL RELATIONS

During the period under review, the Human Resources Management conducted various meeting with the employee unions, in order to examine and in several occasions find a commonly accepted settlement on personnel issues.

More specifically, schemes of services regarding both the professional as well as the Clerical and Technical staff were reorganized within the framework of the schemes of services committees, were the unions participate.

Further meetings between the HRM and the unions were held during the period, for examining HR issues concerning the safe usage of certain materials used in EAC's substations, the call center, the time schedule and conditions of employment for Vasilikos Power Station maintenance employees, the work of employees responsible for the ground cables grid etc.

Also, the two parties met in the presence of a mediator at the Ministry of Labor and Social Insurance and discussed pending industrial disputes. It is also worth mentioning that the HRM took all the necessary actions for making possible the appointment of EAC's new General Manager, as well as for finalizing the scheme of service for the post of the Secretary/Legal-Services Manager, thus making possible the filling of the post which has been vacant for a long period.

Human Resources Management

HUMAN RECOURSES DEVELOPMENT

Education and Training

During 2010, 1 791 members of the staff attended 136 in-house courses and seminars, organised by the Authority's Training School, which covered a wide range of topics. We had 184 more participations from employees in various open educational programmes and training courses, organized by local educational institutions and organisations, whilst 30 members of the professional staff attended training courses or participated in conferences and seminars abroad. In total 2 005 employees attended training courses at an overall cost €130,23 per employee. The in-house training courses were subsidised by the HRDA with the amount of €146.959,10.

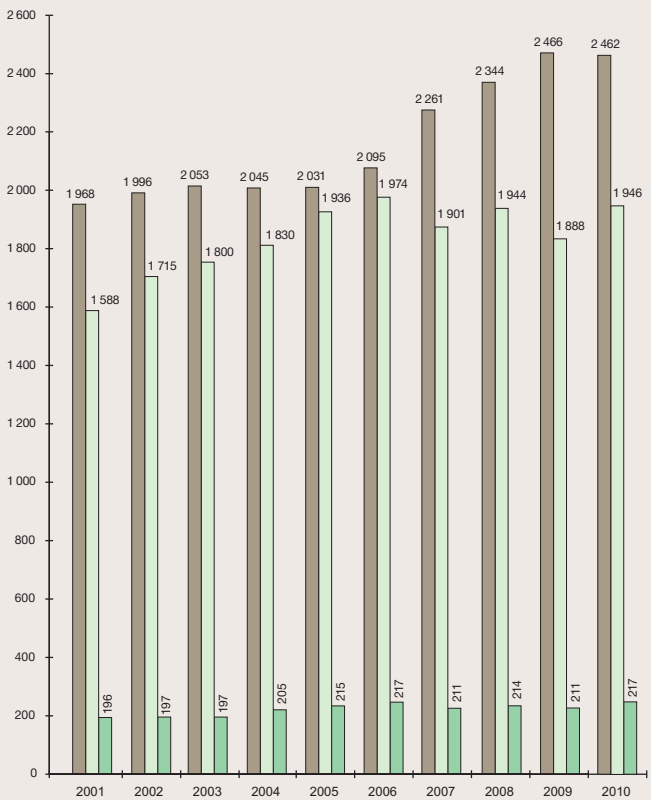


Figure 8

MANPOWER INDICATORS

- EMPLOYEES IN SERVICE
- SALES (thousand kWh) PER EMPLOYEE
- CONSUMERS PER EMPLOYEE

Within its corporate social responsibility initiative EAC offered six-month industrial training to 13 University and Higher Technical Educational Institutions students and summer vacation training to 11 University students. Moreover EAC participated in the programme of the International Association for the Exchange of Students for Technical Experience (IAESTE) offering technical experience to six international students.

Promotions

During 2010 the procedure for promoting 84 employees was completed.

Recruitment/Retirements/Termination of Employment

During the year, staff vacancies for several posts were announced and 44 new employees were recruited to fill various vacant posts and 22 current employees were recruited to new posts. It should be noted that during the year 17 employees retired, 11 employees took advantage of the early retirement scheme, two employees chose early retirement, two employees terminated their services, two employees passed away, three employees retired for health reasons and two employees were forced to terminate their services.

Scholarships

During the year, EAC offered 13 scholarships to children of employees attending University courses abroad and seven scholarships to children of employees attending courses in Cyprus.

SAFETY, HEALTH AND WELFARE

Medical Care

During the year the EAC contributed €6.811.509,66 (€6.443.625,44 in 2009) to EAC Employees Medical Fund, as well as €201.260,00 (€301.260,00 in 2009) to the Special Medical Fund set up to cover expenses incurred in the treatment of serious cases, in Cyprus and abroad. The beneficiaries of the Fund, as at 31 December 2010 were 9 145 (2 363 employee-members, 1 027 pensioners, 258 widows and 5 497 dependants).

Benevolent Funds

The EAC's Employees Benevolent Funds continued to function satisfactorily during the year. The financial relief offered to needy members, pensioners or members of their families, exceeded €340.000. This sum includes the monthly financial assistance offered by the EAC to ex-employees who retired prior to 1978 with Provident Fund benefits, as well as to their widows. It also includes the financial assistance to other ex-employees due to the recognition of their previous service with the ex-private Electric Companies after their being undertaken by the EAC. The members of the Funds, as at 31 December 2010 were 2 265.

Welfare Funds

EAC Employees' Welfare Funds continued to function satisfactorily during the year offering several facilities to the members and their families.

Long Service Certificates and Awards

The following Awards were presented:

- The EAC's Long Service Certificates were awarded to 32 employees, who retired during 2010 and had completed more than 20 years of service.
- The EAC's Gold Plated Plaques were awarded to 12 employees, who had completed during 2010, 40 years of service and silver metals were awarded to 59 employees who had completed 30 years of service.

Human Resources Management

OCCUPATIONAL HEALTH AND SAFETY

Health and Safety Management

The Electricity Authority of Cyprus completed the project on the development of the "Health and Safety management system". The project was developed in accordance to the OHSAS 18001 standard and includes the written Risk Assessments of industrial hazards, covering all workplaces and activities of the Organization. Its purpose is to draw up a complete management system and lay the foundations for the continuous development and improvement on occupational health and safety matters within the Organization.

Health and Safety in the working environment

The Safety Committees held regular meetings during the year, as the law requires and gave to the Management advice for solving various problems concerning health and safety issues.

The election of new members of the Safety Committees in accordance to the Cyprus Legislation was completed in May 2010.

During the year 2010, the Safety Officers of the Organization performed on site safety audits and gave consultation on health and safety matters to the personnel.

The Human Resources Management in cooperation with the Transmission/ Distribution and the Generation departments proceeded to upgrade/improve the specifications of the Personal Protective Equipments.

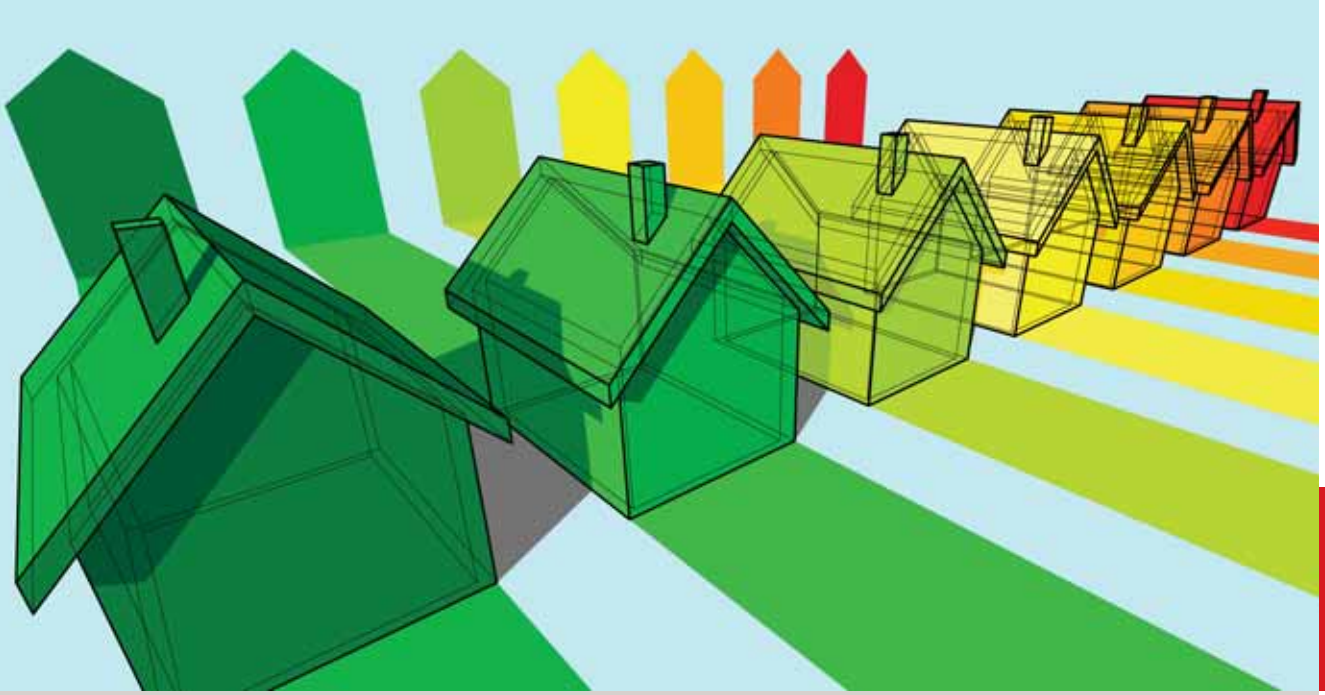
Education/Training

A complete training on safe working on height was offered to the technical staffs, who work in the overhead construction of EAC District Areas. An adapted course to the needs of Power Stations has been also offered to the Power Stations personnel, who work on height. All the trained persons have been equipped with a complete set of the necessary Personal Protective Equipment for working on height.

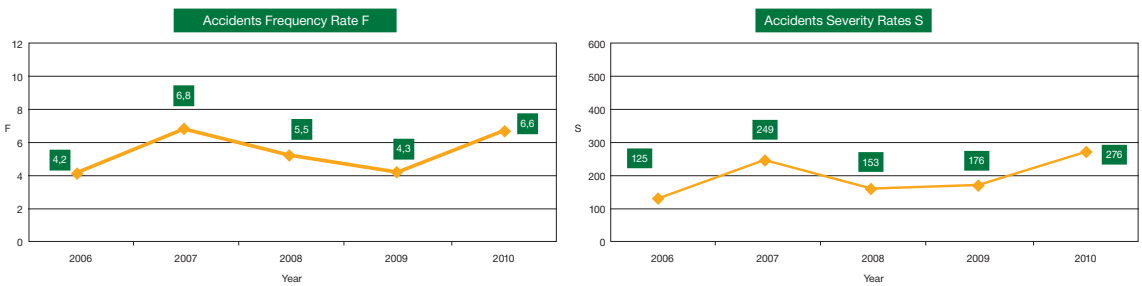
Further training and seminars on Health and Safety matters have been organized during the year by the Safety Officers according to the needs of the Organization. Furthermore, during the Safety Week all the EAC personnel have been informed on the introduction of the "Health and Safety management system", which aims in the continuous development and improvement on occupational health and safety matters within the Organization.

Accidents

During the past year a total number of 33 occupational accidents occurred, two of which were road accidents. All the accidents have been investigated and evaluated by the Central Safety Committee.



The graphs below show the variation of the two indexes, Frequency Index (F) and Severity Index (S), for the period 2006 to 2010. The Frequency index shows the number of accidents in relation to the total worked hours in the Organization and the Severity Index shows the days lost in relation to the worked hours in the Organization.



The Frequency Index (F) for EAC in relation to the previous year has been increased from 4,3 to 6,6 and the Severity Index (S) has been increased from 176 to 276.

Safety Week and Fire drill exercises

The EAC's Safety Week was organized in the beginning of February 2010. During the Safety Week various events took place, including lectures on occupational safety and health matters, fire drills and evacuation exercises in cooperation with the Fire Department.

Safety Awards

The safety award in memory of Archbishop Makarios III for the year of 2010 was given to the Ammochostos-Larnaka District Area. The safety award in memory of Georgios Kontopoulos was given to the Vassilikos Power Station.

Corporate Business Development Unit

STRATEGIC PLANNING MANAGEMENT

With the aim of ensuring the Organisation's efficient operation in an environment where the business equilibrium is going through a transitional yet decisive stage, due to the partial liberalisation of the Energy Market, and taking into consideration the forthcoming competition, the Electricity Authority of Cyprus is using a systematic process for Strategy development, Policy formulation and Annual Business Planning, via the Balanced Scorecard method. The process focuses on the alignment of efforts and the optimum use of resources by all the Organisation's Units, for the achievement of the EAC's Strategic Aims and the realisation of its Vision. All of the above will have an important contribution towards the Business Improvement of the Organisation.

In the year of 2010, the Corporate Business Strategy of EAC was revised for a period of three years, 2010-2012. The main domains of the Corporate Business Strategy of the Organisation 2010-2012, are the following:

- Electricity domain (Production, Transmission, Distribution and Supply)
- Other business activities - Liquid Natural Gas, Renewable Energy Sources, Desalination, Telecommunications
- Improvement of the Organisation's Procedures

During the revision of the Corporate Business Strategy, the Critical Strategic Initiatives were determined, identified and coded with the use of the Balanced Scorecard method.

NEW BUSINESS DEVELOPMENT

The New Business Development department focused on the development of new activities and the use of new technology as a counterbalance to the predicted reduction in the EAC's share of the liberalized electrical energy market.

Telecommunications

In 2010 EAC continued leasing part of its infrastructure to its strategic partners, for the commercial use of optical fiber network and other facilities and services for telecommunication purposes.

Various technical and economic issues were resolved with the two EAC's strategic partners, Primetel PLC and Cablenet Communications Systems Ltd.

During the year, EAC has completed the revision of the fees of optical fibers according to the agreement of 2003 with the two strategic partners.

In the context of its development into new activities EAC signed an agreement with the company MTN, to license land in the Athalassa Substation, for the installation of an antenna for mobile telephony.

In addition, a study on the evaluation of policy for the installation of plastic ducts for telecommunications purposes is carried out.

Desalination

After a request by the Water Development Department, of Ministry of Agriculture, Natural Resources and Environment, EAC called for tenders in 2008 for the construction of a desalination unit at Vasilikos of a production of 50 000m^3 of desalinated water per day and also for a temporary desalination unit for the supply up to 20 000m^3 of desalinated water per day for the period until the operation of the Permanent Unit. An Agreement was signed between EAC and WDD for the purchase of the desalinated water by WDD.

After the amendment of the Agreement between EAC/WDD, to cancel the part which concerns the temporary desalination unit, since the needs of drinking water will be satisfied by the construction and operation of the Permanent Desalination Plant in Vasilikos, it was agreed with the successful tenderer in February 2010:

- Not to install the temporary Desalination Unit, as requested by the WDD.
- To increase the production of the Permanent Desalination Plant from 50 000m^3 to 60 000m^3 per day.

The contract for the desalination unit between EAC and the successful tenderer was signed and work at the site began in the summer 2010. The unit is expected to commence commercial operation at the begining of 2012.

Corporate Business Development Unit

Renewable Energy Sources (RES)

Various proposals for joint ventures are being studied for the generation of electricity by Renewable Energy Sources (RES).

In particular studies are being carried out for the installation of a solar thermal power station at Akrotiri in Lemesos, in an area which belongs to the Bishopric of Lemesos. A cooperation agreement has already been signed between EAC and the Bishopric of Lemesos for implementing the project and techno-economic and environmental studies are being carried out.

The terms of a possible cooperation for the installation of a Photovoltaic Park in the parking space of the new airport in Larnaka are being examined. In addition a possible cooperation with the Monastery of Kykkos in an area which belongs to the Monastery, in Saint Ioannis in Pafos is also being examined.

Consultations are taking place with a consortium of farmers from Aradippou for EAC's participation in a company which will own and operate a plant for the treatment of livestock waste and generate electrical energy from Biogas.

In addition the involvement of EAC as a partner in wind energy projects is being examined. An Expression of Interest was issued for selecting potential partners and the proposals submitted are evaluated.

In the context of a financing program of the European Union, NER 300, for the financing of innovative technologies in the renewable energy sources sector, the relative files are prepared in order to submit various applications for financing of RES projects with EAC's participation.

RESEARCH AND DEVELOPMENT UNIT

During 2010, EAC has continued its active participation in four research projects, GROW-DERS, WEC, IntelliSYS and MACCSol. GROW-DERS is funded by the Sixth Framework Program of Research and Development of the EU, while WEC, IntelliSys and MACCSol are funded by the Seventh Framework Program.

Brief description of the above four research projects is given below:

- GROW-DERS Research Project: “Grid reliability and operability with distributed generation using transportable storage”. The main objective of this project is to use transportable and flexible electrical power storage systems on an experimental basis, and assess their operation. The results of this innovative project will demonstrate the effectiveness of the feasibility of using such storage systems in the European electricity distribution grids of the future.

• WEC Research Project: “Pilot demonstration of eleven 7 MW-Class WEC at Estinnes in Belgium”. The aim of this project is to design, develop, construct and operate a large scale pilot wind park made up of eleven 7 MW wind turbines incorporating innovative power electronics and highly reliable wind forecasting technologies. It is envisaged that these technologies will improve the power grid stability and also the cost effectiveness of the wind park. Within the scope of WEC is to transfer the learned technical expertise into the islanding power system of Cyprus. More specifically, special simulation software will be developed for the evaluation of the development of large scale wind parks in Cyprus potential, with the use of innovative technology for power grid stability, which will take into consideration the special requirements of the small and isolated power system of Cyprus.

• IntelliSYS Research Project: “Intelligent Monitoring, Control and Security of Critical Infrastructure Systems”. The main objective of this project is to form a European-wide scientific and technology knowledge platform and instigate interdisciplinary interaction in the development of innovative intelligent monitoring, control and safety methodologies for critical infrastructure systems, such as electric power systems, telecommunication networks and water systems.

• MACCSol Research Project: “The development and verification of a novel modular air cooled condenser for enhanced concentrated solar power generation”. The aim of this project is to develop an efficiently competitive air cooled condenser technology compared to water cooled condenser technologies used in concentrated solar thermal power technologies in areas with low water quantities. Within the scope of MACCSol is the development of mathematical models for techno-economic analyses of the financial viability of the developed technology. This emerged technology has been put under the research priorities of the European Union since it is expected by 2020, that 10 units of solar thermal systems will be installed for commercial use in the countries of South Europe and North Africa.

The Research and Development unit of EAC has co-organized the International Conference “7th Mediterranean Conference and Exhibition on Power Generation, Transmission, Distribution and Energy Conversion (MedPower 2010)”, in Agia Napa between 7 and 10 November of 2010, in order to disseminate the results of research and development activities.

Finally, the Research and Development unit of EAC carried out several techno-economic analyses for the installation of solar dish technologies and concentrated photovoltaic technologies in Cyprus, participated in the elaboration of the strategic plan of Cyprus and EAC for the electricity production from renewable energy sources and analyzed the results of a European survey for the role of Research and Development in European power companies. Moreover, the unit has produced a number of papers published in referred international journals and has presented the research and development activities of EAC in a number of international conferences and workshops.

QUALITY ASSURANCE & BUSINESS EXCELLENCE

During 2010, the Department dealt mainly with the following:

Implementation of an Integrated Management System

Following relevant decisions by EAC, the implementation of an Integrated Management System (IMS), incorporating the ISO9001 and ISO14001 standards throughout the organization with the exception of the Power Stations, has been completed. During December, an audit of the IMS was conducted by the Cyprus Certification Company. The observations made by the auditors will be presented to the top Management so that relevant corrective and preventive actions will be decided.

Corporate Business Development Unit

Internal Audits

During the course of the year, preliminary internal audits were conducted in all EAC Key Processes. The results of the audits were presented to the Key Process owners and the corrective and preventive actions were decided accordingly.

Cyprus Energy Regulator Authority Performance Indicators

The results of the system measuring the CERA related performance indicators are sent on an annual basis both to CERA and to the EAC top management.

SAP Performance indicators system

A new system for measuring process performance indicators via the SAP system has been implemented. The new system allows for the process flowcharts to be documented, so as to aid the understanding of how the processes work and what actions need to be taken for every process. In addition, the new system makes performance indicator comparisons between Areas more accurate as it ensures that the indicators range (start-finish) is the same for all Areas.

Intranet Portal

All EAC procedures and supporting documents have been uploaded to the Intranet portal following relevant approvals by the Key process owners. EAC Personnel can access all documents of the Integrated Management System through a single system thus facilitating the immediate communication of all policy documents to all employees.

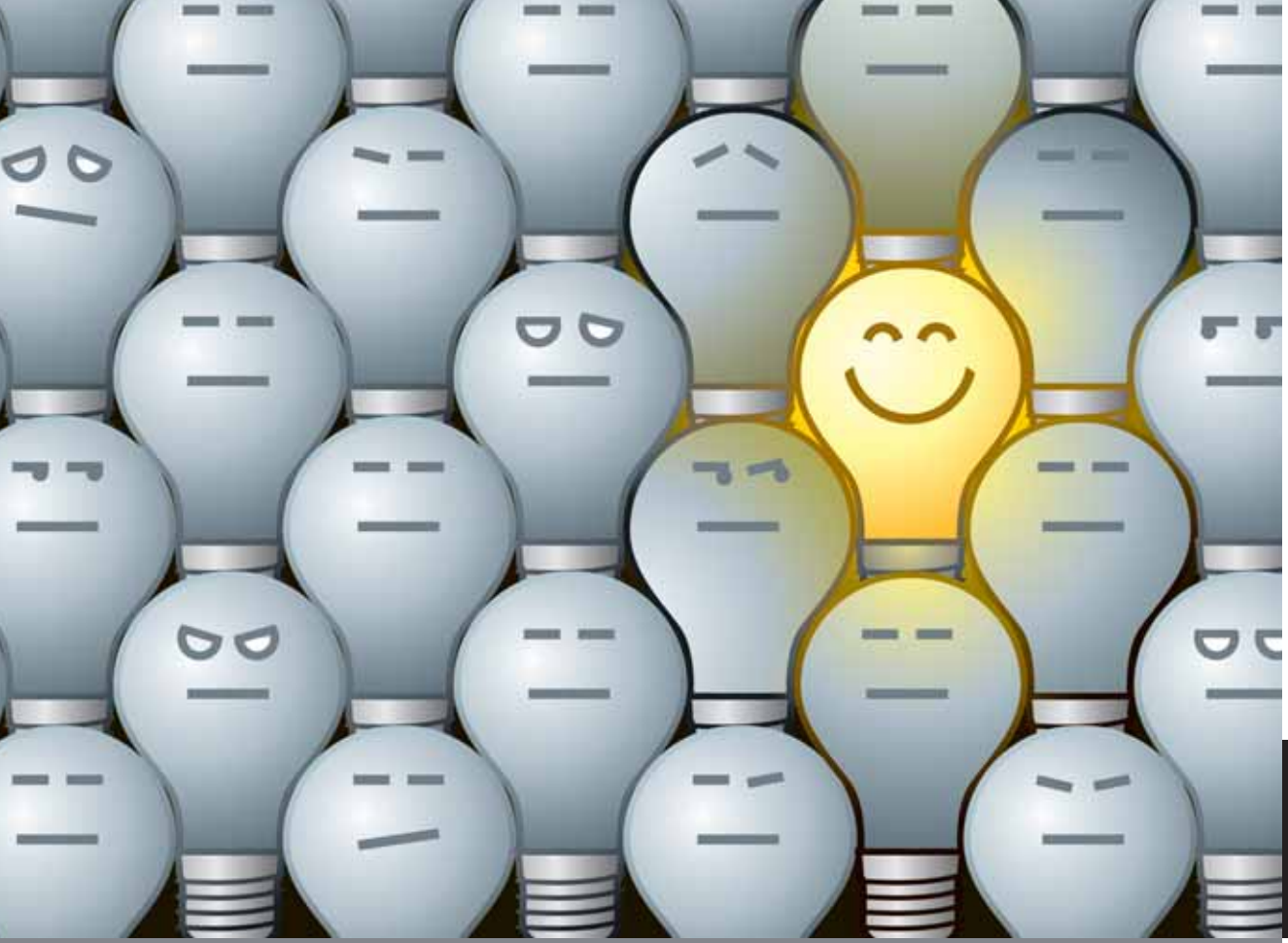
Target setting

A new procedure for target setting, using the top/down approach has been designed and approved by the General Manager. All Key Process Owners have established their key process indicators, which are necessary to achieve the Corporate key process indicators and targets.

All work has been done in line with EAC's medium term strategic objectives. The deployment of all performance indicators and targets for all the processes and procedures throughout the organization will be established during the next year. In this way, all indicators for all EAC processes and procedures will be aligned aiming towards achieving the targets set by the top management for the following year.

Implementation of a workflow based electronic system for managing audit non-conformances, employee suggestions and planning of internal audits.

The project for setting up a fully workflow based electronic system, operating in the Portal environment is underway since August.



Through this system, management of all employee suggestions and innovative ideas and also internal audits and non-conformances will be done substantially faster and more efficiently than before, reducing the overall cost associated with the management of these systems.

Quality and Environmental Policy

Both EAC's Quality and Environmental Policy has been communicated to all employees and is readily available on the Intranet and displayed on different parts of the Organisation.

Satisfaction of Environmental Legal Requirements

In September, EAC has signed an agreement with Green Dot, Electrocyclosis Ltd and AFIS Ltd for the recycling of equipment such as batteries, electrical items and packaging materials. A number of steps were established in order for EAC to abide to all Environmental Legal Requirements in line with our Environmental Management System.

Workshops for re-engineering and process harmonization

A number of workshops have been conducted with the aim of harmonizing the various processes and procedures in all EAC areas. These workshops will be intensified in 2011 aiming at simplifying EAC operations, reducing the costs associated with its operations, reducing time to serve customers and improving productivity.

Corporate Finance Unit

FINANCIAL SERVICES

FINANCIAL STATEMENTS

The financial statements of the EAC for the year 2010 together with the supporting statements are set out in pages 86 to 121. The principal financial statistics for the ten-year period 2000-2010 are summarised on page 78.

FINANCIAL RESULTS

The financial results for the year and the changes from the previous year are shown in Table No. 3 below. The income from sales of electricity for the year, totalled to €776.390.000 showing an increase of €149.137.000 or 23,8%. The total operating costs were €698.062.000 showing an increase of €102.967.000 or 17,3%. After accounting for finance costs amounting to €10.243.000 there was a profit before tax of €101.854.000 compared to a profit of €45.279.000 in the previous year.

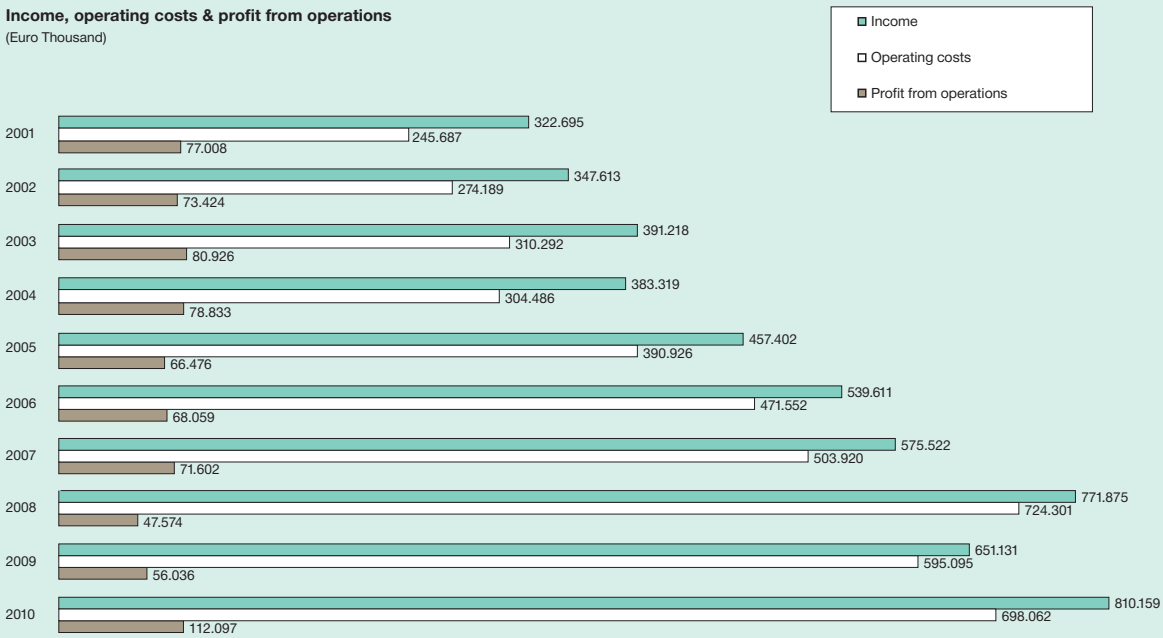
Table 3

Consolidated income statement for the year ended 31 December 2010 and changes from previous year

	€000	
	2010	Increase/ (Decrease)
INCOME		
Sales of electricity	776.390	149.137
Consumers' capital contributions	17.855	1.200
Other operating income	15.174	9.328
Finance income	740	(637)
	810.159	159.028
OPERATING COSTS	(698.062)	102.967
Operating profit	112.097	56.061
Finance costs	(10.243)	(514)
Profit before tax	101.854	56.575
Tax - current	(7.759)	6.410
Deferred tax	(2.681)	(62.335)
Provision as a result of Tax Council Decision	(18.239)	18.239
Net profit for the year	73.175	(30.409)
Units sold (million kWh)	4 782,0	126,3

Figure 9

Income, operating costs & profit from operations
(Euro Thousand)



After the deduction of current tax amounting to €7.759.000, deferred tax amounting to €2.681.000 and the provision resulting from the Tax Council Decision amounting to €18.239.000, the net profit was €73.175.000 (2009: €103.584.000).

ANALYSIS OF OPERATING COSTS

Table 4 (page 76) 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 32,1% to €363,07 per metric tonne. The consumption decreased by 3,5 % to 1.211 thousand metric tonnes. As a result of the above the fuel oil bill increased by €94.595.000 to €439.510.000.

The cost for greenhouse gas emission rights increased by 24,4% to €6.436.000.

The total salaries, related costs and deficiency contribution to pension schemes amounted to €133.131.000 out of which €11.950.000 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 €121.181.000 or 91,0% was charged to the income statement. The increase of €808.000 or 0,6% to the total salaries and related costs charge is due mainly to the increase in the cost of living allowance.

The deficiency contribution to pension schemes was €12.240.000 (2009: €10.621.000). This contribution was the result of the latest actuarial valuation carried out as of 31 December 2010.

Materials services and other expenditure were €55.542.000 (increase of €10.274.000 or 22,7%).
The depreciation charge was €75.393.000 (increase of €3.867.000 or 5,4%).

Corporate Finance Unit

Table 4

Analysis of Operating costs

	2010		Increase (Decrease) over 2009		
	€000	%	Cents perk kWh sold	€000	%
Fuel oil	439.510	63,0	9,191	94.595	27,4
Greenhouse gas emission rights	6.436	0,9	0,135	1.262	24,4
Salaries and related costs	108.941	15,6	2,278	(8.650)	(7,4)
Deficiency contribution to pension schemes	12.240	1,7	0,256	1.619	(15,2)
Materials, services and other expenditure	55.542	8,0	1,161	10.274	22,7
Depreciation	75.393	10,8	1,577	3.867	5,4
TOTAL	**698.062**	**100,0**	**14,598**	**102.967**	**17,3**

CAPITAL REQUIREMENTS AND SOURCES OF FINANCE

Capital expenditure during the year amounted to €281.976.000 compared with €269.212.000 in 2009 (increase of €12.764.000).

The amount paid for taxation during the year amounted to €5.327.000 (2009: €2.366.000).

Loan repayments amounted to €34.200.000 (2009: €30.800.000).

Out of the total financing requirements of €349.457.000 internal sources and consumers contributions provided €154.457.000 and the balance of €195.000.000 was covered by bank loans. Table 5 below shows the financing requirements during the year and the sources of finance.

Table 5

Financing Requirements and Sources of Finance

	2010		2009	
FINANCING REQUIREMENTS	**€000**	**%**	**€000**	**%**
Tax	5.327	1,5	2.366	0,8
Capital expenditure	281.976	80,7	269.212	89,0
Bank overdraft / loan repayments	62.154	17,8	30.800	10,2
	349.457	100,0	302.378	100,0
SOURCES OF FINANCE				
Profit before tax	101.854	29,1	45.279	15,0
Depreciation less consumers' contributions	57.538	16,5	54.871	18,2
Proceeds from disposal of fixed assets	1.302	0,4	1.638	0,5
Unrealised foreign exchange loss	681	0,2	198	0,1
Consumers' contributions	41.484	11,9	41.149	13,6
Working Capital changes	(48.402)	(13,9)	50.931	16,8
	154.457	44,2	194.066	64,2
Loans	195.000	55,8	108.312	35,8
	349.457	100,0	302.378	100,0

FINANCIAL POSITION AT END OF YEAR

The historical cost of the assets employed at 31 December 2010 was €2.593.222.000 and total provision for depreciation was €803.951.000. As a result the written down value of the assets employed was 69,0% of the original cost. The total net assets at 31 December 2010 were €1.799.903.000. Finance derived from loans (€451.597.000 or 25,1%) other long term liabilities (€453.183.000 or 25,2%) and the balance (€895.123.000 or 49,7%) from own sources.

H. THRASSOU
CHAIRMAN

S. STYLIANOU
GENERAL MANAGER

Expenditure

(Euro Thousand)

As percentage of total revenue

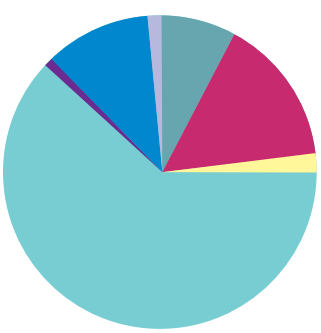


Figure 10

- Materials, services & other expenditure €55.542 (7,84%)
- Salaries & related expences €108.941 (15,38%)
- Deficiency contribution to pension schemes €12.240 (1,73%)
- Fuel oil €439.510 (62,05%)
- Greenhouse gas emission rights €6.436 (0,91%)
- Depreciation €75.393 (10,64%)
- Finance cost €10.243 (1,45%)

Corporate Finance Unit

TABLE 6
PRINCIPAL FINANCIAL STATISTICS 2001-2010
During the Financial Year to 31 December

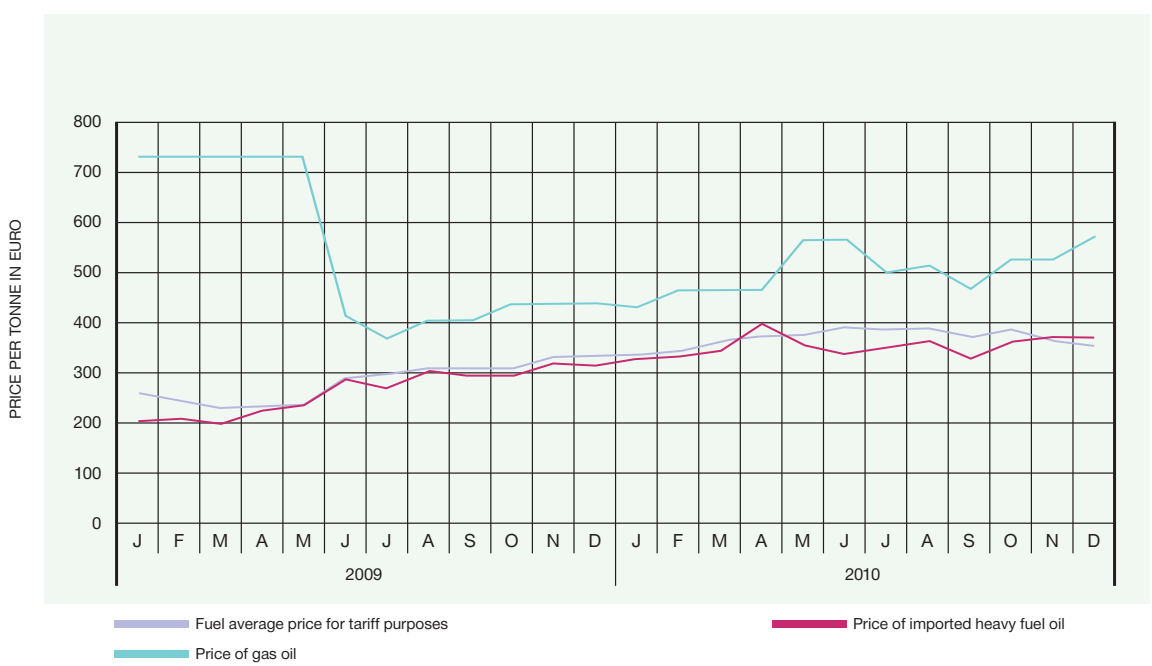
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Units sold (million kWh)	3 125	3 423	3 696	3 742	3 933	4 135	4 298	4 556	4 656	4 782
Consumption in the turkish										
occupied area (million kWh)	6	6	7	8	7	7	8	9	8	8
Total units (million kWh)	3 131	3 429	3 703	3 750	3 940	4 142	4 306	4 565	4 664	4 790
Installed capacity (MW)	988	988	988	988	988	988	1 118	1 168	1 388	1 438
INCOME (€ THOUSAND)										
Sales of electricity	307.318	330.814	373.464	361.041	432.177	513.105	546.737	736.215	627.253	776.390
Consumers capital contributions	8.712	9.553	10.286	11.138	12.064	13.085	14.241	15.389	16.655	17.855
Other operating income	1.280	1.090	866	2.421	905	3.182	4.869	5.575	5.846	15.174
Finance income	5.385	6.156	6.602	8.719	6.976	4.799	2.615	2.637	1.377	740
Total Income	322.695	347.613	391.218	383.319	452.122	534.171	568.462	759.816	651.131	810.159
OPERATING COSTS (€ THOUSAND)										
Operating costs	208.286	234.285	264.560	258.352	332.034	411.365	438.661	652.539	523.569	622.669
Depreciation	37.401	39.904	45.732	46.134	53.612	54.747	58.199	59.703	71.526	75.393
Total operating costs	245.687	274.189	310.292	304.486	385.646	466.112	496.860	712.242	595.095	698.062
Operating profit	77.008	73.424	80.926	78.833	66.476	68.059	71.602	47.574	56.036	112.097
Finance costs	(11.702)	(9.437)	(14.585)	(12.363)	(8.551)	(13.182)	(14.779)	(19.310)	(10.757)	(10.243)
Profit before tax and exceptional item	65.306	63.987	66.341	66.470	57.925	54.877	56.823	28.264	45.279	101.854
Exceptional item	-	(34.172)	(42.715)	(25.629)	(1.184)	-	-	-	-	-
Profit before tax	65.306	29.815	23.626	40.841	56.741	54.877	56.823	28.264	45.279	101.854
Tax	(18.070)	(8.475)	(7.953)	(16.235)	(16.671)	(16.251)	(16.802)	(7.933)	58.305	(10.440)
Provision as a result of the Tax Council Decision										(18.239)
Net profit for the year	47.236	21.340	15.673	24.606	40.070	38.626	40.021	20.331	103.584	73.175
RATIOS TO TOTAL INCOME										
Profit from operations (%)	23,9	21,1	20,7	20,6	14,5	12,6	12,4	6,2	8,6	13,8
Profit before tax (%)	20,2	8,6	6,0	10,7	12,4	10,2	9,9	3,7	7,0	12,6

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
ASSETS (€THOUSAND)										
Non Current assets										
Property, plant and equipment	862.521	897.590	977.057	1.082.047	1.124.526	1.185.076	1.285.124	1.387.312	1.583.500	1.789.271
Trade and other receivables	7.227	5.925	5.081	4.685	3.812	2.860	1.898	1.800	1.845	2.302
	869.748	903.515	982.138	1.086.732	1.128.338	1.187.936	1.287.022	1.389.112	1.585.345	1.791.573
Current assets	231.239	358.830	377.181	288.349	302.096	293.755	280.641	325.719	259.762	329.501
Total assets	1.100.987	1.262.345	1.359.319	1.375.081	1.430.434	1.481.691	1.567.663	1.714.831	1.845.107	2.121.074
RESERVES AND LIABILITIES (€ THOUSAND)										
Reserves										
Revenue reserve	527.770	549.110	564.783	589.389	629.459	642.456	682.478	702.809	806.393	879.568
Government grant	15.555	15.555	15.555	15.555	15.555	15.555	15.555	15.555	15.555	15.555
	543.325	564.665	580.338	604.944	645.014	658.011	698.033	718.364	821.948	895.123
Non - current liabilities										
Borrowings	164.356	228.235	295.950	290.874	276.462	243.396	265.372	334.773	300.750	451.597
Deferred tax liabilities	63.056	69.791	73.996	73.075	79.231	84.036	91.042	98.056	38.402	24.479
Deferred Income	233.890	248.507	266.254	285.679	307.533	332.807	356.580	382.973	406.250	428.704
	461.302	546.533	636.200	649.628	663.226	660.239	712.994	815.802	745.402	904.780
Current Liabilities	96.360	151.147	142.781	120.509	122.194	163.441	156.636	180.665	277.757	321.171
Total Liabilities	557.662	697.680	778.981	770.137	785.420	823.680	869.630	996.467	1.023.159	1.225.951
Total reserves and liabilities	1.100.987	1.262.345	1.359.319	1.375.081	1.430.434	1.481.691	1.567.663	1.714.831	1.845.107	2.121.074

Figure 11

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



Auditor's Report and Financial Statements

Report and consolidated financial statements 31 December 2010

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Electricity Authority of Cyprus

Report of the Board of Directors

1. The Board of Directors presents its report together with the audited consolidated financial statements of the Authority and its subsidiary Elektriki Ltd (together the "Group") for the year ended 31 December 2010.

Principal activities

2. The principal activities of the Authority, which have not changed since last year, is 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 and knowhow.

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

3. The profit of the Authority for the year ended 31 December 2010 was €73.175 thousand (2009: profit of €103.584 thousand). On 31 December 2010 the total assets of the Authority were €2.121.074 thousand (2009: €1.845.107 thousand) and the net assets were €895.123 thousand (2009: €821.948 thousand). The financial position of the Group as presented in the consolidated financial statements is considered satisfactory. The Board of Directors is not anticipating any significant changes in the activities of the Authority in the foreseeable future.

Principal risks and uncertainties

4. The principal risks and uncertainties faced by the Authority are disclosed in notes 3 and 26 of the financial statements.

Future developments of the Authority

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

Results

6. The results of the Group for the year are presented on page 86. The net profit for the year is transferred to reserves.

Board of Directors

7. The members of the Board of Directors at 31 December 2010 and at the date of this report are presented on page 12. Mr. Yiannos Valanides who was a member as at 1 January 2010 resigned on 10 February 2010 and Mr. Andreas Oratis was appointed on 23 February 2010 in his place.

8. There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the balance sheet date

9. As discussed in Note 29 of the consolidated financial statements, except of the Decision of the Tax Council dated 21 April 2011 there were no material post balance sheet events which have a bearing on the understanding of the consolidated financial statements.

Branches

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

Independent Auditors

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

By order of the Board of Directors

Harris Thrassou
Chairman

17 May 2011, Nicosia

Independent auditors' report To the Members of Electricity Authority of Cyprus

Report on the consolidated financial statements

We have audited the consolidated financial statements of Electricity Authority of Cyprus (the "Authority") and its 100% subsidiary Elektriki Limited (together "the Group"), which comprise the consolidated balance sheet as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the 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 Electricity Development Law Cap. 171, the Public Corporate Bodies (Audit of Accounts) Laws of 1983-2007, the Laws Regulating the Electricity Market of 2003-2008 and the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, indicating the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Electricity Development Law Cap. 171, the requirements of the Public Corporate Bodies (Audit of Accounts) Laws of 1983-2007, the requirements of the Laws Regulating the Electricity Market of 2003-2008 and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal and regulatory requirements

Pursuant to the requirements of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Authority.
- The Authority's consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the members of the Electricity Authority of Cyprus, as a body, the Minister of Commerce, Industry & Tourism, the House of Representatives and the Auditor General of the Republic in accordance with the Electricity Development Law Cap. 171, the Public Corporate Bodies (Audit of Accounts) Laws of 1983-2007, the Laws Regulating the Electricity Market of 2003-2008 and Section 34 of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts 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 behalf of
PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 17 May 2011

Report of the Auditor General of the Republic to the Electricity Authority of Cyprus

I have examined the foregoing report on the consolidated financial statements on pages 86 to 123 of the Electricity Authority of Cyprus for the year ended 31 December 2010, submitted by the appointed auditors in accordance with section 3(1) of the Public Corporate Bodies (Audit of Accounts) Laws and I am satisfied that it is appropriate.

Chrystalla Georghadji
Auditor General of the Republic

Nicosia, 23 May 2011

Consolidated Financial Statements 31 December 2010

Consolidated statement of comprehensive income for the year ended 31 December 2010

	Notes	2010 €000	2009 €000
Revenue	6	**776.390**	627.253
Other operating income	7	**33.279**	23.738
Other gains	8	**490**	140
Operating costs	9	**(698.062)**	(595.095)
Operating profit		**112.097**	56.036
Finance costs	11	**(10.243)**	(10.757)
Profit before tax		**101.854**	45.279
Tax	12	**(7.759)**	(1.349)
Deferred tax	12	**(2.681)**	59.654
Provision due to the decision of the Tax Council	13	**(18.239)**	-
Tax		**(28.679)**	58.305
Profit for the year		**73.175**	103.584
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**73.175**	103.584

The notes on pages 90 to 123 are an integral part of these financial statements.

Consolidated balance sheet
at 31 December 2010

	Notes	2010 €000	2009 €000
Assets			
Non-current assets			
Property, plant and equipment	16	**1.789.271**	1.583.500
Trade and other receivables	17	**2.302**	1.845
		1.791.573	1.585.345
Current assets			
Inventories	18	**158.126**	113.783
Trade and other receivables	17	**131.598**	120.454
Current tax refundable		**-**	15.065
Greenhouse gasses emission allowances		**1.808**	-
Short-term deposits	19	**31.611**	188
Cash and cash equivalents	20	**6.358**	10.272
		329.501	259.762
Total assets		**2.121.074**	1.845.107
Reserves and liabilities			
Reserves		**895.123**	821.948
Non-current liabilities			
Borrowings	21	**451.597**	300.750
Deferred tax liabilities	22	**24.479**	38.402
Deferred Income	23	**428.704**	406.250
		904.780	745.402
Current liabilities			
Trade and other payables	24	**154.807**	117.458
Current tax payable		**22.210**	-
Borrowings	21	**125.107**	142.427
Deferred Income	23	**19.047**	17.872
		321.171	277.757
Total liabilities		**1.225.951**	1.023.159
Total reserves and liabilities		**2.121.074**	1.845.107

On 17 May 2011 the Board of Directors of the Electricity Authority of Cyprus authorised these financial statements for issue.

H. THRASSOU	S. STYLIANOU	H. HADJIYEROU
Chairman	General Manager	Executive Manager Finance

The notes on pages 90 to 123 are an integral part of these financial statements.

Consolidated Financial Statements 31 December 2010

Consolidated statement of changes in equity for the year ended 31 December 2010

	Capital Reserve (1) €000	Revenue Reserve €000	Total €000
Balance at 1 January 2009	15.555	702.809	**718.364**
Comprehensive Income			
Profit for the year	-	103.584	**103.584**
Balance at 31 December 2009 / 1 January 2010	15.555	806.393	**821.948**
Comprehensive income			
Profit for the year	-	73.175	**73.175**
Balance at 31 December 2010	15.555	879.568	**895.123**

(1) The Capital Reserve represents a government grant.

(2) For the year 2009 and onwards, organisations 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 15% 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 at any time. This special contribution for defence is paid by the Authority for the account of the Government of Cyprus.

The notes on pages 90 to 123 are an integral part of these financial statements.

Consolidated Statement of cash flows
for the year ended 31 December 2010

	Notes	2010 €000	2009 €000
Cash flows from operating activities			
Profit before tax		**101.854**	45.279
Adjustments for:			
Depreciation of property, plant and equipment	16	**75.393**	71.526
Amortisation of consumers' capital contributions	23	**(17.855)**	(16.655)
Profit on sale of property, plant and equipment	8	**(490)**	(140)
Interest expense	11	**9.560**	9.825
Unrealised exchange loss		**681**	198
Interest income		**(740)**	(1.377)
		168.403	108.656
Changes in working capital:			
Inventories		**(44.343)**	11.972
Greenhouse gasses emission allowances		**(1.808)**	-
Trade and other receivables		**(11.264)**	506
Trade and other payables		**36.890**	(15.347)
Cash generated from operations		**147.878**	105.787
Tax paid		**(5.327)**	(2.366)
Net cash from operating activities		**142.551**	103.421
Cash flows from investing activities			
Short-term deposits		**(31.423)**	1.038
Purchase of property, plant and equipment	16	**(281.976)**	(269.212)
Proceeds from sale of property, plant and equipment		**1.302**	1.638
Additions to consumers' capital contributions	23	**41.484**	41.149
Interest received		**403**	1.652
Net cash used in investing activities		**(270.210)**	(223.735)
Cash flows from financing activities			
Proceeds from long term borrowings		**195.000**	-
Repayments of long term borrowings		**(34.200)**	(30.800)
Interest paid		**(9.101)**	(10.336)
Net cash from/(used in) financing activities		**151.699**	(41.136)
Net increase/(decrease) in cash, and cash equivalents and bank overdrafts		**24.040**	(161.450)
Cash and cash equivalents and bank overdrafts at beginning of year		**(98.040)**	63.410
(Bank overdrafts)/cash and cash equivalents at end of year	20	**(74.000)**	(98.040)

The notes on pages 90 to 123 are an integral part of these financial statements.

Consolidated Financial Statements 31 December 2010

Notes to the consolidated financial statements

1. General Information

The Electricity Authority of Cyprus 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, CY-1399 Nicosia, Cyprus.

The Electricity Authority of Cyprus pursuant to the above Law 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 19 December 1996 concerning common rules for the internal market in electricity.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Electricity Authority of Cyprus have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) the requirements of the Electricity Development Law, Cap. 171 the Laws regulating the Electricity Market of 2003-2008 and the Cyprus Company Law Cap. 113.

As of the date of the authorisation of the consolidated financial statements, all International Financial Reporting Standards have been issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2010 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Authority'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 4.

Adoption of new and revised IFRS

During the current year the Authority 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 2010. This adoption did not have a material effect on the accounting policies of the Authority.

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

(i) Adopted by the European Union

New standards

- IAS 24 (Revised) "Related Party Disclosures" (effective for annual periods beginning on or after 1 January 2011).
- IFRS 3 (Revised) "Business Combinations" (effective for annual periods beginning on or after 1 July 2009).
- IAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009).
- IFRS 1 (Revised) "First Time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 July 2009).

Amendments

- Amendments to IAS 32 "Financial Instruments: Presentation: Classifications of Rights Issues" (effective for annual periods beginning on or after 1 February 2010).
- Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First Time Adopters" (effective for annual periods beginning on or after 1 July 2010).
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011).
- Annual Improvements on IFRS's 2010 (effective for annual periods beginning on or after 1 July 2010 to 1 January 2011).
- Annual improvements to IFRS (2008) re IFRS 5 "Non current Assets Held for Sale and Discontinued Operations" (effective for annual periods beginning on or after 1 July 2009).
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" on "Eligible Hedged Items" (effective for annual periods beginning on or after 1 July 2009).
- Amendment to IFRIC 9 and IAS 39 regarding embedded derivatives (effective for annual periods beginning on or after 30 June 2009).
- Annual Improvements 2009 (effective for annual periods beginning on or after 1 July 2009 and 1 January 2010).
- Amendments to IFRS 2 "Group Cash-settled Share-based Payment Transactions" (effective for annual periods beginning on or after 1 January 2010).

New IFRICs

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010).
- IFRIC 12 "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008, EU: 30 March 2009).
- IFRIC 15 "Agreements for the Construction of Real Estate" (effective for annual periods beginning on or after 1 January 2009, EU: 31 December 2009).
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 October 2008, EU: 30 June 2009).
- IFRIC 17 "Distributions of Non cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 18 "Transfers of Assets from Customers" (effective for transfers made on or after 1 July 2009).

(ii) Not adopted by the European Union

New standards

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013).

Amendments

- Amendments to IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IAS 12 "Income Taxes" (effective for annual periods beginning on or after 1 January 2012).
- Amendment to IFRS 1 "First-time adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 July 2011).

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Authority, with the exception of the following:

(i) IAS 24 (Revised) "Related party disclosures". The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government related entities. The Authority will apply the standard from 1 January 2011. When the revised standard is applied, the Authority will need to disclose any transactions between its subsidiaries and its associates. The Authority is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

(ii) IFRS 9 “Financial instruments”. This standard is the first step in the process to replace IAS 39 “Financial instruments: recognition and measurement”. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Authority's accounting for its financial assets. The standard is not applicable until 1 January 2013 and has not yet been endorsed by the European Union. The Authority is yet to assess the full impact of IFRS 9.

Subsidiary undertaking

Subsidiary undertaking, is that entity in which the Authority has an interest of more than 50% of the voting rights or otherwise has the power to exercise control over its decisions. The subsidiary undertaking is consolidated from the date on which control is transferred to the Authority 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 unrealised losses unless cost cannot be recovered.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Authority. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. 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 recognised directly in the consolidated income statement.

Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Authority's activities. Income is shown net of value added tax.

The Authority recognizes revenue when the amount can be reliably estimated, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below:

(a) Sales of electricity

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

(b) Interest Income

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

(c) Consumers' capital contributions

The Authority accepts applications for extension of its network in areas not yet covered by the existing network by individuals and legal entities. Furthermore the Authority accepts applications for additional load from the existing network. In both cases the Authority 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 tarrifs.

Applicants ensure the right of permanent access to the network for an unlimited period of time. The Authority is committed to providing 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.

Subsidies from the Authority in respect of such capital contributions are deducted from the amounts receivable and charged in the consolidated statement of comprehensive income at the time granted.

Foreign currency translation

(a) Functional and presentation currency

Items included in the Authority's consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euro (€), which is the Authority'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 or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

Employee benefits

The Authority operates two defined benefit plans and various other defined contribution plans the assets of which are held in separate trustee-administered funds. These plans are mainly funded by the Authority.

The present value of the obligation and the current service costs relating to the defined benefit plan are assessed using the projected unit credit method. The accumulated comprehensive surplus or deficit arising from the changes of the rate used for discounting projected future cash outflows concerning benefits and from differences between expected and actual return of the investments and other actuary judgements are deferred and charged to the consolidated comprehensive income statement over the remaining working lives of the employees participating in the relevant plans, in accordance with an actuary valuation performed at least every three years.

The portion of actuarial gains and losses to be recognised is the excess, over and above the greatest of the 10% corridor of the present obligation of the Defined Benefit Plan and the 10% of the present value of the assets at the previous reporting period, divided by the expected average remaining working lives of the employees participating in the plan to the fact that the IAS permits earlier recognition of the accumulated actuarial losses and of a larger amount than the excess amount, it has been decided to recognise the amount of the unrecorded actuarial loss at the beginning of the year over a period of 5 years.

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

Current and deferred income tax

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

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Authority operates and generates taxable income. Management 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 recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Authority where there is an intention to settle the balances on a net basis.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly related to the acquisition of property, plant and equipment. For projects carried out by external contractors, cost is based on the value of work executed and certified by engineering consultants. For projects carried out by the Authority'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 Authority 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
Freehold land	Indefinite
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, fittings and office equipment	10
Tools and instruments	10
Hardware	5
Software	3

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

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

Expenditure for repairs and maintenance of property, plant and equipment is charged to the profit and loss 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 Authority and the cost of the item can be measured reliably.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and these are included in “other gains-net” in profit or loss.

Greenhouse Gas Emission Allowances

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

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

Granted CO_2 emission allowances are initially recognised at nominal value (nil value) when the Authority is able to exercise control over these rights. Purchased CO_2 emission allowances are initially recognised at cost (purchased price) within intangible assets. A liability is recognised 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 balance sheet date. Movements in the liability are recognised in the consolidated statement of comprehensive income.

The intangible asset is surrendered 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.

Financial assets

(i) Classification

The Authority classifies its financial assets in loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non current assets. The Authority's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

(ii) Recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership.
Loans and receivables are carried at amortised cost using the effective interest method.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of 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 recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating costs in profit or loss.

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 recognised 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 recognised as interest expense.

Cash and cash equivalents

Cash and cash equivalents include cash in bank and in hand, short term deposits held at call with banks with average maturity up to 36 days and bank overdrafts. Short term bank deposits with maturity of 12 months is included in short-term bank deposits. In the balance sheet bank overdrafts are shown within borrowings in current liabilities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in 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. Borrowing costs are interest and other costs that the Authority 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 Authority and the costs can be measured reliably.

Borrowings are classified as current liabilities, unless the Authority has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade payables

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

Segmental reporting

The financial statements are also presented in separate statements per business segment.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The analysis per business segment is prepared for the activities of generation, transmission, distribution and supply which also complies with the requirements of the Laws regulating the Electricity Market of 2003-2008.

Comparative information

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

3. Financial risk management

(i) Financial risk factors

The 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**

Foreign exchange risk

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 recognised assets or liabilities are denominated in a currency that is not the Authority's functional currency. The Authority is exposed to foreign exchange risk arising from various currency exposures with respect to the US Dollar, Pound Sterlings and Swiss Franks but believes that any change in foreign exchange rates will not have a material effect on its results.

The Authority's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The net foreign exchange difference debited to the consolidated statement of comprehensive income amounts to €683.000 (2009: €932.000) which relates to financing activities (Note 11).

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 Authority's income and operating cash flows are dependent on changes in market interest rates.

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

At 31 December 2010, if interest rates on Euro-denominated borrowings had been 0,1% (2009: 0,1%) higher/lower with all other variables held constant, post-tax profit for the year would have been €544.471 (2009: €399.439) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The Authority's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

- **Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions

For banks and financial institutions, only independently rated parties with a certain minimum rating are accepted. Sales to retail customers are settled in cash or using major credit cards. See Note 14 for further disclosure on credit risk.

The Management does not expect any losses from non performance by these counterparties.

Liquidity risk

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

	Less than 1 year €000	Between 1 and 2 years €000	Between 2 to 5 years €000	Over 5 years €000
At 31 December 2009				
Borrowings	142.427	44.518	110.784	145.448
Trade and other payables	117.458	-	-	-
	259.885	**44.518**	**110.784**	**145.448**
At 31 December 2010				
Borrowings	125.107	47.782	134.593	269.222
Trade and other payables	154.807	-	-	-
	279.914	**47.782**	**134.593**	**269.222**

(ii) Capital risk management

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

The Authority 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 borrowing" as shown in the balance sheet) less short term deposits and cash and cash equivalents. Total capital is calculated as "equity" ("Reserves" and "Deferred Income" as shown in the balance sheet) plus net debt.

During 2010, the Authority's strategy, which was unchanged from 2009, was to maintain the gearing ratio within 15% to 30%. The gearing ratio at 31 December 2010 and 2009 was as follows:

	2010	2009
	€000	€000
Total borrowings (Note 21)	**576.704**	443.177
Less:		
Short term deposits (Note 19)	**(31.611)**	(188)
Cash and cash equivalents (Note 20)	**(6.358)**	(10.272)
Net debt	**538.735**	432.717
Total equity	**1.342.874**	1.246.070
Total Capital as defined by Management	**1.881.609**	1.678.787
Gearing ratio	**29%**	26%

The increase in the gearing ratio during 2010 resulted primarily from borrowings taken during the year for financing the working capital needs of the Authority and capital expenditure.

(iii) Fair value estimation

The fair value of the financial assets and liabilities of the Group approximate their carrying values at Balance Sheet date.

4. Critical accounting estimates and judgments

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.

Critical accounting estimates and assumptions

The Authority 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) Deferred income

The Authority accepts applications for extension of its network in areas not yet covered by the existing network by individuals and legal entities. Furthermore the Authority accepts applications for additional load from the existing network. In both cases the Authority 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 ensure the right of permanent access to the network for an unlimited period of time. The Authority is committed to providing 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.

Subsidies from the Authority in respect of such capital contributions are deducted from the amounts receivable and charged in the consolidated statement of comprehensive income at the time granted.

(ii) Tax

Signifinant judgement is required in determining the provision for income taxes. These are transactions and calculations for which the ultimate tax determination is uncertain due to the ordinary course of business. The Authority recognises 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 current and deferred income tax assets in the period in which such determination is made.

Were the actual final outcome (on the judgment areas) to differ by 10% from management's estimates then the Authority would need to increase its current tax liabilities by €237.700 if the final outcome was not in the Authority's favor.

5. Segmental reporting

For 2010, the Cyprus Energy Regulatory Authority with a regulatory decision, approved separate fees for the Transmission, Distribution and Transmission System Operation. The revenue derived from the approved fees (Transmission, 0.81 cents/kWh of invoiced energy, Transmission System Operation 0.07 cents/kWh, Distribution 1.24 cents/kWh for medium voltage and 2.67 cents/kWh low voltage) have been included for the first time in separate statements of comprehensive income. For Generation and Supply, for which no separate fees were approved a single statement of comprehensive income has been prepared. Deferred income for capital contribution of €17.855.000 is included in unallocated other revenue as required by the Statement of Regulatory Practice and Tariff Methodology. Expenses and amortization were included in the income statements using the same methodology.

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The statements of comprehensive income and the related analysis for the year 2010 is shown below:

	Generation/ Supply €000	Transmission €000	Transmission System Operation €000	Distribution €000	Other €000	Un-allocated amounts €000	Counter balanced amounts €000	Total €000
Electricity sales	775.666	-	-	-	-	724	-	776.390
Permitted revenue	30.605	38.734	3.347	107.741	-	-	(180.427)	-
Other income	8.019	-	-	2.152	1.610	21.498	-	33.279
Other gains	30	-	-	460	-	-	-	490
Total income	814.320	38.734	3.347	110.353	1.610	22.222	(180.427)	810.159
Fuel	439.510	-	-	-	-	-	-	439.510
Salaries and related expenses	48.396	9.385	2.740	60.597	63	-	-	121.181
Depreciation	35.047	10.754	104	29.463	25	-	-	75.393
Other operating expenses	41.087	3.679	799	16.041	372	-	-	61.978
Ancillary services and energy reserve	30.605	-	-	-	-	-	(30.605)	-
Use of transmission network	38.734	-	-	-	-	-	(38.734)	-
Transmission System operating expenses	3.347	-	-	-	-	-	(3.347)	-
Use of Distribution System	107.741	-	-	-	-	-	(107.741)	-
Total expenses	744.467	23.818	3.643	106.101	460	-	(180.427)	698.062
Operating profit	69.853	14.916	(296)	4.252	1.150	22.222	-	112.097

For 2009 no approved separate fees were available. The analysis of the operating expenditure is shown below:

	2009 €000
Generation	**449.193**
Transmission	**35.533**
Distribution	**109.657**
Supply	**12.939**
Other Activities	**399**
	607.721

The total assets and liabilities as at 31 December 2010 and 2009 are analysed below according to the Regulatory Practice and Tariff Methodology:

	Gene-ration 2010 €000	Trans-mission 2010 €000	Trans-misison System Operation 2010 €000	Distri-bution 2010 €000	Supply 2010 €000	Other Acti-vities 2010 €000	Un-Allocated amounts 2010 €000	Counter balanced amounts 2010 €000	Total 2010 €000
Non current assets	745.345	306.246		730.077	2.150	7.755	-	-	1.791.573
Current assets	196.092	12.668	364	46.591	118.113	183	38.975	(83.485)	329.501
Total assets	941.437	318.914	364	776.668	120.263	7.938	38.975	(83.485)	2.121.074
Current Liabilities	82.698	9.828		44.775	117.427	2.357	147.571	(83.485)	321.171
Non current Liabilities	-	21.436		407.268	-	-	476.076		904.780
Reserves	-	-		-	-	-	895.123		895.123
Alocated Capital	858.739	287.650	364	324.625	2.836	5.581	(1.479.795)		-
	941.437	318.914	364	776.668	120.263	7.938	38.975	(83.485)	2.121.074

	Generation 2009 €000	Trans-mission 2009 €000	Transmission System Operation 2009 €000	Distribution 2009 €000	Supply 2009 €000	Other activities 2009 €000	Un-allocated amounts 2009 €000	Total 2009 €000
Non current assets	639.154	271.000		670.496	4.005	690	-	1.585.345
Current assets	74.759	9.514	334	36.806	101.548	1.122	35.679	259.762
Total assets	713.913	280.514	334	707.302	105.553	1.812	35.679	1.845.107
Current Liabilities	42.929	13.767		44.443	25.546	411	150.661	277.757
Non current liabilities	-	20.358		385.892	-	-	339.152	745.402
Reserves	-	-		-	-	-	821.948	821.948
Allocated Capital	670.984	246.389	334	276.967	80.007	1.401	(1.276.082)	-
	713.913	280.514	334	707.302	105.553	1.812	35.679	1.845.107

No analysis per geographical segment has been prepared due to the fact that all group activities are carried out in Cyprus.

6. Revenue from Sale of electricity

Sale of electricity does not include all of the consumption in the Turkish occupied area where the Group has no access due to the prevailing conditions. The unbilled electrical energy, calculated at a special rate, amounts to €1.074.000 (2009: €1.032.000).

7. Other operating income - net

	2010 €000	2009 €000
Income from damages to property of the Authority	**209**	269
Net income from maintenance of public lighting and sale of materials	**444**	383
Income from fees for telecommunication usage of optical fibres	**1.610**	1.688
Consumers' capital contributions	**17.855**	16.655
Greenhouse gas emission allowances cost recovered	**8.761**	-
Sundry income	**3.660**	3.366
Interest income:		
Bank balances	**583**	1.245
Other	**157**	132
	33.279	23.738

8. Other gains - net

	2010 €000	2009 €000
Property, plant and equipment:		
Profit on sale	**490**	140

9. Analysis of operating costs by nature

	2010 €000	2009 €000
Fuel	**439.510**	344.915
Greenhouse Gas Emission Allowances	**6.436**	5.174
Salaries and related costs (Note 10)	**121.181**	128.212
Depreciation (Note 16)	**75.393**	71.526
Repairs and maintenance	**17.583**	15.651
Auditors remuneration	**90**	72
Other expenses	**37.869**	29.545
	698.062	595.095

Other expenses disclosed above include fees amounting to €139.179 (2009: €50.732) for other non-audit services and tax consultancy fees €Nil (2009: € 22.000) charged by the Authority's Statutory Auditor.

10. Staff costs

	2010 €000	2009 €000
Wages and salaries	**86.458**	85.288
Social insurance and other costs	**9.012**	8.550
Social Cohesion Fund	**1.711**	1.689
Pension costs - deficit contribution - current year cost	**12.240** **19.608**	10.621 22.119
Other defined contribution plans	**4.102**	4.056
	133.131	132.323

The staff costs were allocated as follows:

	2010 €000	2009 €000
Comprehensive Income statement (Note 9)	**121.181**	128.212
Capitalized in fixed assets and work in progress	**11.950**	4.111
	133.131	132.323

Defined Benefit Plan

The latest actuarial valuation was carried out as at 31 December 2010. The assets used for the purposes of the actuarial valuation were as extracted from the accounts of the Pension Fund for the year 2010.

It has been decided by the Authority to recognise the full amount of the unrecorded actuarial loss at the beginning of the year, over a period of 5 years.

The amounts recognized in the consolidated balance sheet of the Group as at 31 December 2010 are in accordance with the actuarial valuation as at 31 December 2010 for the defined benefit plan.

	2010 €000	2009 €000
Present value of defined benefit obligation	**655.655**	609.785
Fair value of plan assets	**(580.079)**	(549.918)
Net obligation	**75.576**	59.867
Unrecognised actuarial losses	**(71.055)**	(55.025)
Net liability in balance sheet	**4.521**	4.842

The amounts recognized in the consolidated statement of comprehensive income of the Group for the year ended at 31 December 2010 are in accordance with the actuarial valuation as at 31 December 2010 for the defined benefit plan.

	2010 €000	2009 €000
Current service cost	**18.199**	17.786
Interest on obligation	**30.361**	32.288
Expected return on plan assets	**(27.717)**	(26.084)
Net actuarial losses recognised in year	**11.005**	8.772
Total, included in "staff costs"	**31.848**	32.762

Movements in balance sheet provision	**2010 €000**	2009 €000
Net liability at start of year	**4.842**	2.094
Expense recognised in the consolidated statement of comprehensive income	**31.848**	32.762
Employer contributions	**(32.169)**	(30.014)
Net liability at end of year	**4.521**	4.842

Change in present value of benefit obligation during the year	2010 €000	2009 €000
Present value of benefit Obligation at start of year	**609.784**	564.325
Current service cost	**18.199**	17.786
Members contributions	**474**	514
Interest cost	**30.361**	32.288
Benefits paid	**(23.822)**	(23.894)
Actuarial loss/(gain) of obligation	**20.659**	18.765
Present value of benefit obligation at end of year	**655.655**	609.784

Change in fair value of plan assets during the year	2010 €000	2009 €000
Fair value of plan assets at start of year	**549.918**	518.371
Expected return on plan assets	**27.717**	26.084
Employer contributions	**32.169**	30.014
Employee contributions	**474**	514
Benefits paid	**(23.822)**	(23.894)
Actuarial loss on plan assets	**(6.377)**	(1.171)
Fair value of plan assets at end of year	**580.079**	549.918

The principal actuarial assumptions used for the actuarial valuation were:

	2010 %	2009 %
Discount rate	**4,70**	**5,00**
Average expected return on plan assets	**4,90**	**5,00**
Average rate of salary increases	**3,0% plus scale**	**3,0% plus scale**
Pension increases	**3,00**	**3,00**
Price inflation	**2,50**	**2,00**
Mortality	**80% of PA (90)**	**85% of PA (90)**

11. Finance costs

	2010 €000	2009 €000
Interest expense:		
Bank borrowings	**9.211**	9.496
Overdue taxation	**18**	-
Other	**331**	329
	9.560	9.825
Net foreign exchange transaction losses	**683**	932
	10.243	10.757

12. Tax

	2010 €000	2009 €000
Current tax:		
Corporation tax	**7.627**	1.241
Defence contribution	**57**	108
Capital Gains tax	**75**	-
Total current tax	**7.759**	1.349
Deferred tax (Note 22)		
Origination and reversal of temporary differences	**2.681**	(59.654)

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

	2010 €000	2009 €000
Profit before taxation	**101.854**	45.279
Tax calculated at the applicable tax rates on income and defense contribution	**10.185**	4.529
Tax effect of expenses not deductible for tax purposes	**224**	199
Tax effect of allowances and income not subject to tax	**(44)**	(1)
Capital gains tax	**75**	-
Deferred tax from changes in applicable tax rates	**-**	(63.032)
Income tax charge /(income)	**10.440**	(58.305)

The Group is subject to corporation tax on taxable profits at the rate of 10% (2009: 10%).

Under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases 100% of the same interest will be exempt from corporation tax thus having an effective tax rate burden of approximately 10%.

13. Provision due to the decision of Tax Council

	2010 €000	2009 €000
Corporation tax	**25.401**	-
Defense Contribution	**2.867**	-
Interest	**6.575**	-
Deferred tax (Note 22)	**(16.604)**	-
	18.239	-

The tax authorities have issued final assessments for the years 1995-2002 questioning the accounting treatment applied by the Authority in relation to capital contributions from consumers. The tax authorities argue that the amounts received by the Authority as capital contributions should be taxed in the year received whereas the position of the EAC is that such amount should be taxed at 10% in 10 years from the year of collection in relation to capital allowances provided to EAC for the respective assets acquired. For these assessments an appeal has been filed to the Tax Council.

On 2 May 2011 EAC received a letter from the Tax Council dated 21 April 2011 with attached Decisions of the Majority (five members of the Tax Council) and the minority (the Chairman of the Tax Council).

The decision of the minority is to cancel the decision of the Tax Authorities. The majority's decision is to cancel only the tax of the years before 1995 which were included in the year 1995 by reducing the contingent liabilities of the Authority in tax, interest and other charges of approximately €39 million.

The majority in that decision endorses the position of the tax authorities for the remainder of the 1995 taxes and assessments for the years 1996-2002. Based on this decision, the result for the period 1995 - 2002 is €16,3 million taxes and €15,6 million interest, and for the period 2003 - 2010 is €18,1 million taxes and €4,3 million interest, with a total of €34,4 million taxes and €19,9 million interest.

Because of the pendency of the Decision of the Tax Council and the delay in dealing with the tax identification by the tax authorities, reimbursable amounts from tax authorities have accumulated. The corresponding interest receivable of approximately €9,4 million, which is not recognized, is expected to offset the interest payable. For the same reasons mentioned above, provisions have already been made in the accounts amounting to €6,1 million for taxes and €3,9 million for interest payable.

The Authority disagrees with the Tax Council's majority decision and decided to appeal to the Supreme Court under Article 146 of the Constitution. The tax consultants of the Authority agree with this course of action.

The Authority, regardless of the decision to appeal to the Supreme Court, following closely the international accounting principles has included the above provision to account for the economic impact of the decision of the Tax Council.

14. Financial instruments by category

Assets as per balance sheet	Loans and receivables	
	2010	**2009**
	€000	**€000**
Non-current receivables	**2.302**	1.845
Greenhouse Gas Emission Rights	**1.808**	-
Trade and other receivables [1]	**119.324**	109.844
Short term deposits	**31.611**	188
Cash and cash equivalents	**6.358**	10.272
Total	**161.403**	**122.149**

Liabilities as per balance sheet	Other financial liabilities	
	2010	**2009**
	€000	**€000**
Borrowings	**576.704**	443.177
Trade and other payables (excluding statutory liabilities)	**147.172**	111.629
Total	**723.876**	554.806

[1] The rest of the balance sheet item "trade and other receivables" is prepayments.

15. Credit quality of financial assets

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable):

Trade receivable - net	2010 €000	2009 €000
Group 1	**2.642**	1.888
Group 2	**16.892**	17.566
Group 3	**13.437**	11.346
Group 4	**62.549**	57.697
Group 5	**15.630**	13.844
	111.150	102.341

Short term bank deposits	2010 €000	2009 €000
A1	**-**	70
A2	**-**	44
Ba1	**9.022**	-
Baa2	**22.470**	-
Without external credit rating	**119**	74
	31.611	**188**

Cash and cash equivalents [1]	2010 €000	2009 €000
A1	**-**	1.092
A2	**-**	5.595
A3	**4.414**	-
Ba1	**580**	-
Baa3	**203**	-
Aa3	**73**	132
Baa2	**736**	2.116
	6.006	**8.935**

Group 1: new customers (less than 6 months)
Group 2: existing customers (more than 6 months) with no defaults in the past
Group 3: existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.
Group 4: Trade receivables billed during the next year.
Group 5: Other

(1) The rest of the balance sheet item "cash and cash equivalents" is cash in hand and cash and cash equivalents without external credit ratings. The cash and cash equivalents without external credit ratings amount to €316.000 (2009: €1.310.000). None of the financial assets that are fully performing, have been renegotiated.

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16. Property Plant and Equipment

	Freehold land	Buildings	Plant and machinery	Lines, cables and meters	Motor Vehicles	Furniture, fittings and office equipment	Tools and instruments	Hardware and software	Work in progress	Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
At 1 January 2009										
Cost	21.747	219.528	812.350	713.269	16.955	5.953	6.433	23.142	226.983	2.046.360
Accumulated depreciation	-	(63.167)	(338.943)	(217.562)	(13.347)	(3.934)	(4.633)	(17.462)	-	(659.048)
Net book amount	21.747	156.361	473.407	495.707	3.608	2.019	1.800	5.680	226.983	1.387.312
Year ended 31 December 2009										
Opening net book amount	21.747	156.361	473.407	495.707	3.608	2.019	1.800	5.680	226.983	1.387.312
Additions	2.928	6.047	20.526	793	2.542	400	653	2.397	232.926	269.212
Disposals	-	(709)	(22)	(767)	-	-	-	-	-	(1.498)
Depreciation charge	-	(8.070)	(37.999)	(19.692)	(1.074)	(424)	(488)	(3.779)	-	(71.526)
Transfers	39	15.571	212.087	44.566	-	-	-	489	(272.752)	-
Closing net book amount	24.714	169.200	667.999	520.607	5.076	1.995	1.965	4.787	187.157	1.583.500
At 31 December 2009										
Cost	24.714	240.329	1.044.880	757.839	19.169	6.352	7.086	25.909	187.157	2.313.435
Accumulated depreciation	-	(71.129)	(376.881)	(237.232)	(14.093)	(4.357)	(5.121)	(21.122)	-	(729.935)
Net book amount	24.714	169.200	667.999	520.607	5.076	1.995	1.965	4.787	187.157	1.583.500
Year ended 31 December 2010										
Opening net book amount	24.714	169.200	667.999	520.607	5.076	1.995	1.965	4.787	187.157	1.583.500
Additions	1.450	4.192	6.237	1.321	1.796	297	82	1.975	264.626	281.976
Disposals	(1)	(95)	(707)	-	(1)	-	-	(8)	-	(812)
Depreciation charge	-	(8.780)	(40.050)	(21.083)	(1.339)	(425)	(473)	(3.243)	-	(75.393)
Transfers	31	17.750	86.454	53.201	-	-	-	300	(157.736)	-
Closing net book amount	26.194	182.267	719.933	554.046	5.532	1.867	1.574	3.811	294.047	1.789.271
At 31 December 2009										
Cost	26.194	262.169	1.136.834	812.361	19.695	6.648	7.168	28.106	294.047	2.593.222
Accumulated depreciation	-	(79.902)	(416.901)	(258.315)	(14.163)	(4.781)	(5.594)	(24.295)	-	(803.951)
Net book amount	26.194	182.267	719.933	554.046	5.532	1.867	1.574	3.811	294.047	1.789.271

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

	2010 €000	2009 €000
Net book amount	**812**	1.498
Profit on sale of property, plant and equipment	**490**	140
Proceeds from sale of property, plant and equipment	**1.302**	1.638

Land and equipment located in Turkish occupied area

The total fixed assets shown in the balance sheet 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 in respect of these assets was NIL (2009: NIL) bringing the accumulated provision at 31 December 2010 to €12.440.000 (2009: €12.440.000) and leaving a written down value of €538.000 (2009: €538.000) which represents the cost of land. The consequences of the Turkish occupation on the value of this land and equipment is unknown.

17. Trade and other receivables

	2010 €000	2009 €000
Trade receivables	**115.241**	104.549
Less: Provision for impairment of receivables	**(4.091)**	(2.208)
Trade receivables - net	**111.150**	102.341
Capital contributions receivable by installments	**1.410**	1.437
Advance payments to contractors	**11.282**	8.662
Other receivables net of provision for impairment	**9.066**	7.911
Prepayments	**992**	1.948
	133.900	122.299
Less: non-current portion of receivables and prepayments	**(2.302)**	(1.845)
	131.598	120.454
The maturity of non-current receivables and prepayments is as follows:		
Between 1 and 2 years	**712**	559
Between 2 and 5 years	**1.378**	1.069
Over 5 years	**212**	217
	2.302	1.845

The fair values of current trade and other receivables approximate their carrying values at the balance sheet date.

At 31 December 2010, trade receivable of €78.263.000 (2009: €98.499.000) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2010, trade receivables of €29.170.000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:	**2010 €000**	
Up to 3 months	**22.271**	
3 to 6 months	**2.143**	
Over 6 months	**4.756**	
	29.170	

As of 31 December 2010, trade receivables of €7.808.000 (2009: €2.344.000) were impaired and provided for. The amount of the provision was €4.091.000 as of 31 December 2010 (2009: €2.208.000). The individually impaired receivables mainly relate to wholesalers, which are in an unexpectedly difficult economic situation. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2010 €000	2009 €000
Up to 3 months	**253**	-
3 to 6 months	**225**	-
Over 6 months	**7.330**	2.344
	7.808	2.344

Concentrations of credit risk with respect to trade receivables are limited due to the Authority's large number of customers who have a variety of end markets in which they sell. The Authority's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Authority's trade receivables.

Movements on the Authority's provision for impairment of trade receivables are as follows:	**2010 €000**	2009 €000
At 1 January	**2.208**	2.217
Provision for receivables impairment	**2.285**	168
Receivables written off during the year as uncollectible	**(402)**	(177)
At 31 December	**4.091**	2.208

The creation and release of provision for impaired receivables have been included in operating costs in the consolidated statement of comprehensive income (Note 9). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables contain impaired assets or past due amounting to €38.000 (2009: €41.000).

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. The Authority does not hold any collateral as security.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:	**2010 €000**	2009 €000
Currency		
Euro	**133.824**	122.000
United States dollars	**14**	36
Pound Sterling	**47**	79
Swiss Franc	**15**	184
	133.900	122.299

18. Inventories	**2010 €000**	2009 €000
Fuel	**88.496**	44.025
Spares and consumables	**69.630**	69.758
	158.126	113.783

The cost of inventories recognized as expense and included in operating costs amounted to €445.380.000 (2009: €351.532.000).

19. Short-term bank deposits	**2010 €000**	2009 €000
Short-term bank deposits	**31.611**	188

The effective interest rate on short term bank deposits was 2,20% - 4,50% (2009: 2,20% - 4,90%) and these deposits had a maturity of 12 months (2009: 12 months).

20. Cash and cash equivalents

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

	2010 €000	2009 €000
Cash at bank and in hand	**5.531**	8.399
Short-term bank deposits	**827**	1.873
	6.358	10.272

The effective interest rate on short term bank deposits was 2,00% - 3,50% (2009: 2,00% - 4,90%) and these deposits had an average maturity of 43 days (2009: 36 days).

Cash and cash equivalents and bank overdrafts include the following for the purposes of the consolidated statement of cash flows:

	2010 €000	2009 €000
Cash and cash equivalents	**6.358**	10.272
Bank overdrafts (Note 21)	**(80.358)**	(108.312)
	(74.000)	(98.040)

21. Borrowings	**2010 €000**	2009 €000
- Current		
Bank overdrafts (Note 20)	**80.358**	108.312
Bank loans	**42.491**	29.660
Suppliers' credits	**2.258**	4.455
	125.107	142.427
- Non-current		
Bank loans	**451.597**	298.492
Suppliers' credits	**-**	2.258
	451.597	300.750
Total borrowings	**576.704**	443.177

Maturity of non-current borrowings is as follows:	**2010 €000**	2009 €000
Between 1 and 2 years	**47.782**	44.518
Between 2 and 5 years	**134.593**	110.784
Over 5 years	**269.222**	145.448
	451.597	300.750

The loans are payable in various currencies 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 balance sheet date were as follows:	**2010 %**	2009 %
Bank overdrafts, loans & suppliers' credits	**2,2**	2,0

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

	2010 €000	2009 €000
Floating rate 6 months or less	**544.471**	399.439
Fixed rate on maturity	**32.233**	43.738
	576.704	443.177

The Company has the following undrawn borrowing facilities:	**2010 €000**	2009 €000
Floating rate:		
Expiring within one year	**32.105**	5.688
Expiring beyond one year	**91.037**	11.000
	123.142	16.688

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

The carrying value of the Authority's borrowings are denominated in the following currencies:	**2010 €000**	2009 €000
Euro -functional and presentation currency	**572.112**	437.702
Swiss Frank	**3.601**	4.158
Pounds Sterling	**991**	1.317
	576.704	443.177

22. Deferred tax liabilities

Deferred taxation is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 12).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

The gross movement of the deferred taxation account is as follows:	**2010 €000**	2009 €000
At 1 January	**38.402**	98.056
Charged to Statement of comprehensive income (Note 12)		
- Current year	**2.681**	3.378
- Previous years	**-**	(63.032)
- Due to the Tax Council's Decision	**(16.604)**	-
At 31 December	**24.479**	38.402

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

	Accelerated Tax Depreciation €000	Deferred Income €000	Other €000	Total €000
Deferred tax liability to be settled after more than twelve months				
At 1 January 2009	169.500	(66.519)	(4.925)	98.056
Charge/(Credited) to the Statement of Comprehensive Income (Note 12)	(104.013)	41.022	3.337	(59.654)
At 31 December 2009	65.487	(25.497)	(1.588)	38.402
(Credited)/Charge to the Statement of Comprehensive Income (Note 12)	4.391	(1.744)	34	2.681
Charge to the Statement of Comprehensive Income due to the Decision of the Tax Council (Note 13)	-	(17.534)	930	(16.604)
At 31 December 2010	69.878	(44.775)	(624)	24.479

23. Deferred income	**2010 €000**	2009 €000
Consumers' capital contributions:		
Balance at 1 January	**424.122**	399.628
Additions	**41.484**	41.149
Transferred to the Consolidated Statement of Comprehensive Income (Credited)/Charge to the Income Statement	**(17.855)**	(16.655)
Balance at 31 December	**447.751**	424.122
Less: non current portion of deferred income	**(428.704)**	(406.250)
Current portion of Deferred income	**19.047**	17.872

24. Trade and other payables

	2010 €000	2009 €000
Fuel oil suppliers	**48.113**	10.464
Other Suppliers	**29.404**	39.947
Value Added Tax payable	**6.451**	4.718
Pay As You Earn payable	**1.184**	1.111
Retention on capital contracts	**8.773**	5.689
Consumers' deposits	**11.252**	10.000
Payments received in advance	**134**	114
Interest payable	**984**	525
Deficiency contribution to pension fund	**-**	6.582
Other contribution to pension fund	**4.521**	4.842
Accrued charges	**20.032**	14.487
Greenhouse gas emission rights	**-**	4.893
Creditors for purchase of land and substations	**10.946**	11.368
Amount available for interpleader proceedings	**8.981** [1]	-
Other creditors	**4.032** [2]	2.718
	154.807	117.458

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

Notes:

[1] This amount represents a retention of amounts payable to a supplier of fuel to award beneficiaries through interpleader proceedings.

[2] This amount includes an amount of €918.000 withheld from amounts payable to a fuel supplier for breach of contract, for losses arising from purchasing fuel from third parties at higher prices than those under contract with that supplier.

25. Subsidiary undertaking

	% Holding	Country of incorporation	Principal activities
Electriki Limited	100	Cyprus	Dormant

The results of Electriki Limited which during 2010 remained dormant were consolidated in the Group accounts of Electricity Authority of Cyprus.

26. Contingent liabilities

(a) At 31 December 2010 the Group had a contingent liability in respect of possible tax for various expenses, amounting to €2.737.000 (2009: €2.566.000).

(b) At 31 December 2010 the Group had contingent liabilities in respect of pending litigation amounting to €8.661.422 (2009: €7.096.975) and contingent assets of €580.059.

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 2010 the Group had the following two guarantee documents:

(i) An amount of €2.000.000 for the benefit of Senior Customs Officer regarding the authorization granted to the Authority for exemption from payment of excise duty on energy products used for electricity generation, including fuel oil (diesel).

(ii) An amount of €1.850.000 for the benefit of the Ministry of Agriculture, Natural Resources and Environment regarding the Authority's application for a permit for greenhouse gas emissions regarding the Combined Cycle Unit No. 5 of Vasilikos Power Station.

27. Commitments

Capital commitments

	2010 €000	2009 €000
Commitments in respect of contracts	**204.697**	342.472
Approved commitments but not contracted	**189.898**	124.517
Approved commitments with expenditure outstanding	**394.595**	466.989

50% of the above will be financed by long-term borrowings.

Operating lease commitments

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

	2010 €000	2009 €000
Not later than one year	**495**	514
Later than one year and not later than 5 years	**436**	552
Over 5 years	**2**	44
	933	1.110

28. 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	**2010 €000**	2009 €000
Sales of electricity Related parties to the Organisation	**39.136**	31.218

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

(ii) Year end balances resulting from sales of electricity	**2010 €000**	2009 €000
Receivable from related parties	**3.198**	1.702

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:	**2010 €000**	2009 €000
Salaries and other benefits	**587**	614

(iv) Directors' remuneration

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

	2010 €000	2009 €000
Emoluments in their executive capacity	**41**	30

29. Events after the balance sheet date

On 2 May 2011 EAC received a letter from the Tax Council dated 21 of April 2011 with attached the decision of the majority (five members of the Tax Council) and the minority (the Chairman of the Tax Council). The decision relates to an appeal made by the Authority for assessments for the years 1995 - 2002 with which they question the accounting treatment applied by EAC regarding the consumers capital contributions.

The decision of the minority is to cancel the decision of the Tax Authorities. The majority's decision is to cancel only the tax of the years before 1995 which were included in the year 1995 and it endorses the position of the tax authorities for the remainder of the 1995 taxes and assessments for the years 1996-2002.

The Authority disagrees with the Tax Council's majority decision and decided to appeal to the Supreme Court under Article 146 of the Constitution. The tax consultants of the Authority agree with this course of action.

The Authority, regardless of the decision to appeal to the Supreme Court, following closely the international accounting principles has included the above provision to account for the economic impact of the decision of the Tax Council. (Note 13).

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

Independent auditors report on pages 84 to 85.

Appendices

Appendix I
CONSUMERS, SALES AND AVERAGE PRICES

AS AT 31 DECEMBER	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NUMBER OF CONSUMERS										
Domestic	291 476	298 277	307 206	318 640	332 338	348 394	366 799	386 489	402 671	415 150
Commercial	70 250	70 867	71 589	72 941	74 916	76 272	78 294	80 913	83 160	84 800
Industrial	9 712	9 829	10 107	10 595	10 956	11 198	11 299	11 792	11 618	11 391
Agricultural	8 294	9 084	9 779	10 400	10 931	11 597	12 117	12 796	13 546	14 209
Public lighting	5 720	6 099	6 428	6 771	7 138	7 581	7 991	8 499	9 035	9 500
TOTAL	385 452	394 156	405 109	419 347	436 279	455 042	476 500	500 489	520 030	535 050
SALES TO CONSUMERS (Thousand kWh)										
Domestic	1 041 826	1 170 386	1 321 677	1 324 774	1 431 792	1 500 511	1 607 048	1 682 327	1 720 777	1 737 474
Commercial	1 290 171	1 387 729	1 478 441	1 518 582	1 587 196	1 713 921	1 783 885	1 881 173	1 918 932	1 990 994
Industrial	647 632	708 232	722 806	722 850	726 059	723 038	699 746	757 803	791 640	816 074
Agricultural	92 567	101 515	113 761	117 478	120 062	128 701	137 339	156 930	143 971	152 642
Public lighting	52 557	54 670	59 386	58 146	67 793	68 851	70 301	77 596	80 426	84 788
TOTAL	3 124 753	3 422 532	3 696 071	3 741 830	3 932 902	4 135 022	4 298 319	4 555 829	4 655 746	4 781 972
AVERAGE SALES PER CONSUMER (kWh)										
Domestic	3 574	3 924	4 302	4 158	4 308	4 307	4 381	4 353	4 273	4 185
Commercial	18 365	19 582	20 652	20 819	21 186	22 471	22 784	23 249	23 075	23 479
Industrial	66 684	72 055	71 515	68 226	66 270	64 568	61 930	64 264	68 139	71 642
Agricultural	11 161	11 175	11 633	11 296	10 984	11 098	11 334	12 264	10 628	10 743
Public lighting	9 188	8 964	9 239	8 589	9 497	9 082	8 798	9 130	8 902	8 925
AVERAGE PRICE PER UNIT BILLED (cent)										
Domestic	9,626	9,276	9,838	9,693	11,009	12,492	12,746	15,988	13,321	16,192
Commercial	10,812	10,636	11,003	10,388	11,748	13,009	13,328	16,982	14,196	16,905
Industrial	8,709	8,507	8,926	8,268	9,594	11,111	11,458	14,955	12,325	14,982
Agricultural	8,830	8,774	8,992	8,637	10,106	11,434	11,675	15,296	12,697	15,440
Public lighting	8,781	8,500	8,755	8,437	9,298	10,981	11,233	14,554	12,129	14,711
AVERAGE PRICE	9,888	9,642	10,082	9,647	10,988	12,408	12,719	16,178	13,473	16,232

Appendix 2

GENERATION, TRANSMISSION & DISTRIBUTION EQUIPMENT

Description	Unit	In Commission 31.12.2009	Commission in 2010	Taken out of Commission 2010	In Commission 31.12.2010
GENERATION PLANT:					
Dhekelia Power Station					
Steam Turbines	No.	6	-	-	6
Capacity	MW	360	-	-	360
Internal Combustion Engines	No.	3	3	-	6
Capacity	MW	52,44	51,23	-	103,67
Moni Power Station:					
Steam Turbines	No.	6	-	-	6
Capacity	MW	180	-	-	180
Gas Turbines	No.	4	-	-	4
Capacity	MW	150	-	-	150
Vasilikos Power Station:					
Gas Turbines	No.	1	-	-	1
Capacity	MW	38	-	-	38
Steam Turbines	No.	3	-	-	3
Capacity	MW	390	-	-	390
Combined Cycle	No.	1	-	-	1
Gas Turbines	MW	226	-	-	226
TRANSMISSION EQUIPMENT:					
220kV Transmission Lines operated at 132kV					
Route Length	km	45,40	-	-	45,40
Circuit Length	km	90,80	-	-	90,80
132kV Transmission Lines					
Route Length	km	401,08	66,47	41,38	426,17
Circuit Length	km	747,11	68,14	41,37	773,88
132kV Underground Cables					
Route Length	km	81,43	0,24	-	81,67
Circuit Length	km	105,71	0,24	-	105,95
132kV U/G Cables-Operated at 66kV					
Route Length	km	8,33	7,89	-	16,22
Circuit Length	km	12,04	7,89	-	19,93
66kV Underground Cables					
Route Length	km	1,68	-	-	1,68
Circuit Length	km	1,68	-	-	1,68
132kV Transmission Lines operated at 66kV					
Route Length	km	169,96	5,77	34,78	140,95
Circuit Length	km	269,43	9,88	43,48	235,83
66kV Transmission Lines					
Route Length	km	289,88	-	1,68	288,20
Circuit Length	km	289,88	-	1,68	288,20

Description	Unit	In Commission 31.12.2009	Commission in 2010	Taken out of commission in 2010	In commission 31.12.2010
132/66kV					
Interbus Transformers	No.	13	-	-	13
	MVA	648	-	-	648
132/11kV					
Step Down Transformers	No.	78	1	1	78
	MVA	2 439	40	16	2 463
132/6,6kV					
Step Down Transformers	No.	2	-	-	2
	MVA	58	-	-	58
132/3,3kV					
Step Down Transformers	No.	2	-	-	2
	MVA	20	-	-	20
66/11kV					
Step Down Transformers	No.	67	1	1	67
	MVA	690,5	10	5	695,5
66/3,3kV					
Step Down Transformers	No.	2	-	-	2
	MVA	5	-	-	5
15,75/132kV					
Step Up Transformers	No.	3	-	-	3
	MVA	495	-	-	495
11/132kV					
Step Up Transformers	No.	17	1	-	18
	MVA	1 126	65	-	1 191
11/66kV					
Step Up Transformers	No.	4	-	-	4
	MVA	150	-	-	150
Substations	No.	57	1	-	58
"Oreites" 132kV Substation has been commissioned. "Kolossi 66/11kV" and "Pissouri " 66/11kV Substations have been dismantled.					
DISTRIBUTION EQUIPMENT:					
MV Overhead Lines	km	5 355,23	164,37	37,22	5 482,38
MV Underground Cables	km	3 088,14	243,11	25,87	3 305,38
LV Overhead Lines	km	8 978,40	266,96	39,38	9 205,98
LV Underground Cables	km	3 952,63	481,79	0,52	4 433,90
22000-11000/433/250V					
P.M. Transformers	No.	8 972	408	113	9 267
	kVA	832 085	61 819	31 670	862 234
22000-11000/433V					
G.M. Transformers	No.	5 192	321	6	5 507
	kVA	2 897 335	228 845	42 480	3 083 700

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