



Electricity
Authority
of Cyprus

Annual Report **2014**







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 Energy, 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

| | | 2014 | 2013 (Decrease) | % Increase |
|---|-------------|-----------|-----------------|---------------|
| GENERATION | | | | |
| Total units generated | million kWh | 4 013,4 | 3 941,6 | 1,8 |
| Maximum output capacity of power stations | MW | 1 478,0 | 1 478,0 | - |
| Maximum demand met | MW | 860,0 | 806,0 | 6,7 |
| Thermal efficiency of generation | % | 37,0 | 37,5 | (1,3) |
| SALES OF ELECTRICITY | | | | |
| Sales | million kWh | 3 915,5 | 3 889,8 | 0,7 |
| Consumption in the turkish occupied area | million kWh | 5,9 | 6,5 | (9,2) |
| Average charge per kWh sold | €cents | 18,418 | 20,488 | (10,1) |
| Consumers at 31 December | thousand | 554,6 | 549,4 | 0,9 |
| FINANCE | | | | |
| Total income | € thousand | 776.334 | 907.777 | (14,5) |
| Operating costs | € thousand | 716.661 | 797.898 | (10,2) |
| Other losses net | € thousand | 21 | 3.324 | (99,4) |
| Operating profit | € thousand | 59.652 | 106.555 | (44,0) |
| Finance costs | € thousand | 11.199 | 12.594 | (11,1) |
| Tax | € thousand | 6,477 | 20.970 | (69,1) |
| Net profit for the year | € thousand | 41.976 | 72.991 | (42,5) |
| Remeasurement of Pension Plan Obligation | € thousand | (244.317) | (17.300) | 1.312,2 |
| Capital expenditure | € thousand | 39.983 | 56.795 | (29,6) |
| Average net assets employed | € thousand | 2.016.742 | 2.069.637 | (2,6) |
| Return on average net assets employed | % | 2,9 | 5,1 | (43,1) |
| EMPLOYEES | | | | |
| Permanent employees in service at 31 December | | 2 137 | 2 167 | (1,4) |
| Sales per employee | million kWh | 1,83 | 1,80 | 1,7 |
| Consumers per employee | | 260 | 254 | 2,4 |

Board of Directors and Management

THE AUTHORITY

CHAIRMAN

O. Theodoulou
(since 12/3/2014) Businessman

G. Pipis
(from 1/1/2014
until 27/2/2014) Businessman

VICE CHAIRMAN

D. Karantokis Entrepreneur

MEMBERS

A. Pelagias-Christodoulou Advocate

Ch. Artemis Advocate

M. Hadjipantela Fellow Chartered Accountant

N. Nicolaou Electrical Engineer & Business Administration

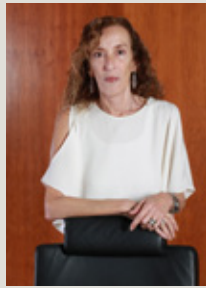
L. Loizou Civil Engineer

K. Kosti Mechanical Engineer

I. Athienitis Businessman



O. Theodoulou
Chairman



D. Karantokis
Vice Chairman



A. Pelagias-
Christodoulou
Board Member



Ch. Artemis
Board Member



M. Hadjipantela
Board Member



N. Nicolaou
Board Member



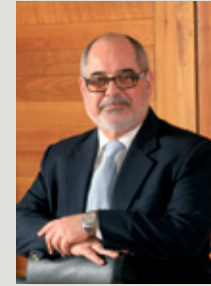
L. Loizou
Board Member



K. Kosti
Board Member



I. Athienitis
Board Member



S. Stylianou
General Manager

LEGAL ADVISERS

Ioannides Demetriou LLC, Lefkosia

AUDITORS

Auditor General of the Republic
KPMG, Lefkosia

EXECUTIVE

GENERAL MANAGER

Dr. Stelios Stylianou (from 15.6.2010)
BSc (Eng), PhD, MBA, MIMechE, CEng

EXECUTIVE MANAGER (FINANCE)

Charilaos Hadjiyerou (from 1.6.2005)
FCA, MBA

EXECUTIVE MANAGER (NETWORKS)

Vacant Post

EXECUTIVE MANAGER (GENERATION)

Antonios Patsalis (from 1.4.2010)
BSc (Eng), MIOSH

Chairman's Message



As happens every year, I shall attempt to summarise the main issues with which the EAC has been occupied during the past twelve months.

Despite the many problems caused by the financial crisis in all sectors of the economy, the EAC continued its difficult task of providing an uninterrupted and reliable supply of electricity throughout Cyprus, an achievement for which everyone in the Organisation should feel pride and satisfaction.

2014 may be considered a successful year for the EAC. Its work played an important role in the reinforcement of its image as a credible Public Utility, with a long-term, major contribution to the economy and progress of the country during its 60+ years of existence.

Among the statistics contained in the pages of this Annual Report are those that depict the Organisation's financial state. The fact that global oil prices remained extremely high in 2014 resulted in fuel costs representing approximately 61.5% of the EAC's total expenses. This percentage illustrates, on the one hand, the Authority's long-term dependence on international oil prices and, on the other, the need to find an alternative fuel for electricity generation and, at the same time, to cultivate energy awareness.

Revenue from billed sales of electricity for the year amounted to €721,137,000, a reduction of €75,793,000 or 9.5%. Total operational expenses amounted to €716,661,000, a reduction of €81,237,000 or 10.2%. Taking into consideration financing costs of €11,199,000, profit before tax was €48,453,000 compared to €93,961,000 the previous year. After a provision of €6,477,000 for tax, net profit for the year was €41,976,000 compared to €72,991,000 in 2013.

Topping the list of priorities for the EAC Board of Directors in 2014, in cooperation with the responsible bodies and the Ministry of Energy, Commerce, Industry & Tourism, were the opening up of the electricity market, the advent of natural gas in Cyprus, and the Authority's Accounting and Operational Separation, in response to regulatory decisions.

Significant projects for the EAC in 2014 were the operation of the Tseri Photovoltaic Park, which has a nominal capacity of 3 MW and the ability to generate 4,800 MWh, and the commissioning of the New Trimiklini 66/22-11kV substation.

Almost 18 months have passed since the present Board of Directors was appointed by the Council of Ministers and for all of us it has been a very important time, during which, through our daily contacts and work, we have come to understand the full extent of the work done by this huge organisation. At the same time, we have had an opportunity to meet members of the EAC's personnel who, during some difficult times over the past few years, have responded with professionalism and proficiency to boost the organisation's recovery. I would like to take this opportunity, on behalf of everyone on the Board, to congratulate the entire EAC staff for everything they have given to the organisation thus far.

In spite of the fact that the high quality, ethos and zeal for work that characterise the personnel of the EAC is beyond doubt, it is nevertheless an incontrovertible fact that new developments in the energy sector, as well as the problems and weaknesses that have accumulated over the years in all the island's Semi-Government Organisations, mean that change and modernisation are essential.

The present Board of Directors was called upon to take action at a difficult time for the country and well as for the Organisation. The foundations had to be laid for specific and drastic changes to be carried out within a short space of time, changes which, for various reasons, had not been implemented during the course of the previous 60 years. This Board considers that its objective and mission is to take all the necessary steps and decisions that will enable the Organisation to be modernised and rationalised so as to be in a position not only to survive but to promote its virtues, know-how and quality in the context of a new competitive environment.

The potential of the Organisation to be persuasive and effective in a changing environment, where a vast number of views and opinions are heard, rests entirely on its ability to carry out what it needs to internally and, through its actions and the results of its work, to develop arguments capable of persuading all those who, in some way, are in a position to influence its future.

Restructuring and the separation of the Organisation's activities – a difficult but significant task – will certainly change people's habits and ways of thinking. The arrival of competition and the new rules of the market will certainly impose new approaches and new methods. But none of this is beyond the ability of the Organisation and its personnel to assimilate and operate in the new environment.

The Board of Directors does not share the prevailing concern and insecurity that, for various reasons, has recently begun to affect the Organisation's personnel. Yes, the EAC will go through a stage of ambiguity, and yes, it will experience a brief period of uncertainty, but in the end it will emerge stronger and ready to face new challenges.

We all need to understand, both within and outside the Organisation, that electricity is a product, a good, a service which the country cannot live without for a single day except with great sacrifice. Serious mistakes or hasty actions in the management of this vital issue can lead the country into a crisis worse than the present one. We also need to realise that the EAC, as the sole supplier of electricity today, has a special distinctiveness that requires serious study, dialogue and reflection and the corresponding handling in a spirit of mutual understanding, guided by the public interest. Finally, it needs to be made practically and persuasively clear that this Organisation is the first to recognise that circumstances have changed, and that it cannot function as it has over the past 60 years and that it needs to implement radical changes of its own.

At the same time, on behalf of the Board of Directors, I feel the need to assure all the employees that, whatever changes are deemed necessary for the sake of the public interest, they will not be implemented to the detriment of their own clearly recognised interests.

To close my brief overview of the year, I would like to express particular thanks to all the services, individuals and bodies with whom the EAC and I personally have cooperated.

I wish to thank the Minister of Energy, Commerce, Industry & Tourism, Mr. Yiorgos Lakkotrypis, for his personal interest, his efforts and cooperation in promoting the work of the EAC, and all those working at his Ministry. I also thank the Government, the House of Representatives, the Chairman and Members of CERA, the Director of the TSO, the Auditor-General and the Accountant-General of the Republic, all the government departments and local authorities with which the EAC has cooperated, as well as the representatives of the media for the publicity given to the EAC's work.

Special thanks go to Dr. Stelios Stylianou, General Manager of the EAC, for the superb cooperation that we enjoyed during 2014 and, on the occasion of his retirement from the Organisation, I wish him health and happiness.

Finally, I would like to thank all my colleagues on the EAC Board, the Management of the Organisation, the Unions and every member of staff for their excellent cooperation in 2014.

Othon Theodoulou
Chairman

General Manager's Message



The Electricity Authority successfully continued to provide an uninterrupted supply of electricity in 2014. In the face of the many difficulties caused by the financial crisis as well as by other unpredictable factors, a collective effort, coordinated work and the excellent cooperation of all responsible, government and other bodies once again brought about the desired result.

During yet another year, in spite of the difficulties, the EAC's personnel again revealed the quality, ethos and zeal for work that characterises them, giving the Organisation the daily boost required for it to carry out its mission, the implementation of which is the result of proper and effective planning. What is now needed, of course, is the implementation of the EAC's annual development plan, which will enable it to successfully continue its work and, at the same time, the realisation of commitments undertaken by the EAC in the context of regulatory decisions on operational and accounting separation.

It is accepted that operational separation will bring changes to the Organisation. I am sure that the cooperation of all those involved in the process – Board, management, personnel, unions and other responsible bodies – will achieve the desired result so that this change will safeguard the interests of our personnel.

At the same time, no-one should forget the 60-year history of this Organisation and everything that it has offered to consumers over the years, as well as the difficult circumstances under which it operated during the early days of electrification in Cyprus, in the years following the 1974 Turkish Invasion and, of course, the superhuman efforts made following the summer of 2011 to return not only the EAC but also the country's economy to smooth operations following the catastrophic explosion at Mari.

In 2014, and specifically on 26 June 2014, the EAC's photovoltaic park at Tseri came into commercial operation, with a nominal capacity of 3 MW and a nominal power output of 4,800 MWh.

Moreover, during 2014 Transmission Network development and upgrading work was carried out as follows:

In October 2014, energisation of the New Trimiklini 66/22-11kV substation was completed and, by the end of the year, the entire load of the old Trimiklini substation had been transferred.

In addition, upgrades to substations and installations were carried out on the Athalassa 132/11kV substation, the Yermasoyia 132/11kV substation, the Troulli 66/11kV substation, the Pyla 132/22-11kV substation, the Latsia 132/11kV substation and the Ypsonas-Trimiklini 132kV overhead power line. The dismantling of the 66kV Athalassa-Troulli-Dhekelia overhead power line and the undergrounding of the Athalassa-Latsia interconnection were also completed.

On 30 June 2014, the President of the Republic, Mr. Nicos Anastasiades, inaugurated the Vasilikos Desalination Plant (VDP) at Vasilikos Power Station, yet another pioneering EAC project which has been placed at the disposal of the State and, by extension, at the service of the public. The VDP enables the EAC to exploit synergies stemming from its existing activities, its personnel's technical know-how and, of course, the Authority's equipment.

In order to bring the project to fruition, the EAC enjoyed excellent cooperation with the Water Development Department with which it has signed a 20-year contract for the sale of its water.

Another new EAC service is e-charge. Having in mind the relevant European Directives and, after studying the recommendations of Eurelectric and the European Commission regarding the organisation of the market and the creation of the infrastructure for Electric Vehicle Charging Points in Public Spaces, the EAC decided to set up the initial infrastructure for electric vehicle charging all over the island. The EAC's objective is the promotion of electric vehicles in Cyprus, a measure that will contribute substantially to improving the quality of life in our towns and to creating a new market and services to Cypriot consumers. There are currently 15 such charging points in public spaces all over Cyprus.

In June 2014, the EAC requested applications from domestic consumers belonging to vulnerable groups of society and eligible for a subsidy from the Special Fund for Renewable Energy Sources (RES) and Energy Conservation for the installation of 70 photovoltaic systems with a 3 kW capacity. This project is part of the EAC's expanded Corporate Social Responsibility plan and aims to help vulnerable groups of the population repay the relevant cost of installing such a system.

In addition to the above projects, significant work carried out in 2014 by other Units and Departments includes the following:

- Work began and continues on the necessary modifications to the EAC's computer systems in view of the Authority's forthcoming accounting separation.
- Design and development work on the EAC's new website was completed. The site, which provides upgraded/modernised services to customers/consumers, was launched with great success.
- An external inspection was carried out on the Interconnected Management System by the Cyprus Certification Company. As a result, it was confirmed that the EAC's Management System meets Quality and Environmental Management standards ISO9001:2008 and ISO14001:2004 respectively.

In the framework of its social contribution, in 2014 the EAC continued its support of the Cyprus Anti-Cancer Society, with which it organised for the 13th consecutive year the Christmas event entitled "Give Light to a Life". At the same time, for the 11th year running, the Authority supported the pupils and schools in occupied Rizokarpaso. Extending its social contribution in 2014, the EAC also supported the noteworthy work of various registered charities and cultural associations.

This Message is my last as General Manager of the EAC, since my five-year contract expires in summer 2015. After 35 years, I am leaving the EAC filled with positive experiences and feelings. I have worked with hundreds of colleagues, external consultants, Chairmen and Members of the various Boards of Directors, ministry officials, government ministers and Presidents of the Republic. All these years – a whole lifetime – I have given my best for the EAC and my every action has been taken in the best interests of the Organisation itself and of the country in general.

In closing, I would once again like to express my warm thanks to every member of the EAC's personnel, without exception, for the superb cooperation that we have had throughout the years and for the support given to me on a daily basis in the execution of my duties, which always had as its sole objective the provision of the highest possible standard of service to our customers. Special thanks go to all my associates and, in particular, to the Executive Managers of the Business and Corporate Units for their excellent cooperation.

I also thank the EAC trade unions for the excellent cooperation we had over the years.

I am sure that sympathy and unity, in conjunction with the willingness and principled stand of the people of the EAC, will bring about the positive result that the whole EAC family wishes for our Organisation and for the country as a whole.

Dr. Stelios Stylianou
General Manager

Business units Corporate units and Managements



Generation Business Unit

GENERATION OF ELECTRIC POWER

During the year 2014, the Electricity Authority of Cyprus continued the implementation of its operations which provided for the full utilisation and maintenance of the existing Vasilikos, Dhekelia and Moni Power Stations.

VASILIKOS POWER STATION

Vasilikos Power Station, with an installed capacity of 868 MW (3 x 130 MW Steam Units, 2 x 220 MW CCGT Units and 38 MW Gas Turbine Unit), generated in 2014, 2 504 269 MWh, which corresponds to 62,40% of the total electricity generated from the Authority's Power Stations. During the same period the Station exported 2 374 398 MWh which corresponds to 62,35% of the total electricity exported from the Authority's Power Stations.

The thermal coefficient of efficiency for units generated, of the Steam Units 1, 2 and 3, reached 37,99%, for the CCGT Unit 4 reached 47,85%, while for the CCGT Unit 5 reached 49,03%.

Moreover, the thermal coefficient of efficiency for units exported, of the Steam Units 1, 2 and 3, reached 35,82%, for the CCGT Unit 4 reached 46,39%, while for the CCGT Unit 5 reached 46,73%.

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 (ICE1 & ICE2) Plants), generated in 2014, 1 499 652 MWh which corresponds to 37,36% of the total electricity generated from the Authority's Power Stations. During the same period the Station exported 1 425 557 MWh which corresponds to 37,43% of the total electricity exported from the Authority's Power Stations.

The thermal coefficient of efficiency of the Steam Units, for units generated, reached 29,13% whereas the corresponding thermal coefficient of efficiency for the Internal Combustion Plants reached 41,56%.

Moreover, the thermal coefficient of efficiency of the Steam Units, for units exported, reached 27,33% whereas the corresponding thermal coefficient of efficiency for the Internal Combustion Plants reached 40,61%.

Generation Business Unit

MONI POWER STATION

The installed capacity of Moni Power Station is 150 MW (4 x 37,5 MW Gas Turbine Units). It is noted that since 14/10/2013 Units 3, 4, 5 and 6 were withdrawn from the installed capacity of the Station and therefore the installed capacity of the thermal units has been reduced to 0 MW.

Moni Power Station generated in 2014, 9 483 MWh which corresponds to 0,24% of the total electricity generated from the Authority's Power Stations. During the same period, the Power Station exported 8 482 MWh which corresponds to 0,22% of the total electricity exported from the Authority's Power Stations.

The thermal coefficient of efficiency of the gas turbines for units generated reached 23,23% whereas the corresponding thermal coefficient of efficiency for units exported reached 20,78%.

ENVIRONMENTAL ISSUES

For the protection of the environment and the continuous monitoring of the air quality, four mobile air quality units, two at each operating Power Stations (Vasilikos and Dhekelia), were in continuous operation at selected sites in the vicinity of the Power Stations during 2014. These fully equipped units are capable of monitoring the ground level concentrations of dust, nitrogen oxides (NO_x), sulphur dioxide (SO₂), carbon dioxide (CO) and ozone (O₃). The units are also capable of measuring other meteorological data such as wind speed and direction, air temperature and relative humidity.

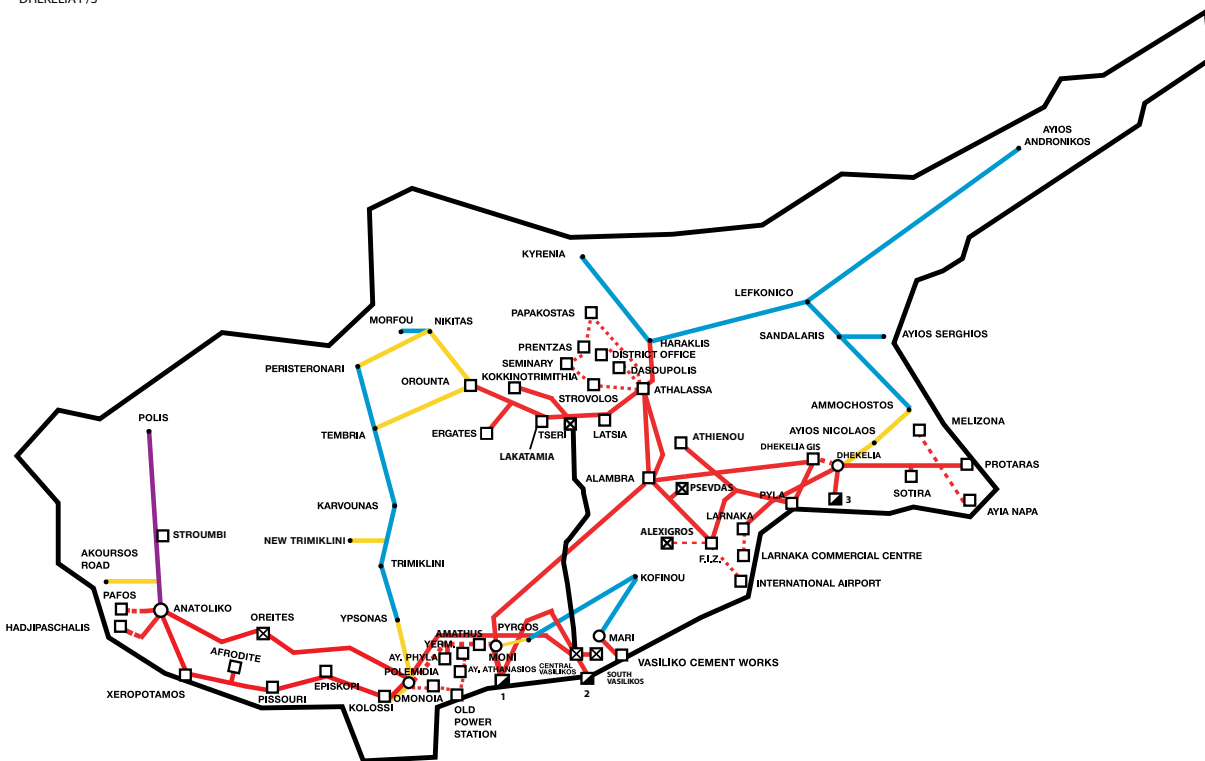
STUDIES

Officers of the Generation Business Unit were involved in the procedures required for the Accession of Cyprus in the European Union while the above procedures will affect the generation of electric energy.

The Generation Business Unit prepared the verification report with calculations of the carbon dioxide CO₂ emissions for the period January-December 2013 based on the greenhouse gas Emissions Trading Directive. This report was subsequently verified by an external consultant and submitted to the Ministry of Agriculture, Rural Development and Environment.

Furthermore, the study for the demolition of Moni Power Station in order to assess the environmental and danger impacts has been completed.

- ☒ Power Stations
 - Substations 132/66/11kV
 - ☐ Substations 132/11kV
 - ☒ Substations 132kV
 - Substations 66/11kV
 - Overhead Lines 132kV operated at 132/66kV
 - Overhead Lines 132kV
 - ⋯ Underground Cables 132kV
 - Overhead Lines 132kV operated at 66kV
 - ⋯ Underground Cables 132kV operated at 66kV
 - Overhead Lines 66kV
 - ⋯ Underground Cables 66kV
 - Overhead Lines 220kV operated at 132kV
- 1 MONI P/S
 - 2 VASILIKO P/S
 - 3 DHEKELIA P/S



Generation Business Unit

SYSTEM OPERATION

Electricity supplied

In 2014 the total number of units generated by the EAC's three Power Stations was 4 013 404 MWh, compared to 3 941 626 MWh in 2013, representing an increase of about 1,82% over the previous year.

Figure 2 (page 22) shows the total number of units generated annually from 2007 to 2014, as well as the predicted generation for the period 2015 – 2022.

Generation, Transmission and Distribution Losses

Electricity consumption at the Power Stations amounted to about 5,11% of the total generation, compared to 4,33% the previous year.

Figure 3 (page 22) shows electricity generation and sales distribution to the various consumer categories.

Fuel Consumption

The amount of heavy fuel oil consumed by the Power Stations totaled 793 319 metric tonnes, compared to 649 317 metric tonnes the previous year, representing an increase of 22,18%.

The total quantity of diesel fuel consumed by the Power Stations was 123 584 metric tonnes, compared to 235 752 metric tonnes consumed during 2013, representing a decrease of 47,58%.

The average calorific value of the fuel oil used was 42 563 kJ/kg compared to 42 751 kJ/kg in 2013.

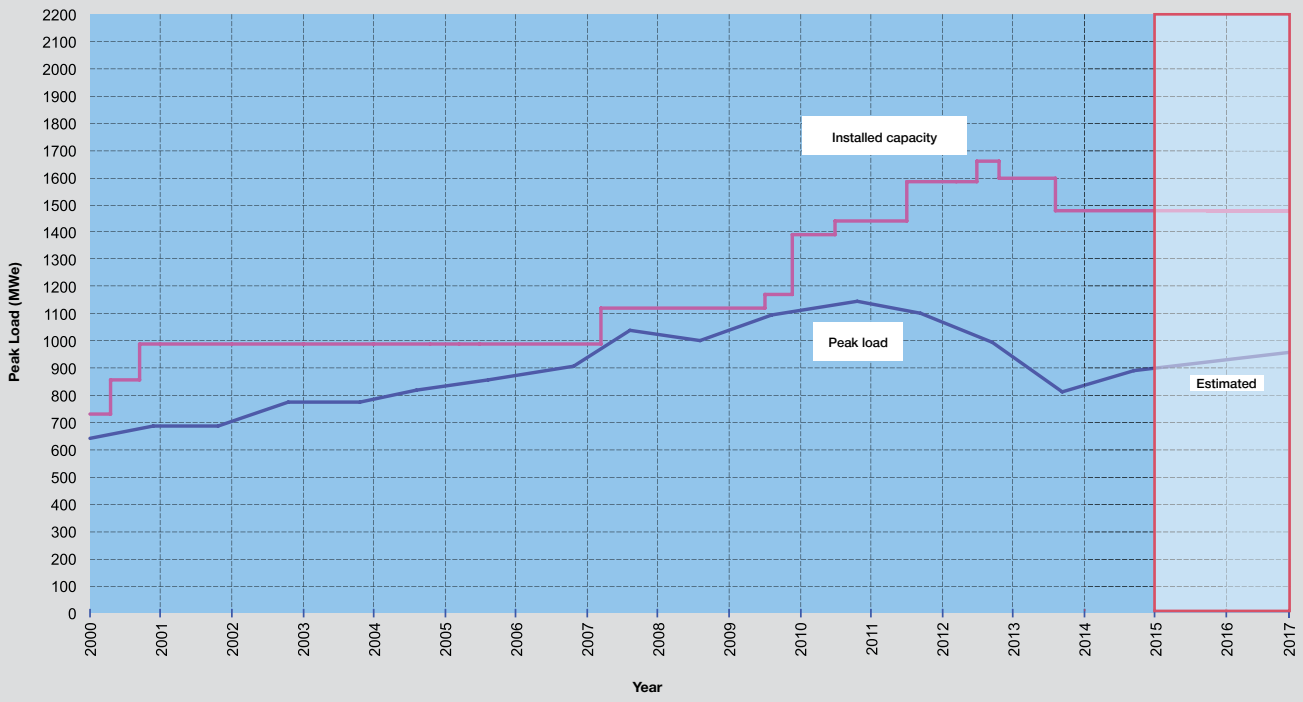
Plant Efficiency

The average generating system efficiency in 2014, based on the total units generated by the EAC's three Power Stations, was 37,02% compared to 37,50% in 2013. The heat rate per kWh generated was 10 247 kJ/kWh compared to 10 034 kJ/kWh in 2013.

DEVELOPMENT PLAN OF EAC

On 26 June 2014, the Tseri Photovoltaic Park, of nominal capacity 3 MW and of nominal Production capacity 4 800 MWh has been in commercial operation.

Figure 1



Generation Business Unit

Figure 2

TOTAL SYSTEM GENERATION (Million kWh)

Note: Since 2009, the figures below, include also R.E.S Generation

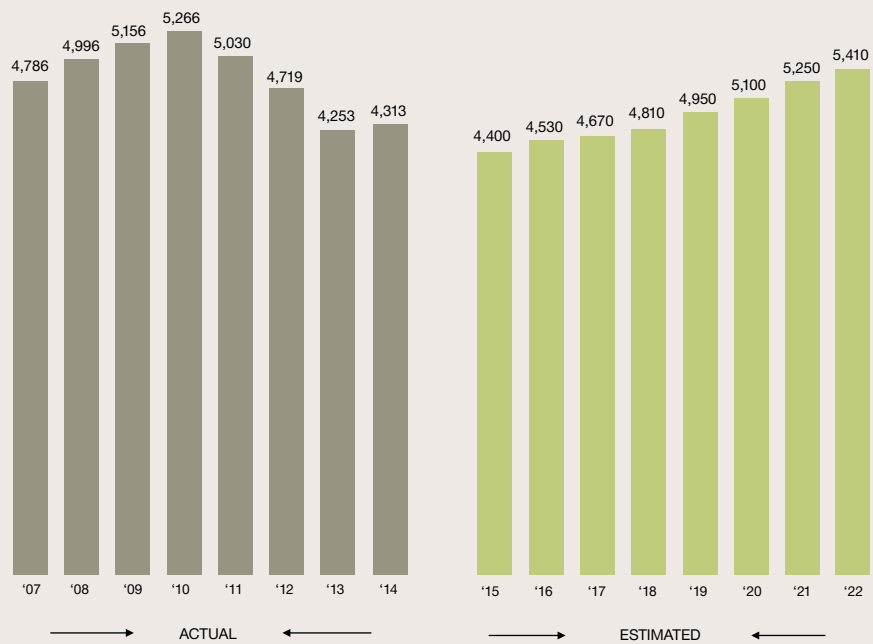
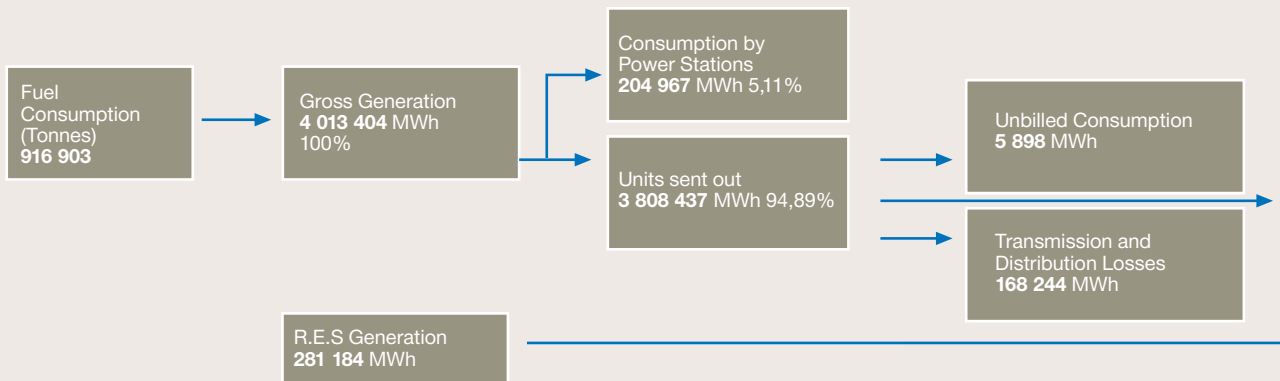
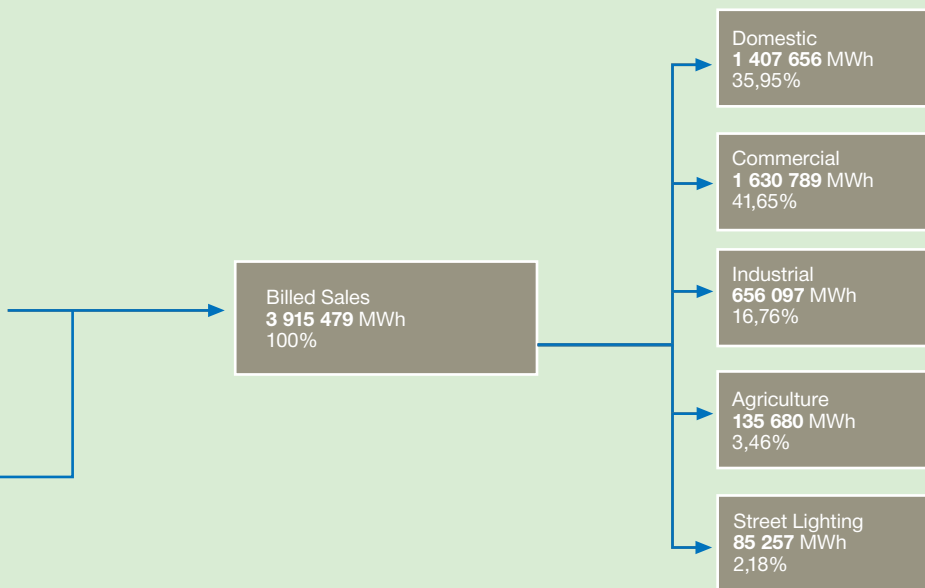


Figure 3

Electricity Generation and sales for 2014





Networks Business Unit

The Networks Business Unit (NBU) has the responsibility of development, construction, maintenance, operation and management of the National Electricity Distribution Network as well as the construction and maintenance of the Transmission Network. In cooperation with the Transmission System Operator, the Networks Business Unit also participates in the development, maintenance and management of the Transmission Network.

Transmission management, Distribution System Owner, Transmission System Manager, the four EAC Area Offices as well as the Electronics and Communications, Civil and Building Works and the GIS Network Data System Sections are all part of the NBU.

TRANSMISSION NETWORK

The transmission network is the backbone of the EAC's system, connecting the Power Stations to the load centres.

Development works respond to the ever-increasing demand for electricity and, at the same time, increase the reliability of the Transmission System.

During the year under review, the installed capacity of the transmission Substations increased by 68,5 MVA.

CONSTRUCTION PROJECTS

In 2014, the following development and upgrading works were carried out on the Transmission Network:

New Substations

New Trimiklini 66/22-11kV Substation

Energisation of the Substation was completed in October 2014 and, by the end of the year, the entire load of the old Trimiklini Substation had been transferred.

Upgrading/Dismantling of existing Substations

Athalassa 132/11kV Substation

In April 2014, work was completed on the installation of a high voltage inductor with a total capacity of 75 MVAR, supplied by the already installed array of 132kV circuit breakers.

Athalassa 66kV Substation

Following the dismantling of the high voltage Athalassa-Troulli-Dhekelia 66kV overhead line (Feb. 2014), the Substation was dismantled in October 2014.

Yermasoyia 132/11kV Substation

In April 2014, work was completed on the installation of a high voltage inductor with a total capacity of 75 MVAR, supplied by the already installed array of 132kV circuit breakers.

Troulli 66/11kV Substation

Following the energisation of the Athienou 132/11kV Substation in October 2013, the Troulli 66/11kV Substation was dismantled in February 2014.

Pyla 132/22-11kV Substation

In February 2014, work was completed on the upgrade of the Substation to 2x40MVA 132/22-11kV GIS type with the installation and commissioning of the 2nd 40MVA transformer.

Latsia 132/11kV Substation

In June 2014, work was completed on the upgrade of the Substation from 2x31,5MVA to 2x40MVA. During 2014, the T1 31,5MVA transformer was dismantled and replaced by a new 40MVA power transformer which was commissioned in June 2014.

Overhead Power Lines/Underground Transmission Cables

Ypsonas-Trimiklini 132kV overhead power line

Work on the section of the line in the Lania area remains at a standstill.

Dismantling of the 66kV Athalassa-Troulli-Dhekelia overhead power line

Following the commissioning of the new Athienou 132kV Substation, the dismantling of the old 27km Athalassa-Troulli-Dhekelia single circuit overhead power line was completed.

Undergrounding of the Athalassa-Latsia interconnection

The EAC is currently evaluating tenders for the undergrounding of the Athalassa-Latsia interconnection.

Other Projects

Transmission System Reactive Power Compensation

- Installation and commissioning of 64MVAR 22 kV inductors at Moni Power Station.
- Installation and commissioning of 2x75MVAR 132kV variable inductors in the Athalassa and Yermasoyia Substations.
- Preparation for the issuing of a tender for the purchase of 2x50MVAR 132kV variable inductors to be installed in the Tseri and Alambra Substations. They are due to be commissioned in summer 2016.

Networks Business Unit

TRANSMISSION SYSTEM DEVELOPMENT STUDIES

In 2014 the following studies were prepared in collaboration with the Transmission System Operator (TSO):

Lefkosia Area

The following studies were completed and approved for Lefkosia and the district:

- Undergrounding of part of the overhead power line interconnecting the Athalassa, Latsia and Tseri Substations.
- Review of the study on cable termination connectors at the Latsia 132kV transmission Substation.

The following studies are planned for Lefkosia and the district:

- New Kophinou-Alambra overhead power line (Rubus Twin).

Lemesos Area

The following studies are planned for Lemesos and the district:

- New Vasilikos-Moni overhead power line (Rubus Twin).
- Installation of a second circuit on the Orounda-Tembria line.

Ammochostos-Larnaka Area

The following studies are planned for the Ammochostos – Larnaka Area:

- New Vasilikos-Mari-Kophinou overhead power line (Rubus Twin).
- New Kophinou-Alambra overhead power line (Rubus Twin).
- Upgrade of the Mari transmission Substation to 132kV GIS.

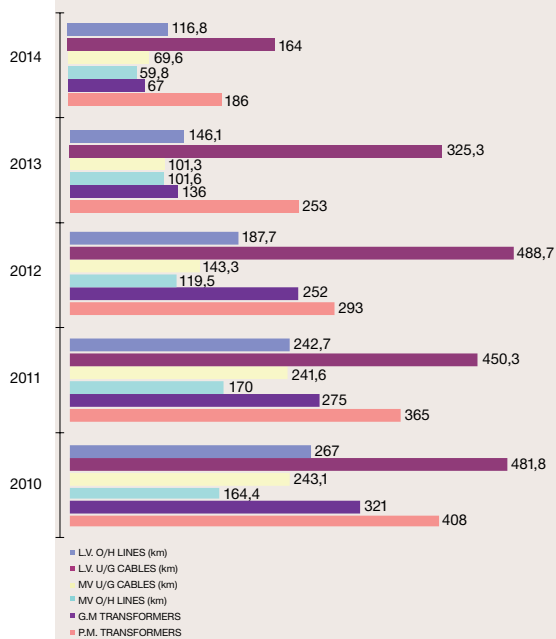
Pafos Area

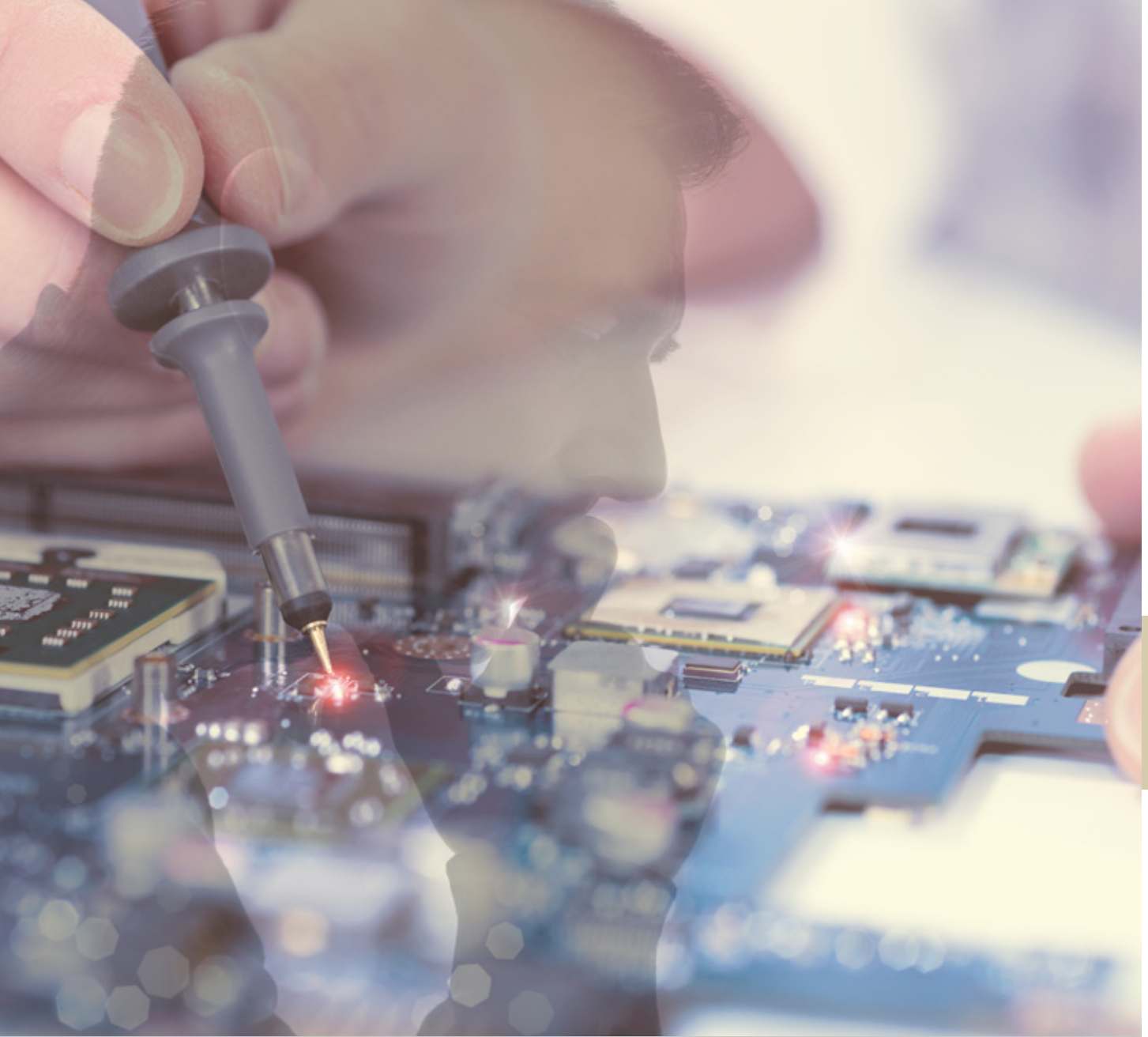
The following studies are planned for Pafos and the district:

- Transfer of the autotransformer at the Anatoliko Substation to the Akoursos Substation (Rubus Twin).

Figure 4

NEW DISTRIBUTION PROJECTS EXECUTED IN THE LAST FIVE YEARS





Other studies:

The following studies have also been completed:

- Ten-Year Transmission System Development Plan 2015-2024.
- Installation of Inductors for Reactive Power Compensation on the Cyprus Electricity System.

Networks Business Unit

The following studies are also planned:

- Ten-Year Transmission System Development Plan 2016-2025.
- Continuous Modelling of the Transmission System and Equipment and System Analysis.
- Transmission System Reliability for Summer 2015.

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

TRANSMISSION NETWORK MAINTENANCE

In the framework of creating a Project Management Environment across the complete range of Network works, all Transmission Network maintenance work was planned, monitored and managed as a single, unified, annual major Network project. It was 71% implemented.

DISTRIBUTION NETWORK

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

SPECIFICATIONS, TECHNOLOGY & DEVELOPMENT PROJECTS

Technical Specifications

The Networks Business Unit is responsible for the drawing up of technical specifications for all Distribution Network equipment and materials, the evaluation of tenders and the subsequent management of contracts for the supply of materials and the provision of services.

These technical specifications are under constant revision due to changes to international standards, improvements in technology or alterations in the use of materials. There are, in total, 271 approved technical specifications concerning 1,731 materials. In 2014, two new technical specifications were drawn up while eight were revised.

In 2014, the Unit's distribution section participated in the evaluation of 29 international tenders and 10 local ones. At the same time it was responsible for the technical management of 74 materials supply and service provision contracts.

Distribution Network Maintenance

In the framework of implementing a Project Management environment across the entire network workload, all distribution network maintenance work was planned, monitored and managed as a single major annual Network project. It was 81% implemented.

Introduction of Aerial Bundled Conductors (ABCs) to the Low Voltage Network

The EAC began installing aerial bundled conductors on the low voltage network for extensions of the network, new building plots, etc. instead of the traditional bare or insulated conductors. The aim of the introduction of this technology is to increase system reliability and the evolutionary reduction of the overhead power lines maintenance.

DISTRIBUTION SYSTEM OPERATOR

The Networks Business Unit is, according to a recent amendment to Cypriot legislation, the Transmission Network Owner and the Distribution Network Owner/Manager. The particular responsibilities, rights and obligations concerning the Distribution System Operator (DSO), which stem from the Cypriot legislation, create special requirements for their optimum, strict and effective implementation for the benefit of consumers and the economy. A special characteristic of the Unit is the fact that it deals with what is, by its very nature, the monopolistic part of the EAC's work, which creates a need for monitored regulation in order to achieve the objectives laid down by the European Union and the Republic of Cyprus.

The Networks Business Unit has always aimed at providing the best technological solutions which will, in turn, lead to the most reliable supply of electricity at the lowest cost. Now, in particular, with the penetration of distributed generation and the growth of interactive communication between consumers and network monitoring points with the use of modern and reliable telecommunications, the prerequisites are being created for the transformation of the network into a smart network with all the benefits that brings.

It is clear from the above that the job of the Distribution System Operator is to ensure in the new environment the efficient operation of the electricity distribution network in Cyprus, the transparent and equal access to the network of consumers and, in general, all network users. The aim is the reliable supply of consumers, regarding voltage quality, constant improvements to service and the smooth operation of the electricity market in what concerns the Distribution Network.

In accordance with the provisions of the present law, projects carried out by the DSO concern:

1. Responding to applications from users:

- New connections for consumers and producers.
- Modifications to old supplies (increased capacity of existing connections).
- Network transfers.

2. Network Development:

- Network reinforcement, improvement and modernisation.
- Construction of Distribution Centres and the necessary interconnecting network.

3. Distribution Network operations and best use:

- Distribution Network operation.
- Network user service.
- Provision of ancillary services.
- Consumption measurement through an advanced network of smart meters (its development is under way).
- Support to the Cyprus Transmission System Operator for the operation of the System, providing all the necessary elements for the operation of the country's interconnected electricity system.

Networks Business Unit

4. The smooth and efficient operation of the Electricity Market at Distribution level.

- The management of information on the interconnected Distribution Network with the implementation of a smart network and smart meter architecture for the benefit of all stakeholders in the electricity market.
- Supporting distributed generation through net metering, demand forecasting, virtual Power Stations, etc.
- Serving consumers through demand management systems for the optimum use of the distribution infrastructure so as to satisfy the needs of consumers in the most economical way.
- Providing the necessary ancillary services for the efficient operation of all active elements connected to the Distribution Network.

During the period under review, in the framework of its role as Distribution System Operator, among other things the Networks Business Unit:

- Managed the introduction of net metering systems, following the relevant decision by CERA.
- Undertook the management of the GREEN+ proposal which was submitted by Cyprus and approved by the European Commission in the context of the NER 300 project. It is an ambitious proposal which, if implemented as a project, will be a pioneering application of smart networks and distributed generation in environmentally sensitive areas, mainly in the Troodos region.
- Implemented a pilot smart metering application to 3.000 consumers. Specifically, a relevant tender is being evaluated, through which an automated net metering management system with broad functions should be installed in 2015.
- Installed electric vehicle charging points aimed at enhancing the electro mobility in our country. For the implementation of this project, 18 electric vehicle charging points have been selected in municipal car parks. In 2014, 15 such charging stations have been installed. Also, a complete control and monitoring system of the electric vehicle charging points has been installed and was put into operation. For the year mentioned, the E-Charge service has been developed, aimed at offering charging services to the owners of electric vehicles islandwide.
- Participated in the LIFE+ SmartPV research project, aiming at making the most of the net-metering system for all interested parts (stakeholders). The goal is the best –from a cost and efficiency point of view- utilisation of photovoltaic technology and its further penetration to the national network.

SCADA/DMS (Distribution Management System)

The EAC Board of Directors decided in 2014 to issue a call for tenders for consultancy services with the aim of planning and implementing an open diagnostic process for an integrated SCADA/DMS (Distribution Management System). The project will include the essential hardware and software as well as the establishment of the National Distribution Monitoring Centre (DMC), which will provide the Authority, as Distribution System Operator (DSO), with the necessary tools for integrated Distribution Network management for day-to-day working as well as in case of faults.

DISTRIBUTION SYSTEM DEVELOPMENT STUDIES

Distribution Network Development Studies are carried out and monitored by the relevant departments in the Area Offices.

In order to expand and develop the distribution system, 4,201 studies were completed by the Area study sections in 2013 compared with 3,504 in 2013.

AREA OFFICES

The operations of all Area Offices (except for the Supply Management) fall under the jurisdiction of the Networks Business Unit and their purpose is to provide services related to the EAC's operations. The objective of the Area Offices is to offer the best possible customer service with the ultimate aim of providing an uninterrupted, reliable, high-quality supply of electricity.

For better quality customer service, the Area Offices have obtained ISO 9001 Quality Certification and have a commitment to CERA to maintain a Customer Charter with guaranteed services.

The EAC's Area Offices are the following:

- Lefkosia-Keryneia-Morfou
- Lemesos
- Ammochostos-Larnaka
- Pafos

The Area Offices are organised by Section as follows:

- **(a)** Studies & Planning.
- **(b)** Construction and Maintenance.
- **(c)** Supplies (falls under the Supply management operations and is accountable to the Supply management Manager).

Studies & Planning

The Studies & Planning Section comprises the Studies Department, the Planning Department and the Drawing Office. The main work of the Studies Department is the management of customer or producer applications for connections to the EAC network or network relocation, the carrying out of studies on the expansion of the Network for the connection of customers and producers and studies for the upgrading/development of the Distribution Network, monitoring of Distribution Network reliability and stating the views of the EAC to the responsible authorities and interested parties on the method of supplying power to development projects.

Networks Business Unit

The main work of the Planning Section is to obtain the consent of landowners whose property is affected by Network development, and Government approval for Network Development, local contracts for the purchase of materials, services and premises/buildings for the location of Substations.

The main job of the Drawing Office is to maintain the Network Database and to make it available to all Internal and External Customers.

Construction & Maintenance

The Construction & Maintenance Section is divided into six departments:

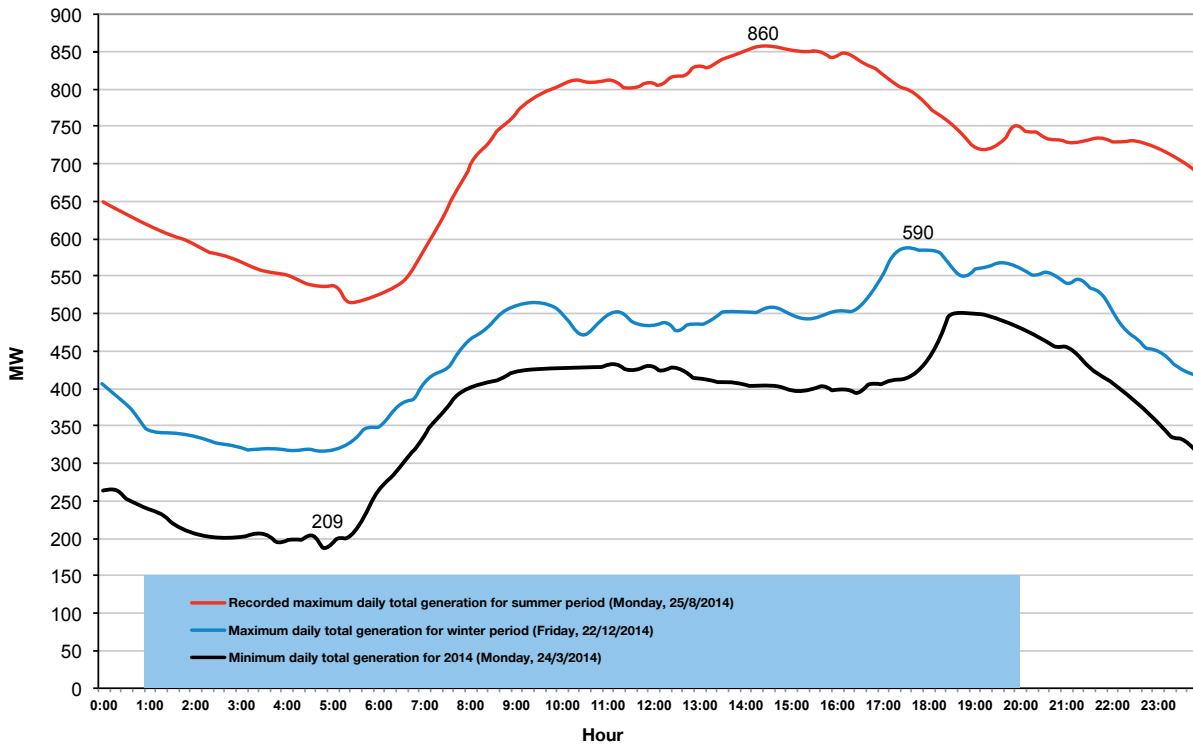
- Ground Constructions, which deals with the expansion and upgrading of the Underground Distribution Network and the construction of underground supply lines to premises.
- Overhead Line Constructions which deals with the expansion and upgrading of the Overhead Distribution Network, maintenance of the Transmission Network and the construction of overhead supply, installation of meters and the construction of the Street Lighting network.
- System Operation, which deals with load monitoring, the operation of the Medium Voltage Distribution System (power cuts and handling), load recording at distribution substations, faults detection and complaints handling.
- Transmission/Distribution Substation Maintenance, which deals with the construction/expansion/maintenance of transmission substations and the maintenance of Medium Voltage Network equipment. Since April 2015, direct responsibility for this section has been transferred from the Area Office to Transmission System Management.
- Installation Inspection, which deals with the inspection of customer premises and meter monitoring.
- Emergency Crews, in charge of emergency Network fault reparation and customer complaints handling on a 24-hour basis.

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.

Figure 5

Recorded Maximum and Minimum total generation for winter and summer period of 2014



SDH/PDH Optical Fibre Telecommunications System

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

In 2014 the system's SDH/PDH digital multiplexers were upgraded in 2 locations.

Networks Business Unit

10Gbps/MPLS – Metro Ethernet Fibre Optics Telecommunications System

The 10Gbps/MPLS Optical Fibre Telecommunications System is a fast, new generation telecommunications network which will respond to the EAC's data transfer requirements via a fibre optics network over the coming years.

In 2014, the 10Gbps/MPLS system was extended with the installation of equipment at another point. Furthermore, work was completed on the creation and activation of telecommunications channels in support of the SCADA/EMS and Ripple Control systems.

The Metro Ethernet system was extended to five new Authority premises in response to the telecommunications needs of the SCADA/EMS system, the Protective Security, Telephony and IT systems, etc., via its own fibre optics network.

Fibre Optics Network

The Authority has an extensive overhead and underground fibre optics network along the length of the Transmission Network. In 2014 the fibre optics network was extended to connect 4 additional transmission Substations and other EAC premises. Additionally, collaboration continued with the Authority's two strategic telecommunications partners, 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 2014 to control two additional transmission Substations while control equipment was upgraded in another seven Substations.

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.

The EAC is proceeding with the expansion and upgrading of the Ripple Control System, a project that is due to be completed by 2017. In 2014 work was completed on replacing the obsolete Central Monitoring and Planning Unit.

Machine-to-Machine (M2M) Wireless Communication System

The Authority's M2M Wireless Communication System is used for secure wireless communication via GPRS/3G by the monitoring units of the generators of the Virtual Power Plant, Electric Car Charging Points, smart meters and remote SCADA/EMS terminals. In 2014, 31 more monitored points were added to the system.

Protective Security

The huge increase in incidences of theft of copper, doors and other materials from the Authority's premises made the taking of measures to tackle the problem imperative. The Electronics and Telecommunications section responded immediately with improvements to processes and the installation of electronic systems aimed at the prevention of theft and its timely detection.

The first stage concerns high-risk installations where we continued to install and provide technical support to Security Systems, Monitored Access, Alarm (illegal entry) and videocamera monitoring systems. These installations include transmission and distribution Substations, Power Stations, Stores, Offices and EAC Customer Service Centres.

Work has begun on studying and researching an acceptable solution to the theft of doors from distribution substations.

Fire detection and fire extinguishing systems

The Electronics and Telecommunications section continued to manage contracts for the maintenance of fire detection and fire extinguishing systems. Additionally, new systems were installed at the new Customer Service Centres in Lemesos and Lefkosia.

Telephone Network and Systems

Technical support continued to be provided for telephone systems, connections of the existing telephone network and systems of the Contact Centre and for the internal networking of the EAC's telephone systems. The project to unify the services provided by the Authority's telephonists was completed.

EAC Contact Centre

Technical support continued to be provided for the EAC Contact Centre on telecommunications issues.

Wireless Communication

Phone bases were installed in vehicles and Substations. Radiotelephone support and maintenance continued on an islandwide basis to meet the Authority's needs.

Civil Defence & Emergency Planning

Checks and regular testing of telecommunications links continued in accordance with the directives and recommendations of the relevant ministries. Drills were held and all the relevant plans for National Guard support were updated.

Networks Business Unit

CIVIL AND BUILDING WORKS SECTION

The Civil and Building Works Section is part of the Networks Business Unit but, over and above this, it deals with all the EAC's construction and technical projects, including those relating to Generation Development, the Transmission and Distribution Networks, buildings and other EAC infrastructure.

Power Stations

Reconstruction/Restoration of Vasilikos Power Station

Immediately after the explosion at Mari on 11 July 2011, the Civil & Building Works Section was called upon to undertake the task of repairing and renovating all the station's buildings and infrastructure. The cost of the work carried out until the end of 2014 is approximately €20 million.

Anti-corrosion work on the west side of Vasilikos Power Station started and finished in 2014.

Desalination Plant at Vasilikos

Regarding the Desalination Plant, construction work and operating tests were concluded in summer 2013, while external work continued and was completed in 2014.

Liquefied Natural Gas (LNG) Terminal

Cooperation continued with the responsible state services and those studying the development of the LNG Terminal with the aim of speeding up progress on the project.

Dismantling and demolition of Moni Power Station

Following the decision to terminate the operations of Moni Power Station, the Civil & Building Works Section, in cooperation with the Generation Business Unit, prepared plans, documents, specifications and tenders dealing with the dismantling and demolition of the Station.

For the housing of the Moni Power Station Control Centre (Gas Turbine Units), it was deemed necessary to erect a new building. The study and plans necessary to obtain planning permission were prepared by the Civil & Building Works Section. Work started on the necessary plans and paperwork that will accompany the application for a building permit and be used in the tender for its construction.

Power Station maintenance and improvement works

The Civil & Building Works Section provided the necessary support for maintenance and improvement works on the Dhekelia, Vasilikos and Moni Power Stations. It is preparing a fixed duration contract for the efficient management of maintenance work at the Power Stations.

RES – Photovoltaic Parks

In the context of its strategy for the development of Renewable Energy Sources (RES) in Cyprus, the EAC has been studying the construction of a 20MW Photovoltaic Park in the Akrotiri area of Lemesos. Planning of the projects for the Park is underway.

Furthermore, in 2014 the Section made a significant contribution to the supervision of construction and maintenance work of the 3MW Photovoltaic Park at Tseri.

With regard to the installation of photovoltaic systems with net metering for vulnerable groups of the population, the Section was responsible for the study and supervision of the installation work.

Transmission System Projects

The Civil & Building Works Section participates in all transmission development plans with studies, preparation of tenders and supervision of projects regarding the Civil Engineer and Architect projects. During 2014, the Civil & Building Works Section covered the following transmission projects:

- Preparation of plans and application to secure Planning Permission for the Moni GIS Transmission Substation.
- Transmission Substation maintenance.
- Transmission Substation expansion.
- Supervision of high voltage overhead power line construction.
- Transmission overhead power line maintenance.
- Design of pylons to optimise and standardise them.
- Drawing up tender for pylon supply for the new power lines Vasilikos-Moni and Vasilikos-Kophinou.

Distribution System Projects

For the distribution Substations, all the necessary paperwork and plans have been prepared and tenders published for construction and maintenance work. Contract management is carried out by the Civil and Building Works Section.

Also under the Section's supervision, various building works have been undertaken, including:

- Transmission Substation construction.
- Distribution Substation maintenance.
- Supervision of EAC crews undertaking distribution Substation maintenance work.

All the necessary plans have been prepared and a planning permission application has been submitted for an outdoor storage area for wooden poles at Koshi, Larnaka.

Networks Business Unit

Area Offices and Other Buildings

The Civil & Building Works Section dealt with the following building projects:

- Relocation of the Linopetra Customer Service Centre to a new site in Lemesos.
- Relocation of the Strovolos Customer Service Centre.
- Study the formulation of the Backup Centre for the recovery of the EAC's Data Systems, Technology, Electronic Systems and Telecommunications.
- The study for the maintenance/ restoration of the listed building close to the Palaio Michanostasio Substation was completed.

Studies are also being conducted on the following projects:

- Design of the Distribution System Monitoring Centre in the Head Office building.
- Design of the EAC's Data, Technology, Electronic Systems and Telecommunications Centre in the Head Office building.
- Upgrading of the Lemesos Area Offices.

GIS NETWORK DATA MANAGEMENT SYSTEM (GeoDiaS)

GeoDiaS, with the corporate GIS system at its core, constitutes the infrastructure within which the dynamic management of the planning, energising, operation and connections of the electricity network takes place.

Network updates to the GIS are made through the constant and systematic work of the technical sections across the whole network, thereby securing its dynamism and electrical function. With the full operation of GIS systems, a large volume of data is entered easily and quickly on a daily basis.

Work is carried out in the framework of the strict operating processes of the GeoDiaS system, including the certification and monitoring of the quality of the Network data updates, and the strict workflow management system.

The updating of the Medium Voltage Network and the Substations on the Distribution system was completed. The task of recording and upgrading Low Voltage Network data for both the overhead and underground transmission network is ongoing at an intensive rate. Furthermore, the GIS was updated regarding the location (plot) and network connection of approximately 10% of customers, and this work is continuing. Additionally, systematic work is taking place to enter data from all the photovoltaic systems regarding their technical/operational characteristics, their location (plot) and network connection. Through special applications, the GIS also records applications received by the EAC, views expressed to government services and the process for establishing new distribution substations.

For the Transmission System, all transmission Substation premises and monitoring buildings, the route and circuits of the overhead power lines and underground cables, together with their connections, have been registered.

Improvements to various parts of the Transmission System, such as the overhead and underground networks and the Substations, are continuing at a rapid pace.

Supply Management

CONSUMERS

At the end of 2014, the total number of consumers in the government-controlled areas of Cyprus stood at 554 574, a net increase of 5 126 or 0,9%.

Table 1 (page 41) shows the number of consumers by category as well as the percentage increase/decrease over the previous year.

BILLED SALES OF ELECTRICITY

Billed sales of electricity in the government-controlled areas amounted to 3 915,5 GWh, compared to 3 889,8 GWh the previous year, representing an increase of 0,7%.

Table 2 (page 41) shows the allocation of billed sales of electricity by consumer category, as well as the percentage increase/decrease over the previous year. Sales for the years 2012, 2013 and 2014 are shown in Fig. 6 (page 43).

Sales and revenue for 2014 are shown by consumer category and as a percentage of the EAC's total sales and revenue in Fig. 7 (page 46).

OFF-PEAK SUPPLIES

Off-peak sales (tariff Code 55) totalled 39 338 MWh, representing an increase of 1 209 MWh or 3,2% compared to 2013. This was due mainly to the fact that the average per kWh charge for the off-peak tariff (tariff Code 55), decreased from 16,10 cents in 2013 to 12,55 cents in 2014.

Consumers opting for the off-peak tariff totalled 21 061, representing a reduction of 153. Of these, 20 732 (96,6%) were domestic consumers with an average consumption of 1 834 kWh compared to 1 759 kWh in 2013.

TARIFFS

In 2014, due to the financial crisis, Cyprus Energy Regulatory Authority (CERA) took a new decision that turned the temporary reduction of 8% on all of the EAC's main tariffs, to permanent.

At the same time, CERA issued a Draft Statement on Regulatory Practice and Methodology of Electricity Tariffs and EAC has sent its comments for this Draft.

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 proper energy use and conservation.

In the framework of the special domestic tariff (code 08) for large and needy families, by the end of December 2014 some 14 262 customers were benefiting



Table 1

NUMBER OF CONSUMERS

| CONSUMER CATEGORY | AS AT 31.12.2014 | AS AT 31.12.2013 | CHANGE % |
|-------------------|------------------|------------------|------------|
| Domestic | 433 072 | 428 616 | 1,0 |
| Commercial | 85 188 | 84 695 | 0,6 |
| Industrial | 9 836 | 10 222 | (3,8) |
| Agricultural | 15 536 | 15 280 | 1,7 |
| Street Lighting | 10 942 | 10 635 | 2,9 |
| TOTAL | 554 574 | 549 448 | 0,9 |

Table 2

BILLED SALES OF ELECTRICITY (MWh)

| CONSUMER CATEGORY | AS AT 31.12.2014 | AS AT 31.12.2013 | CHANGE % |
|-------------------|------------------|------------------|------------|
| Domestic | 1 407 656 | 1 435 231 | (1,9) |
| Commercial | 1 630 789 | 1 655 761 | (1,5) |
| Industrial | 656 097 | 581 860 | 12,8 |
| Agricultural | 135 680 | 129 129 | 5,1 |
| Street Lighting | 85 257 | 87 807 | (2,9) |
| TOTAL | 3 915 479 | 3 889 788 | 0,7 |

Supply Management

from this. The total benefit to customers in 2014 and, consequently, the reduction in revenue to the EAC as a result of this special tariff, was €3.537.117 compared to what it would have been if these customers had remained on tariff code 05.

The average selling price of electricity per kWh in all categories reduced from 20,488 cents in 2013 to 18,418 cents in 2014 or 10,1 %, as a result of the reduction of oil prices and the temporary reduction that CERA imposed to basic price of EAC tariffs.

LOAD RESEARCH AND CONTROL

In the context of its Load Research, EAC uses a software programme by which meter data and customer load curves are obtained remotely and automatically. This programme enables the direct monitoring of customer loads, the automatic retrieval of data and the timely preparation of Load Research reports.

During 2014, EAC continued to implement this Load Research method for all its corporate customers who are supplied at high and medium voltage and for low-voltage commercial and industrial customers. The data obtained was analysed, processed and subsequently used in the drawing up of new tariff studies.

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 can respond 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 departments to a considerable degree. The entire system is the main tool and source of information for the EAC Contact Centre.

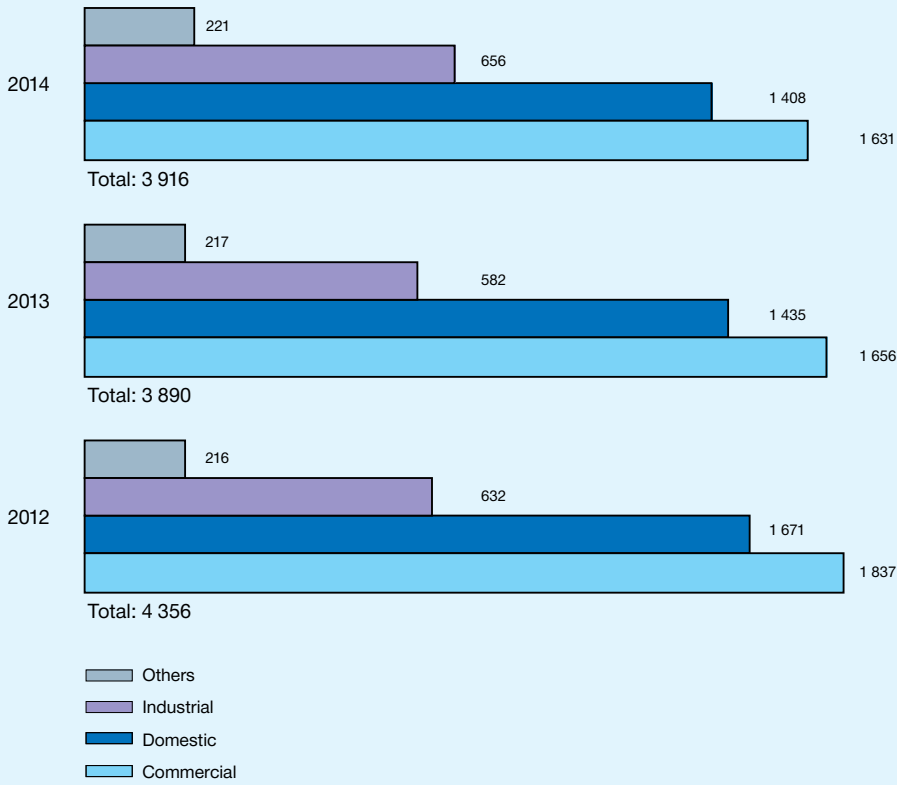
CONTACT CENTRE

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

The Contact Centre enables the EAC to provide good quality service and information to consumers/customers quickly and efficiently, to promote a progressive and dynamic image and, in general, to respond to the expectations of consumers/customers.

Figure 6

SALES OF ELECTRICITY
(millions kWh)



Supply Management

Meter Reading Service

One of the services provided by the Contact Centre is that of Meter Reading service. This service enables customers whose meters have not been read because, for example, their premises were closed, to call the freephone number 80006000 at any time, and key in the 10-digit meter indication. In 2014, the Meter Reading Service received approximately 20 000 calls.

Billing Service

The Billing Service enables customers to call the islandwide four-digit number 1800 and be automatically 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. In 2014, the Billing Service received approximately 154 000 calls.

Faults Reporting and Complaints Service

Since April 2011, the Contact Centre's Faults Reporting and Complaints Service has replaced and improved the services previously provided by the Islandwide Faults Reporting Centre (IFRC).

The aim of this service is to provide customers with a full, top quality telephone response during major faults causing lengthy power cuts as well as during daily, isolated faults on the EAC network, on customer premises and to street lighting.

Furthermore, customer complaints are recorded on issues concerning the EAC network such as tree pruning, street lighting problems, etc.

Customer calls are routed via the islandwide four-digit number 1800 to Customer Service Officers at the Contact Centre where the faults are recorded automatically and subsequently reported to Area technical crews for repairs. In 2014, the Faults Reporting and Complaints Service received approximately 178 000 calls.

To improve the recording of faults and customer complaints, EAC has devised a new software package "Prometheus", which was introduced in January 2014.

New Applications Service

Since January 2014, the Contact Centre began providing the New Applications Service, to all Area Offices of the EAC.



Customers can dial the islandwide four-digit number 1800 to 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. In 2014, the service received approximately 17 000 calls.

RENEWABLE ENERGY SOURCES

In accordance with the provisions of European Directive 2009/28/EC (previously 2001/77/EC), issued during Cyprus' accession process and its compliance with the directives, legislation and regulations of the European Union, the Government proceeded with, among other things, the necessary 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.

Supply Management

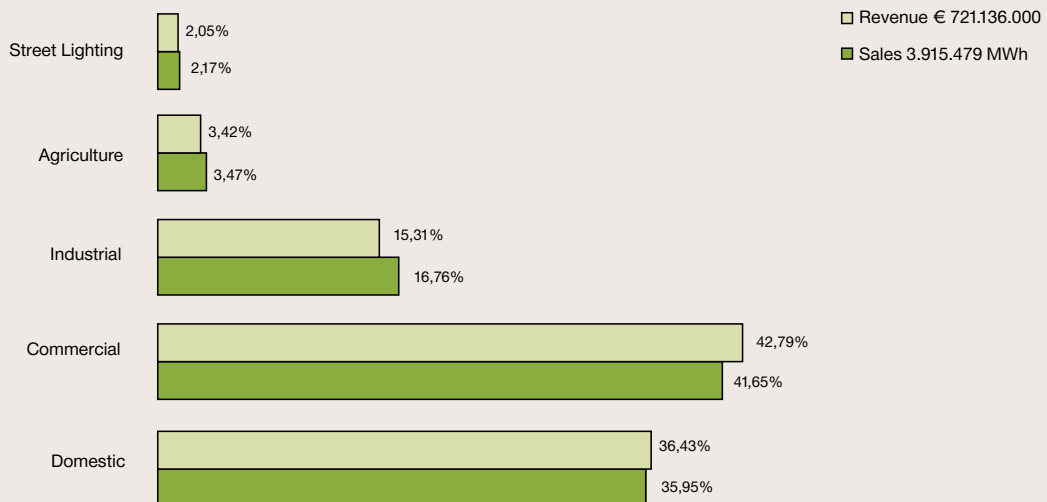
The EAC enjoys good cooperation with the Institute of Energy of the Ministry of Energy, Commerce, Industry & Tourism, with the Cyprus Energy Regulatory Authority (CERA) and the Transmission System Operator (TSO) regarding joint action on the subject of RES. Interested applicants are given all possible 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 generated by Producers using Renewable Energy Sources who are registered with the Grants/Subsidies scheme of the Ministry of Energy, Commerce, Industry & Tourism and to distribute it on its grid at an avoidance cost price determined by the Cyprus Energy Regulatory Authority (CERA). To this end, an Electricity Purchase Agreement is signed between the Producer using RES and the EAC. In addition to the purchase price paid to the Producer by the EAC, the Producer receives a subsidy for the generated kilowatt hours of electricity from the Special Fund for Grants/Subsidies, having been approved/registered with the Special Fund for Grants/Subsidies.

By the end of 2014, a total of 1 873 photovoltaic systems had been installed (compared to 1 767 photovoltaic systems at the end of 2013, i.e. an increase of 6,0%) and were producing up to 45 727 kW, with a total installed voltage (compared to 31 260kW at the end of 2013, i.e. an increase of 46,3%) and total production of 61 302 746 kWh (44 990 943 kWh at the end of 2013, i.e. an increase of 36,3%). It should also be noted that by the end of 2014, some 13 Generation Units using biomass/biogas were in operation with a total installed capacity of 9 714 kW and a total production of 37 460 722 kWh. Furthermore, the five Wind Parks of 146,7 MW operating on the island generated 182 420 690 kWh in 2014.

Figure 7

ELECTRICITY SALES & REVENUE BY CONSUMER CLASS





General Management

PUBLIC RELATIONS

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 various sections of the public, involving it in society and ensuring that people are fully aware of the Authority's activities and services and improving the EAC's image.

During the year the Public Relations Department of EAC organised events and press conferences that prove once again in practice that protecting the environment is a priority for the EAC. One of these was the presentation of a pioneering work, the e-charge service, thus contributing in its own way in the battle that all of us should give for a better and cleaner environment. With this e-charge service the owners of electric vehicles will have access to safe and reliable charging of their vehicle in public places where chargers have already been installed. The e-charge service is offered by the EAC to electric vehicle owners all over Cyprus.

EAC continued to provide advisory services to all its customers on matters of interest to them in 2014. 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 2014 lectures were given to organised groups and to EAC customer groups on issues concerning energy saving, the safe use of electricity, new tariffs and electromagnetic fields.

During the course of the year, EAC Public Relations officers visited various primary and nursery schools to talk to the children about the importance of saving energy and the dangers of the unsafe use of electricity.

In the framework of improving relations among personnel, the Organisation publishes the quarterly magazine EAC News which is now distributed online to EAC personnel and retired members of staff as well as to various other groups and to the media.

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 December 2014 Christmas events were again held in all the island's towns, during which the EAC/Cyprus Anti-Cancer Society's Christmas tree lights were switched on.

Another event that has become an institution is the SavEnergy 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.

In 2014, EAC also continued its support of the Greek Cypriots enclaved in the Karpas Peninsula, in particular students and pupils, for the tenth successive year. We consider it a duty and a privilege to be able to support the efforts of our heroic enclaved fellow-citizens to remain in the place of their birth in the occupied part of Cyprus.



LEGAL SERVICES DEPARTMENT

The mission of the Legal Services Department is to provide legal advice and support to the Executive and Management as well as to the Area Offices on all issues arising from the Electricity Authority of Cyprus (EAC)'s activities.

In cooperation with the EAC's legal advisers, the Legal Services Department handles all cases against EAC in the relevant courts and legal action by EAC against third parties.

General Management

Legal Cases Management

In this context, during 2014 the Legal Services Department dealt with the following cases:

- Appeals against EAC by members of staff regarding promotions, appointments, transfers and other demands. There are 73 such cases currently pending before the Supreme Court.
- Third Party Appeals against EAC regarding the installation of EAC network on their immovable property. There are three such cases currently pending before the Supreme Court.
- Third Party Legal action against EAC demanding mandatory orders or special or general damages regarding the placing and/or installation of network equipment (pylons, poles and other low or high voltage lines) on their immovable property. 26 cases are currently pending before the District Courts.
- Third Party Legal action by EAC over unpaid final electricity bills. Some 47 cases are currently pending.
- Legal action by EAC against third parties who have caused damage to its property and refuse to pay the amount required to repair it. Six cases regarding damage to EAC property are currently pending.
- Third Party Referrals against EAC regarding compensation that has either already been paid but the landowners have received it with all rights reserved, or not yet been paid for their immovable property which, according to the due process, was expropriated and requisitioned by EAC. Three such referrals are currently pending before the courts.

In addition to the above, there are three pending Appeals by EAC against several CERA's decisions.

Expropriations/Leasing/Property Disputes

The Legal Services Department maintains an archive of all EAC's property regarding its Offices, Stores, Power Stations, Transmission and Distribution Substations.

When the expropriation of land is deemed necessary for reasons of public interest, the Legal Services Department is responsible for the entire process, from the preparation of a detailed report for approval by EAC's Board of Directors to the publication of the relevant expropriation notices and requisition orders.

The Legal Services Department obtains evaluation reports from private valuers regarding the amount of compensation payable by EAC to landowners whose property is affected by its network (pylons and high voltage power lines).

Insurance Department

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.

Further to the above, the Insurance Department deals with cases of accidents involving EAC personnel, damage to property belonging to third parties and to EAC, the insuring of goods imported/exported by EAC, insurance cover for its vehicles and for employees travelling abroad on EAC business.

Legal Support and Advisory Services

In addition to the above, the Legal Services Department provides legal support to all EAC Departments/ Services/Area Offices, regarding the drawing up of contracts and Memoranda of Cooperation with energy companies and/or other companies active in the energy sector, confidentiality agreements for the optimum legal coverage of EAC, and agreements regarding outstanding amounts owed to the EAC.

The Legal Services Department provides everyday legal support and advice, both verbal and written, to EAC's Services and Business Units as well as to the Lefkosia-Keryneia-Morfou, Lemesos, Ammochostos-Larnaka and Pafos Area Offices on legal matters pertaining to customer complaints addressed to EAC, to CERA and the Ombudsman, applications for damages, obtaining of consent, customer disconnections, connections and transfers, meter relocations, the provision of customer information and illegal tampering with meters, among other issues.

In addition to the above, the Legal Services Department carries out disciplinary investigations in accordance with EAC's Code of Discipline, it is responsible for the dissemination of new law and legal amendments within EAC and it is also responsible for the legal drafting for new Legislation concerning energy law.

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 and parking space for the needs of the Authority.
- Canteen management agreements.
- Maintenance agreements for the building of the Head Office.

In 2014, 15 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 2014, the Authority published 100 such announcements.

General Management

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 2014, the Section dealt with 352 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 31 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.



Human Resources Management

The Authority's staff

The number of employees in post and their distribution by category is shown in the table below.

| | 2014 | 2013 |
|--------------|--------------|--------------|
| Professional | 237 | 250 |
| Clerical | 360 | 360 |
| Technical | 1 541 | 1 559 |
| Other | 49 | 50 |
| TOTAL | 2 187 | 2 219 |

«Other» employee refers to 48 employees which their conditions of employment are regulated by a certain Collective Agreement and one employee with a Contract of indefinite duration.

The Authority's pensioners

The total number of pensioners at the end of the year who received pension was 1 213 (including 9 missing persons since the Turkish invasion of 1974) compared to 1 215 at the end of the previous year. In addition 313 pensions were paid to widows and orphans of deceased pensioners/employees compared to 292 at the end of the previous year.

Manpower indicators and Productivity

Variations in productivity are shown in Figure 8 (page 56) which indicates the relationship between the Authority's manpower, the total units billed and the number of consumers during the ten year period 2004-2014.

Absenteeism due to sickness and/or industrial accidents was 3,4% or 12,3 days per EAC employee compared to 2,6% or 9,3 days per employee at the end of the previous year, while comparing the 2013 and 2014 sick leave totals, that is 21 282 and 26 979 days respectively, there is a 26% (5 697) increase.

INDUSTRIAL RELATIONS

Multidimensional and important was the role of the Human Resources Management throughout the year concerning the work for reorganisation, streamlining and improving EAC with the implementation of operational and institutional changes.

In particular, the Human Resources Management was actively involved in the important work of EAC'S functional unbundling in compliance to the relevant regulatory decisions issued by the Cyprus Energy Regulatory Authority (CERA).



Equally important was HRM's collaboration and final agreement with the Trade Unions, to form a targeted Voluntary Early Retirement Scheme, aiming at reducing EAC's Staff, but without affecting the Organisation's operational capability.

Upon the completion of the scheme's provisions and after obtaining the relevant State approvals, the HRM announced the plan for applications.

In parallel, the HRM proceeded and agreed with the Unions the termination of the preexisting EAC Early Retirement Scheme.

Other important actions and contacts of the Human Resources Management concerned the effort to reach an agreement with the Unions for the implementation of the "Minimum Services Agreement in Essential Services" which provides for minimum services in the case of strikes. Unfortunately it proved impossible to finalise an agreement and the matter was referred to the Arbitration committee.

It is noteworthy that despite the lack of an agreement on "Minimum Services" in meetings between HRM and the Unions for examining strike action measures, arrangements were agreed and implemented which essentially constituted minimum services, aiming not to affect the smooth and safe electricity supply.

In other contacts of the HRM with the Unions for examining ways of reducing operating costs and rationalisation of allowances, a new agreement was reached concerning the travelling allowance. Also, other issues discussed concerned EAC's organisational structure, the electrical installations inspectors work, a Labour dispute in the presence of a Mediator from the Labour Relations Department of the Ministry of Labour, welfare and social security.

It is important also to mention, the signing of the Collective Agreement for the period 2013-2014 with the only provision for zero general pay increases.

Also, during 2014 the HRM managed issues arising from the application of the laws to freeze pay increases and new recruitments as well as from the retirement of the General Manager in June 2015.

Very important for EAC was the CEEP-EAC co-organised seminar in EAC's Premises on "Restructuring to improve productivity and efficiency".

Human Resources Management

CEEP is the European organisation in Brussels representing public services utilities and EAC is one of its members.

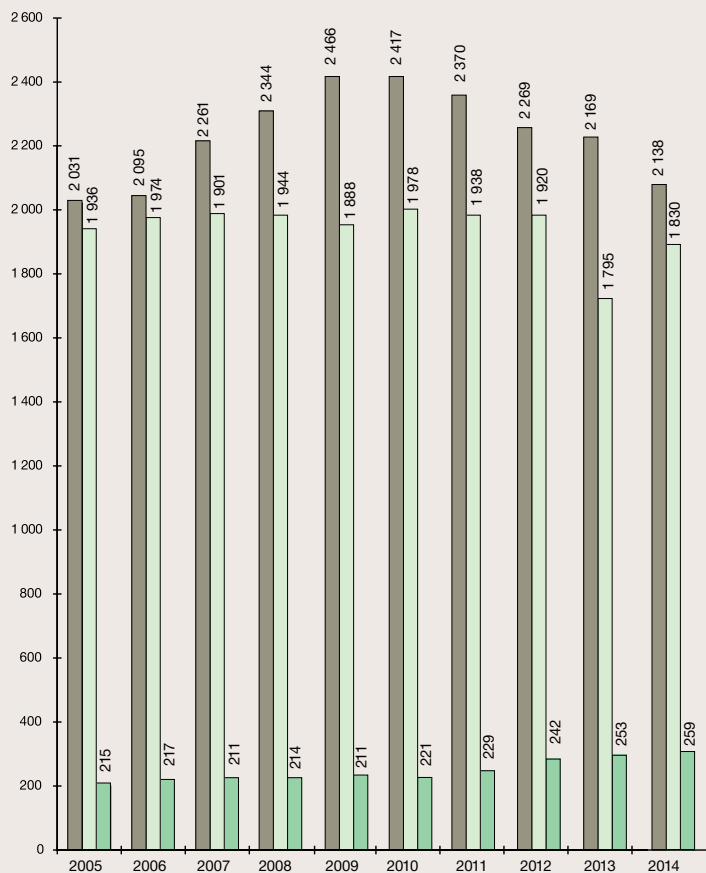
The seminar brought together in Cyprus executives from European and Cypriot Public Utilities, both from the public and private sector.

The General Secretary of CEEP as well as members of its secretariat and its consultants were also present and monitored the seminar processes together with EAC.

Figure 8

MANPOWER INDICATORS

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



Finally it could not fail to be mentioned that EAC accepted an invitation by the Ministry of Labour, welfare and Social Security for EAC's certification as an "Equality Employer". The whole project is owned by the Human Resources Management and by the end of the year a common declaration action plan was cosigned between EAC's General Manager and EAC's consultant for the project.

Certification of EAC as a Gender Equality Employer

The Electricity Authority of Cyprus, recognising the important role it plays in society as a public utility Organisation, as well as one of the largest employers in Cyprus, declares its commitment to promote actions aiming at promoting/strengthening gender equality and to integrate this dimension in its strategic choices.

Based on the above commitment, EAC has accepted the invitation of the Ministry of Labour Welfare and Social Insurance for certification as an Equality Employer. This certification falls within the framework of the implementation of a co-funded by the European Social Fund and the Cyprus Republic Project entitled "Actions to reduce the wage gap between men and women" and the certification is issued by the Certification Body for the Implementation of Best Practices for Gender Equality.

Aiming to accomplish this end, EAC has recently signed a joint declaration with the Equality Consultant, appointed by the Ministry of Labour, Welfare and Social Insurance, through which it is bound, beyond its constant practice of law-abiding, to immediately implement a package of measures aiming to restore any enduring inequalities, discrimination and stereotypes between the two genders and through a long term action plan to consolidate within EAC this policy. At the same time and in the context of corporate social responsibility EAC will design, implement and diffuse actions for the benefit of society.

EAC in collaboration with the employee Trade Unions intends to take the following measures about informing all of its personnel on the subject of Gender Equality:

- Training and awareness for Gender Equality.
- The establishment of Equality Committees in each Working base-Headquarters, Area Offices and Power Stations.
- The establishment of a Central Committee for Equality, consisting of all the heads of the Equality Committees and a presiding officer from EAC's Human Resources Department. Work of the Central Committee will be the formulation of annual action plans promoting Gender Equality and submission of relevant proposals to EAC's Management, targeting the whole of EAC's employees.
- Conducting of an annual anonymous employee survey as a direct means of communication with the Organisation's Management which will be serving as a barometer of progress in equality issues and general satisfaction at work.
- Forming of a group for handling harassment/sexual harassment issues by designating a responsible employee in each working basis for the management of sexual harassment indications or manifested harassment if the person harassed wishes so, before any administrative or other disciplinary measures. The aim is to handle with delicacy and/or assistance the target group that is those who consider themselves victims of harassment/sexual harassment.

By implementing all of the above, the Authority aims to gradually eliminate all social stereotypes, prevent undesired behavior and change attitudes on Equality Issues, strengthen leadership skills of both men and women employees in decision-making centers. Also, the Authority aims to contribute to the promotion of women in male-dominated professions within EAC and the Cypriot labour market and the development and implementation of a Gender Issues monitoring mechanism in EAC. It also aims to train its personnel on equality issues and to improve the employee work and family life balance.

Each year end the Central Committee for Equality will perform a review of the above issues which will be recorded in the Organisation's Annual Report.

Human Resources Management

HUMAN RECOURSES DEVELOPMENT

Education and Training

During 2014, 1 179 members of the staff attended 99 in-house courses and seminars, organised by the Authority's Training School, which covered a wide range of topics. We had 163 more participations from employees in various open educational programmes and training courses, organized by local educational institutions and organisations, whilst 17 members of the professional staff attended training courses or participated in conferences and seminars abroad. In total 1 359 participants attended training courses at an overall cost of €28,39 per employee. The in-house training courses were subsidised by the HRDA with the amount of €65.150.

Recruitment/ Promotions

In 2014, due to the introduction of Law 21 (I)/2013 which provides for a ban on filling vacant posts in the public and broader public sector vacant posts remained vacant.

Retirements/Termination of Employment

During the year four employees retired, 18 employees took advantage of the early retirement scheme, three employees opted for early retirement, four employees terminated their services, three employees retired for health reasons and two employees were deceased.

SAFETY, HEALTH AND WELFARE

Medical Care

During the year EAC contributed €7.459.613,04 (€6.565.727,95 in 2013) to EAC Employees Medical Fund, as well as €51.260,00 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 2014 were 8 693 (2 141 employee-members, 1 209 pensioners and 5 343 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 €280.000. 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 EAC. The members of the Funds, as at 31 December 2014 were 2 060.

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 25 employees, who retired during 2014 and had completed more than 20 years of service.
- The EAC's silver metals were awarded to 13 employees who had completed 30 years of service.

OCCUPATIONAL HEALTH AND SAFETY

Health and Safety Management

The Electricity Authority of Cyprus, pledge to achieve high levels of safety standards, continuous improvement of Health and Safety performance indicators and compliance to applicable legislative provisions, for the prevention of incidents which might result in its personnel or the general public. Towards this, the EAC has developed and implements an effective and appropriate Health & Safety Management System (HSMS), which is an important tool for the management in the implementation of the health and safety matters in the Organisation. The Health & Safety Management System (HSMS) is uploaded on the EAC portal server and is accessible by all company staff, aiming to become a useful tool in the workplace. An introduction course on the implementation of the "Health and Safety management system", which aims at the continuous development and improvement on occupational health and safety matters within the Organisation, has been organised by the Safety Officers in collaboration with the District and Power Stations management.

Health and Safety in the working environment

The Safety Committees held regular meetings during the year, adhering to legislation requirements and gave their professional views to the Management for dealing and solving various problems, concerning health and safety issues.

In order to ensure compliance with health and safety legislation and good practice we use the Health and Safety Management System (HSMS) to perform internal auditing to identify and remedy any shortfalls in health and safety performance. The Safety Officers of the Organisation, in addition to their general tasks they perform in their workplace, investigated working accidents, dangerous occurrences and hazardous malfunctions, monitored the implementation of the Safety Management System (HSMS), studied Health and Safety plans submitted by the contractors and made recommendations for their completeness and functionality as far as the legislation requirements are concerned. Furthermore, they performed on site safety audits, which covered all the works carried out by the Electricity Authority and gave consultation on health and safety matters to the personnel. Additional audits were also carried out on sub-contracted projects to ensure, that they comply with the health and safety issues and legislations.

Education/Training

The technical personnel who use mobile man lift equipments or mobile cranes have been trained and certified according to the Cyprus legislation. Furthermore, a complete refreshing training on working with safety at height was delivered successfully to members of the technical staff, who work in the overhead construction of EAC District Area. An additional training for safe working on roofs was organised for the staff, who work on the installation of solar systems.

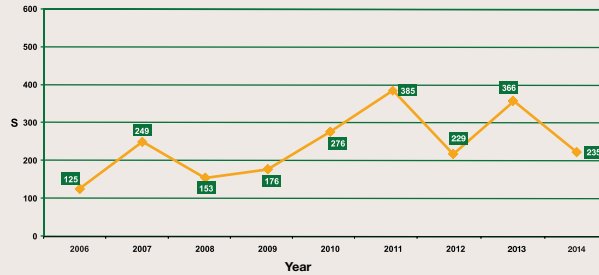
Human Resources Management

Further training and seminars on Health and Safety matters have been organised during the year by the Safety Officers according to the needs of the Organisation. Furthermore, during the Safety Week, fire drills have been organised in all District Areas and Power Stations.

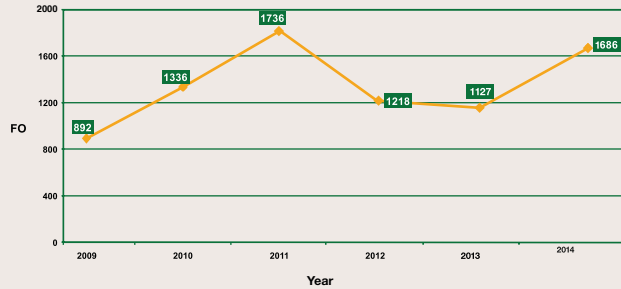
Accident Frequency Rate F



Accident Severity S



Accident Occurance Rate FO



Accidents

There were 37 reported occupational accidents in 2014, in which 37 persons have been injured. Only one of these accidents was road accident. All the accidents have been investigated and evaluated by the Safety Officers and appropriate measures, to prevent it from happening again in the future, have been taken.

The graphs above show the variation of the three indexes, Frequency Index (F), Severity Index (S) and Frequency of Occurrence (FO) for the period 2006 to 2014. 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 and the Occurrence Index shows the number of accidents in relation to the number of employees.

In relation with the previous year, the Frequency Index (F) and the Occurrence Index (FO) were increased from 5,8 to 8,5 and from 1127 to 1686 respectively, while the Severity Index (S) was decreased from 336 to 235.

Safety Week and Fire drill exercises

The EAC's Safety Week was once more organised with success from the 17th to 21st of March 2014. During the Safety Week various events took place, including lectures on occupational health and safety matters, fire drills and evacuation exercises in co-operation with the Fire Department. These activities gave the opportunity to the staff to get engaged with the matters of occupational health and safety matters.

Safety Awards

The safety award in memory of Archbishop Makarios III for the year of 2014 was given to Lemesos Area Office. The safety award in memory of Georgios Kontopoulos was given to the Dhekelia Power Station.

Information Technology Management

The mission of the Information Technology (IT) Management 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 2014:

- Within the Payroll software Application the following legal obligations/changes were completed and implemented:
 - The new Pension Plan – the calculation of pensions and lump sums as of 31/12/2013. The calculation of the Average Career Salary was defined.
 - The Income Tax of Widows (as of 01/01/2014) – income stemming from a Widow Pension over the taxable amount is subject to a 20 % tax.
 - 3% deduction from the salaries of the Contract Employees (as of 01/02/2014).
 - Increase in the contributions of Employees and Employer to the Social Security Fund (as of 01/01/2014) both for the Government Employees Pension Scheme and the EAC's Pension Scheme according to the amendment of the 1980 Social Insurance Law.
 - Increase in the rates of Salary and Special Contribution Deductions as of 2014.
- The required changes in the EAC's Software Applications are being carried out so as to accommodate the Unbundling of Accounts.
- The SEPA (Single Euro Payment Area) system for the payment of accounts through direct debits has been completed and successfully implemented.
- The charging of interest, in the case of overdue electricity bills, was successfully implemented.
- The scheme of 'Self-Generation' of electricity by Photovoltaic systems has been successfully implemented.
- The Customer Care & Billing System has been successfully customised so as to support the 'E-Charge' services for the charging of electric Vehicles.



- An open tender has been prepared and issued in November 2014 for the upgrading of the Customer Care & Billing System to version 2.4.
- An application for the monitoring of the I.T. management projects is being developed via the Microsoft Project Server.
- The Queuing System, aiming to improve the quality of customer service, has been successfully applied to the Lemesos Area Offices.
- The design and the development of the new EAC website for the provision of upgraded/modernised services to customers/consumers has been completed and implemented successfully.
- The new I.T. Infrastructure (Data Center) has been successfully installed after the issue of open Tendering.
- MPLS backbone network has been successfully implemented, resulting in faster communication speeds between the Area Offices and the Power Stations on the one hand and the Data Centers of the EAC on the other.
- A new Data Base environment, for GIS, in the new I.T. infrastructure, has been successfully created and upgraded to the Oracle Version 12.1.0.2.
- The implementation and the operation of ArcGIS server for the GIS system in the DMZ has been successfully completed resulting in the provision of very important data/information concerning the management of Fleet Management.
- A preliminary approval has been achieved for the drawing of funds from the EU to create a Backup Center for the Disaster Recovery of I.T. Systems and Infrastructure of the EAC.
- The review of the directive “Management of users’ Access Passwords for the I.T. systems” was successfully completed and put into use.
- The review of the directive “Management of Administrators’ Access Passwords for the I.T. systems” was successfully completed and put into use.
- The “Manual for the Creation of Access Passwords techniques” has been completed and put into use.

Strategic Planning Management

QUALITY ASSURANCE & BUSINESS EXCELLENCE

The Electricity Authority of Cyprus, as the Organisation responsible for the generation, transmission, distribution and supply of electricity in Cyprus, understands that it has obligations and responsibilities towards the Cypriot consumer. For this purpose and aiming towards continuously improving the quality of services it provides, while at the same time minimising the unwanted effects of its activities on the environment, EAC is implementing Quality and Environmental management systems, certified to ISO9001:2008 και ISO14001:2004 standards respectively.

Key objectives are: minimising operational cost, increasing productivity, improving Quality and minimising EAC's carbon footprint, while at the same time being fully aware of EAC's responsibility towards sustainable development.

During 2014, in the context of continuous improvement, the following actions were carried out:

Integrated Management System

In April, an audit of the Integrated Management system of EAC was carried out by the Cyprus Certification Company (CCC). The Audit confirmed that EAC's management system satisfies fully both the ISO 9000:2008 and the ISO 14001:2004 standards. As a result, the ISO 9000:2008 and the ISO 14001:2004 certificates were issued and are valid for three years until 2017.

Cyprus Energy Regulator Authority (CERA) Performance Indicators

The results of the system measuring all performance indicators related to Κ.Δ.Π 571/2005 (legislation regarding Custom Service) are calculated and sent on an annual basis both to CERA and to EAC's top management. These results show that EAC is sensitive and cares about its customer's needs aiming continuously for further improvement.

Internal Audits

Internal audits were conducted, according to the annual Audit plan, which covered most of the Critical processes of EAC. The aim was to identify areas for improvement and minimising the operational cost. The audit results were presented to the key process owners and the relevant corrective and preventive actions were agreed.

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 and reliable as it ensures that the indicators range (start-finish) is the same for all Areas.

Updating of records in Intranet Portal

As part of EAC's continuous improvement system, the systematic updating of records and documents of the Management system is continuing in the Intranet portal, after all the necessary approvals by the Key process owners are completed.

Target setting

The procedure for target setting for EAC's key performance indicators has been completed and the targets for all indicators have been approved by the Management Team. All Key Process owners are in the process of finalising their key own 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. 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. In total thirty two indicators have been selected and these indicators now form the General Manager's scorecard. These indicators are divided into five dimensions: Customer, Financial, Processes, Learning and Environment.

Management Reviews

Three Management reviews have been completed and presented to the Management Council. These reviews include all business results for 2014, as regards the Integrated Management system of EAC.

Corporate Social Responsibility (CSR)

The EAC has decided to implement a CSR system to cover all operations in the areas, Head Office and Power Stations. As a result, project teams were identified and a relevant plan of action was devised and approved by the General Manager. The project is expected to be completed by September 2015.

Code of Ethics

In line with the aim of complying with international best practice, the design of EAC's Code of Ethics has been completed. The Code of Ethics is a summary of Principles, Values, behavior standards, procedures and systems in use in EAC and is a concise guide of how all personnel within EAC must behave. It aims to put in place a minimum set of rules within which EAC's personnel apply their everyday activities without any outside influence, thus protecting EAC's good name and image.

Health and Safety

The project aiming to integrate the Health and Safety system with the current EAC Management system (Quality and Environment) has begun in September 2014. In addition to the integration, the aim is the certification of the Health and Safety system with the OHSAS 18001 standard, by the end of June 2015, as a way to control the OH&S risks and align them with the Organisational OH&S policy and objectives.

Design of EAC's corporate strategy

Using the Balanced Scorecard approach, EAC is implementing a procedure to develop its Strategy and Corporate planning, in an environment that is constantly changing due to the economic crisis and the enforcement of the Memorandum.

Expected Energy balance for the years 2014-2017

A study regarding the expected electrical energy balance for the years 2014-2017 has been completed. The study focused on issues regarding legislation and the current and expected licenses given by the Cyprus Energy Regulatory Authority.

Strategic Planning Management

Expected Energy balance for the years 2015-2030

A study regarding the expected electrical energy balance for the years 2015-2030 has been completed. In this study, an analysis of the external environment as regards Cyprus was made, with the emphasis on the review of the new model of the electricity market and the current and the expected energy balance up to 2030. In addition, a study of the current and expected Renewable Energy Systems is made based on information given by the EAC, CERA and the Energy Institute. The study also covers the probability that private conventional Power Stations will also be in operation. The possibility that the Cypriot and Israeli Power Systems may be integrated is also part of the study.

Comparative study of the Strategy adopted by selected Electric utility companies

This study analyses the strategy adopted by a sample of European electric utility companies, in their effort to meet the challenges facing the electric utilities industry. The current strategy, followed by EAC, was analysed in order to Benchmark the Organisation's initiatives in different areas with other European Utilities.

Research and Development

During 2014, EAC has continued its active participation in four research projects, MACCSol, STEP-EW, LIFE+ SmartPV and SEOP. MACCSol is funded by the Seventh Framework Program, while STEP-EW is funded by the Cross-border Cooperation Program Greece-Cyprus 2007-2013, LIFE+ SmartPV is funded by the LIFE+ Environment Policy and Governance and SEOP is funded by the Lifelong Learning Program.

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

- 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 aircooled 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 analysis 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 the 2020, that 10 units of solar thermal systems will be installed for commercial use in the countries of the South Europe and North Africa.

- STEP-EW Research Project: “Solar thermal production of electricity and water”. The aim of this project is the technical confirmation of the innovative idea of cogeneration of desalinated water and electricity in a small scale and in real conditions. At the same time, the best way to integrate this technology into Cyprus and Greece will be investigated.
- LIFE+ SmartPV Research Project: “Smart net metering for promotion and cost-efficient grid-integration of PV technology in Cyprus”. The main objective of this project is the investigation of smart net metering schemes in Cyprus and their optimisation as a means of replacing costly government RES subsidies. The project will aim to highlight and understand the impact of smart net metering implementation on the cost and benefit implications for network owners and operators in Cyprus.
- SEOP Research Project: “Social electricity online platform”. The main objective of this project is the development of a social information and communication technology platform that allows European citizens to be educated about energy-saving practices and techniques and the crucial importance of energy conservation for the society and the environment, through the use of internet. Through this application, people may become aware of their electrical energy consumption by means of comparisons with the corresponding electrical consumption of their friends, as well as with the total consumption in the street, neighborhood, village, city, country where they live. By effective and realistic comparisons, the consumers may perceive their energy behavior and take steps to reduce their electricity and carbon footprint in their everyday lives.

In addition, the Research and Development unit of EAC participated in the Working Group for the preparation of EAC for the public consultation regarding the new Electricity Market Model.

Corporate Finance Unit

FINANCIAL STATEMENTS

The financial statements of the EAC for the year 2014 together with the supporting statements are set out in pages 82 to 129. The principal financial statistics for the ten-year period 2005-2014 are summarized on page 72.

Table 3

Consolidated income statement for the year ended 31 December 2014 and changes from previous year

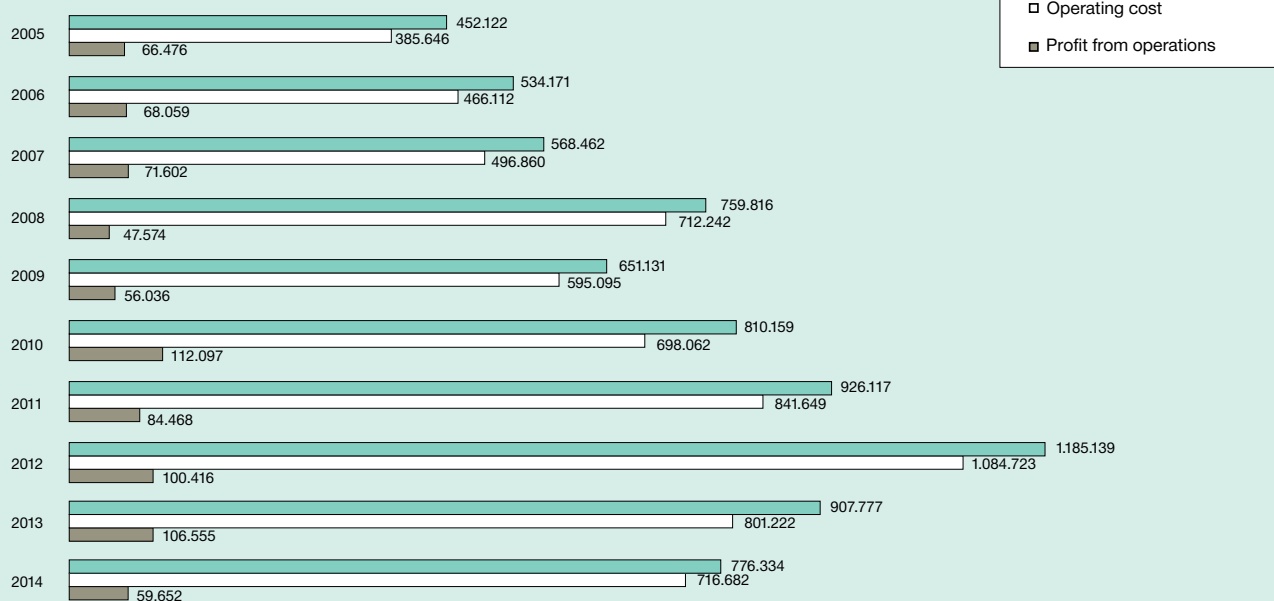
| | €000 | |
|----------------------------------|----------------|-------------------------|
| | 2014 | Increase/ (Decrease) |
| INCOME | | |
| Sales of electricity | 721.137 | (75.793) |
| Temporary Surcharge | 13 | (8.034) |
| Compensation from Insurance | 1.000 | (60.790) |
| Consumers' capital contributions | 21.119 | 421 |
| Income from desalination | 14.500 | 11.708 |
| Other operating income | 16.525 | 1.019 |
| Finance income | 2.040 | 26 |
| | 776.334 | (131.443) |
| Other losses net | (21) | 3.303 |
| OPERATING COSTS | (716.661) | 81.237 |
| Operating profit | 59.652 | (46.903) |
| Finance costs | (11.199) | 1.395 |
| Profit before tax | 48.453 | (45.508) |
| Tax | (6.477) | 14.493 |
| Net profit for the year | 41.976 | (31.015) |
| Units sold (million kWh) | 3.915,5 | 25,7 |

FINANCIAL RESULTS

The financial results for the year and the changes from the previous year are shown in Table No. 3 above. The income from sales of electricity for the year, totalled to €721.137.000 showing a decrease of €75.793.000 or 9,5%. The total operating costs were €716.661.000 showing a decrease of €81.237.000 or 10,2%.

Figure 9

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



After accounting for finance costs amounting to €11.199.000, there was a profit before tax of €48.453.000 compared to a profit of €93.961.000 in the previous year. After the deduction of tax amounting to €6.477.000, the net profit was €41.976.000 (2013:€72.991.000).

ANALYSIS OF OPERATING COSTS

Table 4 (page 70) 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 decreased by 11,1% to €487,48 per metric tonne. The consumption increased by 3,6% to 916,9 thousand metric tonnes. As a result of the above the fuel oil bill decreased by €38.517.000 to €446.975.000.

The purchase of electricity from third parties €31.831.000 decreased by 20,9% due to the decrease in purchase from renewable sources and decrease in the fuel oil price. Repair costs amounting to €1.023.000 represent the expenditure to repair the damages at Vasilikos power station caused by the explosion at Mari.

The total salaries and related costs amounted to €89.724.000 out of which €4.554.000 was capitalised in fixed assets and work in progress and €179.000 is included in repair costs of Vasilikos Power Station. The amounts capitalised relate to expenditure for development projects executed by the Authority's employees during the year. An amount of €84.991.000 or 94,7% was charged to the income statement. The decrease of €10.463.000 or 10,4% to the total salaries and related costs charge is due mainly to the early retirement of employees and to the non recruiting of new ones.

Materials services and other expenditure were €35.177.000 (decrease of €2.856.000 or 7,5%).

The depreciation charge was €95.244.000 (increase of €839.000 or 0,9%).

Corporate Finance Unit

Table 4

Analysis of Operating costs

| | 2014 | | Increase/ (Decrease over 2013) | |
|--|----------------|------------|--------------------------------|---------------|
| | €000 | % | €000 | % |
| Fuel oil | 446.975 | 62,4 | (38.517) | (7,9) |
| Purchase of electricity from third parties | 31.831 | 4,4 | (8.426) | (20,9) |
| Salaries and related costs | 84.991 | 11,9 | 10.070 | 13,4 |
| Repairs and maintenance | 15.420 | 2,2 | (826) | (5,1) |
| Repair costs of Vasilikos power station | 1.023 | 0,1 | (42.844) | (97,7) |
| TSOC fee | 4.307 | 0,6 | 1.195 | 38,4 |
| CERA | 1.693 | 0,2 | 128 | 8,2 |
| Materials, services and other expenditure | 35.177 | 4,9 | (2.856) | (7,5) |
| Depreciation | 95.244 | 13,3 | 839 | 0,9 |
| TOTAL | 716.661 | 100 | (81.237) | (10,2) |

CAPITAL REQUIREMENTS AND SOURCES OF FINANCE

Capital expenditure during the year amounted to €39.983.000 compared with €56.795.000 in 2013 (decrease of € 16.812.000).

The amount paid for taxation during the year 2014 amounted to €12.288.000 (2013: € 16.831.000).

Loan and bank overdraft repayments amounted to €114.507.000 (2013: €236.751.000).

The total financing requirements of €166.778.000 were covered from internal sources and consumers contributions. Table 5 below shows the financing requirements during the year and the sources of finance.

Table 5

Financing Requirements and Sources of Finance

| | 2014 | | 2013 | |
|--|----------------|--------------|----------------|--------------|
| | €000 | % | €000 | % |
| FINANCING REQUIREMENTS | | | | |
| Tax | 12.228 | 7,4 | 16.831 | 5,4 |
| Capital expenditure | 39.983 | 24,0 | 56.795 | 18,3 |
| Loan repayments/bank overdraft | 114.507 | 68,6 | 236.751 | 76,3 |
| | 166.778 | 100,0 | 310.377 | 100,0 |
| SOURCES OF FINANCE | | | | |
| Profit before tax | 48.453 | 29,1 | 93.961 | 30,3 |
| Depreciation less consumers' contributions | 74.125 | 44,5 | 73.707 | 23,7 |
| Proceeds from disposal of fixed assets | 2.048 | 1,2 | 1.985 | 0,6 |
| Unrealized foreign exchange profit | - | - | (116) | (0,1) |
| Consumers' contributions | 15.064 | 9,0 | 16.978 | 5,5 |
| Working Capital changes | 27.088 | 16,2 | (56.138) | (18,0) |
| | 166.778 | 100,0 | 130.377 | 42,0 |
| Loans | - | - | 180.000 | 58,0 |
| | 166.778 | 100,0 | 310.377 | 100,0 |

FINANCIAL POSITION AT END OF YEAR

The historical cost of the assets employed at 31 December 2014 was €2.998.616.000 and the accumulated depreciation was €1.157.700.000. As a result the written down value of the assets employed was 61,4% of the original cost. The total net assets at 31 December 2014 were €1.869.438.000. Finance derived from loans (€472.648.000 or 25,3 %) other long term liabilities (€494.086.000 or 26,4 %) and the balance (€902.704.000 or 48,3%) from own sources.

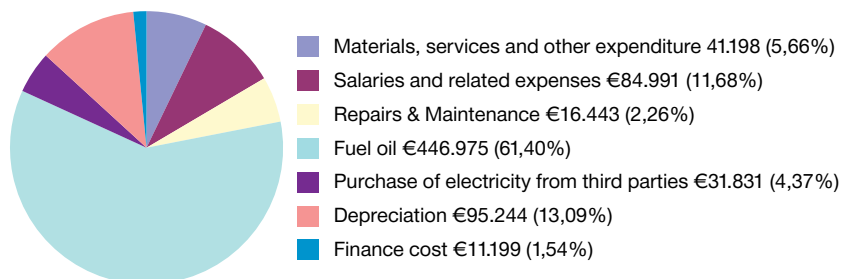
O. THEODOULOU
CHAIRMAN

S.STYLIANOU
GENERAL MANAGER

Figure 10

Expenditure

**(Euro Thousand)
As percentage
of total expenditure**



Corporate Finance Unit

Table 6

**Principal Financial Statistics 2005-2014
During the financial year to 31 December**

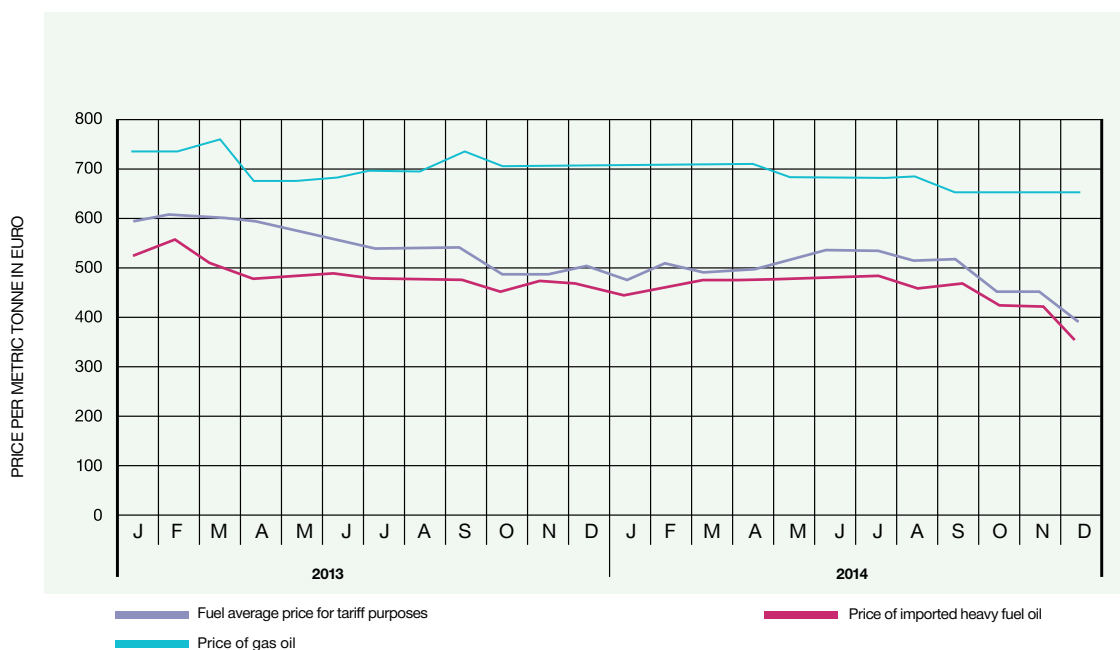
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|----------|----------|----------|----------|----------|----------|---------|-----------|----------|----------|
| Units sold (million kWh) | 3 933 | 4 135 | 4 298 | 4 556 | 4 656 | 4 782 | 4 595 | 4 356 | 3 890 | 3 915 |
| Consumption in the turkish occupied area (million kWh) | 7 | 7 | 8 | 9 | 8 | 8 | 7 | 7 | 6 | 6 |
| Total units (million kWh) | 3 940 | 4 142 | 4 306 | 4 565 | 4 664 | 4 790 | 4 602 | 4 363 | 3 896 | 3 921 |
| Installed capacity (MW) | 988 | 988 | 1 118 | 1 168 | 1 388 | 1 438 | 965 | 1 493 | 1 598 | 1 478 |
| INCOME (€ THOUSAND) | | | | | | | | | | |
| Sales of electricity | 432.177 | 513.105 | 546.737 | 736.215 | 627.253 | 776.390 | 857.776 | 966.552 | 796.930 | 721.137 |
| Consumers capital contributions | 12.064 | 13.085 | 14.241 | 15.389 | 16.655 | 17.855 | 19.047 | 19.973 | 20.698 | 21.119 |
| Temporary Generators Cost Recovered by the Republic of Cyprus | | | | | | | 17.229 | 31.702 | - | - |
| Compensation from insurance | | | | | | | | 89.301 | 61.790 | 1.000 |
| Temporary surcharge | | | | | | | 19.858 | 61.680 | 8.047 | 13 |
| Other operating income | 905 | 3.182 | 4.869 | 5.575 | 5.846 | 15.174 | 10.628 | 14.129 | 18.298 | 31.025 |
| Finance income | 6.976 | 4.799 | 2.615 | 2.637 | 1.377 | 740 | 1.579 | 1.802 | 2.014 | 2.040 |
| Total Income | 452.122 | 534.171 | 568.462 | 759.816 | 651.131 | 810.159 | 926.117 | 1.185.139 | 907.777 | 776.334 |
| OPERATING COSTS (€ THOUSAND) | | | | | | | | | | |
| Other losses net | | | | | | | | 76 | 3.324 | 21 |
| Operating costs | 332.034 | 411.365 | 438.661 | 652.539 | 523.569 | 622.669 | 747.364 | 830.561 | 659.626 | 620.394 |
| Temporary Generators Cost | | | | | | | 17.229 | 35.302 | - | - |
| Provision for the non recoverability of temporary generators cost | | | | | | | | 24.465 | - | - |
| Repairs at Vasilikos power station | | | | | | | | 104.508 | 43.867 | 1.023 |
| Depreciation | 53.612 | 54.747 | 58.199 | 59.703 | 71.526 | 75.393 | 77.056 | 89.811 | 94.405 | 95.244 |
| Total operating costs | 385.646 | 466.112 | 496.860 | 712.242 | 595.095 | 698.062 | 841.649 | 1.084.723 | 801.222 | 716.682 |
| Operating profit | 66.476 | 68.059 | 71.602 | 47.574 | 56.036 | 112.097 | 84.468 | 100.416 | 106.555 | 59.652 |
| Finance costs | (8.551) | (13.182) | (14.779) | (19.310) | (10.757) | (10.243) | (8.991) | (13.960) | (12.594) | (11.199) |
| Profit before tax and exceptional item | 57.925 | 54.877 | 56.823 | 28.264 | 45.279 | 101.854 | 75.477 | 86.456 | 93.961 | 48.453 |
| Exceptional item | (1.184) | - | - | - | - | - | - | - | - | - |
| Profit before tax | 56.741 | 54.877 | 56.823 | 28.264 | 45.279 | 101.854 | 75.477 | 86.456 | 93.961 | 48.453 |
| Tax | (16.671) | (16.251) | (16.802) | (7.933) | 58.305 | (10.440) | (7.788) | (8.935) | (20.970) | (6.477) |
| Provision as a result of the Tax Council Decision | | | | | | (18.239) | 1.896 | - | - | - |
| Net profit for the year | 40.070 | 38.626 | 40.021 | 20.331 | 103.584 | 73.175 | 69.585 | 77.521 | 72.991 | 41.976 |
| RATIOS TO TOTAL INCOME | | | | | | | | | | |
| Profit from operations (%) | 14,7 | 12,7 | 12,6 | 6,3 | 8,6 | 13,8 | 9,1 | 8,5 | 11,7 | 7,7 |
| Profit before tax (%) | 12,5 | 10,3 | 10,0 | 3,7 | 7,0 | 12,6 | 8,1 | 7,3 | 10,4 | 6,2 |

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

| ASSETS (€ THOUSAND) | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Non Current assets | | | | | | | | | | |
| Property, plant and equipment | 1.124.526 | 1.185.076 | 1.285.124 | 1.387.312 | 1.583.500 | 1.789.271 | 1.926.871 | 1.936.747 | 1.898.029 | 1.840.916 |
| Trade and other receivables | 3.812 | 2.860 | 1.898 | 1.800 | 1.845 | 2.302 | 2.028 | 2.242 | 1.702 | 631 |
| | 1.128.338 | 1.187.936 | 1.287.022 | 1.389.112 | 1.585.345 | 1.791.573 | 1.928.899 | 1.938.989 | 1.899.731 | 1.841.547 |
| Current assets | 302.096 | 293.755 | 280.641 | 325.719 | 259.762 | 329.501 | 372.388 | 518.233 | 460.411 | 406.043 |
| Total assets | 1.430.434 | 1.481.691 | 1.567.663 | 1.714.831 | 1.845.107 | 2.121.074 | 2.301.287 | 2.457.222 | 2.360.142 | 2.247.590 |
| RESERVES AND LIABILITIES (€ THOUSAND) | | | | | | | | | | |
| Reserves | | | | | | | | | | |
| Revenue reserve | 629.459 | 642.456 | 682.478 | 702.809 | 806.393 | 879.568 | 943.913 | 1.021.516 | 1.084.727 | 1.126.703 |
| Other reserves | | | | | | | | 22.063 | 4.763 | (239.554) |
| Government grant | 15.555 | 15.555 | 15.555 | 15.555 | 15.555 | 15.555 | 15.555 | 15.555 | 15.555 | 15.555 |
| | 645.014 | 658.011 | 698.033 | 718.364 | 821.948 | 895.123 | 959.468 | 1.059.134 | 1.105.045 | 902.704 |
| Non – current liabilities | | | | | | | | | | |
| Borrowings | 276.462 | 243.396 | 265.372 | 334.773 | 300.750 | 451.597 | 403.608 | 432.447 | 564.002 | 472.648 |
| Deferred tax liabilities | 79.231 | 84.036 | 91.042 | 98.056 | 38.402 | 24.479 | 27.762 | 36.103 | 51.596 | 57.066 |
| Deferred Income | 307.533 | 332.807 | 356.580 | 382.973 | 406.250 | 428.704 | 441.808 | 447.544 | 443.403 | 437.020 |
| | 663.226 | 660.239 | 712.994 | 815.802 | 745.402 | 904.780 | 873.178 | 916.094 | 1.059.001 | 966.734 |
| Current Liabilities | 122.194 | 163.441 | 156.636 | 180.665 | 277.757 | 321.171 | 468.641 | 481.994 | 196.096 | 378.152 |
| Total Liabilities | 785.420 | 823.680 | 869.630 | 996.467 | 1.023.159 | 1.225.951 | 1.341.819 | 1.398.088 | 1.255.097 | 1.344.886 |
| Total reserves and liabilities | 1.430.434 | 1.481.691 | 1.567.663 | 1.714.831 | 1.845.107 | 2.121.074 | 2.301.287 | 2.457.222 | 2.360.142 | 2.247.590 |

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 2014

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Electricity Authority of Cyprus

Board of Directors and other officers

Board of Directors

Chairman: Othonas Theodoulou (appointed on 28.2.2014)
George Pipis (appointed on 1.1.2014 and resigned on 27.2.2014)

Vice-Chairman: Demetra Karantoki

Members: Alexandra Pelagia-Christodoulou
Charalambos Artemi
Michalis Hadjipantelas
Nikolas Nikolaou
Loizos Loizou
Constantinos Costi
Giannos Athienitis

Legal Advisers

Ioannides Demetriou, Nicosia

Auditors

Auditor General of the Republic
KPMG Limited

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 subsidiaries Elektriki Ltd, EAC LNG Investments Ltd and EAC Solar Thermal Power Ltd (together the "Group") for the year ended 31 December 2014.

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 2014 was €41.976 thousand (2013: profit of €72.991 thousand). On 31 December 2014 the total assets of the Authority were €2.247.590 thousand (2013: €2.360.142 thousand) and the net assets were €902.704 thousand (2013: €1.105.045 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 near future.
4. On the 11th of July 2011 an explosion in the Evangelos Florakis Naval Base, near Vasilikos Power Station, caused extensive damages on the property, plant and equipment of the Station taking the Station out of commission. The Station provided 60% of EAC's generation. The Station has been fully restored during 2013.

Main risks and uncertainties

5. The main risks and uncertainties faced by the Group are disclosed in notes 3 and 25 of the consolidated financial statements.

Future developments of the Authority

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

Results

7. The results of the Group for the year are presented on page 82. The net profit for the year is transferred to reserves.

Board of Directors

8. The members of the Board of Directors at 31 December 2014 and at the date of this report are presented on page 76.
9. There were no changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting date

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

Branches

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

Independent Auditors

12. During the year the Independent Auditors of the Authority PricewaterhouseCoopers Limited, resigned and KPMG Limited was appointed in their place. The Independent Auditors, KPMG Limited, have expressed their willingness to continue in office.

By order of the Board of Directors

Othonas Theodoulou
Chairman

28 May 2015
Nicosia

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Electricity Authority of Cyprus (the "Authority") and its subsidiaries (together with the Authority, the "Group") on pages 8 to 51 which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit or loss and other 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 consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Electricity Development Law Cap. 171, the Public Corporate Bodies (Audit of Accounts) Laws of 1983-2007, the laws Regulating the Electricity Market of 2003-2012, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 as well as to plan and perform the audit to obtain reasonable assurance about 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, including 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 qualified audit opinion.

Basis for qualified opinion

The impairment to the value of property, plant and equipment of the Vasilikos Power Station of €103.6 million caused by the event of 11th July 2011 at Mari (Note 1) has not been recognized in the consolidated financial statements for the year ended 31 December 2011. Also the amounts spent for the years ended 31 December 2011, 2012, 2013 and 2014 for the restoration of the property, plant and equipment of the Vasilikos Power Station of €8,6 million, €88,9 million, €43,9 million and €1 million respectively, have been included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012 at an amount of €97,5 million, for the year ended 31 December 2013 at an amount of €43,9 million and for the year ended 31 December 2014 at an amount of €1 million as operating costs. This accounting treatment in our opinion does not comply with the requirements of IAS 16 "Property, plant and equipment" and IAS 36 "Impairment of Assets". As a result of the above, the operating costs before the depreciation charge for the years ended 31 December 2014, 2013 and 2012 should be reduced by €1 million, €43,9 million and €97,5 million respectively and the depreciation charge for the years ended 31 December 2014, 2013, 2012

and 2011 should be increased by €4,3 million, increase by €4,8 million, reduced by €2,6 million and reduced by €2 million respectively. The net book value of property, plant and equipment as at 31 December 2014, 2013, 2012 and 2011 should be increased by €34,2 million, increased by €37,5 million, reduced by €1,5 million and reduced by €93 million respectively.

Also, the compensation from insurance companies of €9,9 million, €132,6 million and €9,6 million for the years ended 31 December 2013, 2012 and 2011 respectively, was recognized by the Authority on the basis of the restoration costs of the Vasilikos Power Station for each year. This accounting treatment in our opinion does not comply with the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and IAS 16 "Property, plant and equipment". As a result of the above, the operating income for the years, ended 31 December 2014, 2013, 2012 and 2011 should be decreased by €1 million, decreased by €52 million, increased by €43,4 million and increased by €9,6 million respectively.

Qualified Opinion

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2014, 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 and the requirements of the laws regulating the Electricity Market of 2003-2012.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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 Group, so far as appears from our examination of these books, except as explained in the basis for qualified opinion paragraph.
- The consolidated financial statements of the Group 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 laws regulating the Electricity Market of 2003-2012, in the manner so required, except as explained in the basis for qualified opinion paragraph.
- 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 Electricity Authority of Cyprus, as a body, the Minister of Commerce, Industry and Tourism, the House of Representatives and the Auditor General of the Republic in accordance with 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 2003-2012 and Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 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.

Comparative figures

The financial statements of the Group for the year ended 31 December 2013 were audited by another auditor who expressed a modified opinion on those financial statements on 30 May 2014.

Christos V. Vasiliou, FCA
Certified Public Accountant and Registered Auditor
for and on behalf of
KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

29 May 2015

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 8 to 51 of the Electricity Authority of Cyprus for the year ended 31 December 2014, 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.

(Dr. Odysseas F. Michaelides)
Auditor General of the Republic

Nicosia, 21 July 2015

Consolidated Financial Statements

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2014

| | Notes | 2014 €000 | 2013 €000 |
|---|-------|------------------|--------------|
| Revenue | 5 | 721.137 | 796.930 |
| Other operating income | 6 | 55.197 | 110.847 |
| Other (losses) - net | 7 | (21) | (3.324) |
| Operating costs | 8 | (716.661) | (797.898) |
| Operating profit | | 59.652 | 106.555 |
| Finance costs | 10 | (11.199) | (12.594) |
| Profit before tax | | 48.453 | 93.961 |
| Tax charge | 11 | (6.477) | (20.970) |
| Profit for the year | | 41.976 | 72.991 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss in subsequent periods: | | | |
| Remeasurement of Pension Fund obligation | | (244.317) | (17.300) |
| Total comprehensive income for the year | | (202.341) | 55.691 |

Other comprehensive income is presented after tax. The tax relating to each item of other comprehensive income is shown in Note 11.

The notes on pages 86 to 129 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
at 31 December 2014

| | Notes | 2014 €000 | 2013 €000 |
|---|-------|------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 15 | 1.840.916 | 1.898.029 |
| Trade and other receivables | 16 | 631 | 1.702 |
| | | 1.841.547 | 1.889.731 |
| Current assets | | | |
| Inventories | 17 | 108.370 | 152.835 |
| Trade and other receivables | 16 | 113.081 | 133.904 |
| Net Asset of Pension Fund | 9 | - | 22.932 |
| Greenhouse gasses emission allowances | | 966 | 1.528 |
| Financial Assets at fair value through profit or loss | 12 | 978 | 1.196 |
| Current Tax Payable | | 4.270 | - |
| Short-term deposits | 18 | 145.336 | 104.059 |
| Cash and cash equivalents | 19 | 33.042 | 43.957 |
| | | 406.043 | 460.411 |
| Total assets | | 2.247.590 | 2.360.142 |
| Reserves and liabilities | | | |
| Reserves | | | |
| | | 902.704 | 1.105.045 |
| Non-current liabilities | | | |
| Borrowings | 20 | 472.648 | 564.002 |
| Deferred tax liabilities | 21 | 57.066 | 51.596 |
| Deferred Income | 22 | 437.020 | 443.403 |
| | | 966.734 | 1.059.001 |
| Current liabilities | | | |
| Trade and other payables | 23 | 109.231 | 114.652 |
| Net obligation of Pension Fund | 9 | 217.995 | - |
| Current tax payable | | - | 7.693 |
| Borrowings | 20 | 29.479 | 52.632 |
| Deferred Income | 22 | 21.447 | 21.119 |
| | | 378.152 | 196.096 |
| Total liabilities | | 1.344.886 | 1.255.097 |
| Total reserves and liabilities | | 2.247.590 | 2.360.142 |

These consolidated financial statements are signed today, 28 May 2015, as a result of approval and decision of the Board of Directors.

O. THEODOULOU
Chairman

H. HADJIYEROU
Executive Manager Finance

The notes on pages 86 to 128 are an integral part of these consolidated financial statements.

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Consolidated statement of changes in equity for the year ended 31 December 2014

| | Capital Reserve €000 | Actuarial gain Reserve €000 | Revenue reserve €000 | Total €000 |
|--|-------------------------|--------------------------------|-------------------------|---------------|
| Balance at 1 January 2013 - as previously stated | 15.555 | - | 1.008.160 | 1.023.715 |
| Impact of change in accounting policies (Note 28) | - | 22.063 | 13.356 | 35.419 |
| Balance at 1 January 2013 - as restated | 15.555 | 22.063 | 1.021.516 | 1.059.134 |
| Comprehensive income | | | | |
| Profit for the year | - | - | 72.991 | 72.991 |
| Other comprehensive income | | | | |
| Remeasurement of Pension Fund Obligation | - | (19.071) | | (19.071) |
| Deferred tax | - | 1.771 | | 1.771 |
| Total other comprehensive income | - | (17.300) | | (17.300) |
| Total comprehensive income for the year | - | (17.300) | 72.991 | 55.691 |
| Contributions by and distributions to owners | | | | |
| Defence charge on Deemed Dividend Distribution for the year 2011 | - | - | (9.780) | (9.780) |
| Balance at 31 December 2013 | 15.555 | 4.763 | 1.084.727 | 1.105.045 |
| Balance at 1 January 2014 | 15.555 | 4.763 | 1.084.727 | 1.105.045 |
| Comprehensive income | | | | |
| Profit for the year | - | - | 41.976 | 41.976 |
| Other comprehensive income | | | | |
| Remeasurement of Pension Fund Obligation | - | (244.997) | | (244.997) |
| Deferred tax | - | 680 | | 680 |
| Total other comprehensive income | - | (244.317) | | (244.317) |
| Total comprehensive income for the year | - | (244.317) | 41.976 | (202.341) |
| Balance at 31 December 2014 | 15.555 | (239.554) | 1.126.703 | 902.704 |

(1) The Capital Reserve represents a government grant.

(2) Organizations which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 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. Special contribution for Defence was increased to 17% for the taxable year 2009 and 20% for taxable years 2010-11 and decrease to 17% for taxable years 2012 - onwards. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Authority on behalf of the Government of Cyprus.

The actuarial gain reserve represents the cumulative gains from the Defined Benefit Plan that were recognized in the Consolidated Statement of comprehensive income. The actuarial gain or losses arise from changes in the present value of benefit obligation resulting from experienced adjustments and the consequences of changes in actuarial assumptions.

The notes on pages 86 to 129 are an integral part of these consolidated financial statements.

Consolidated Statement of cash flows for the year ended 31 December 2014

| | Notes | 2014 €000 | 2013 €000 |
|---|-------|---------------|------------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 48.453 | 93.961 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 15 | 95.244 | 94.405 |
| Amortisation of consumers' capital contributions | 22 | (21.119) | (20.698) |
| Loss on sale of property, plant and equipment | 7 | (196) | (12) |
| Interest expense and unrealised exchange loss on borrowings | 10 | 9.671 | 13.421 |
| Interest income | | (2.040) | (2.014) |
| | | 130.013 | 179.063 |
| Changes in working capital: | | | |
| Inventories | | 44.465 | 6.616 |
| Trade and other receivables | | 17.707 | 99.167 |
| Impairment on Financial Assets at fair value through profit or loss | | 218 | - |
| Conversion of deposits to share capital | | - | (1.196) |
| Greenhouse Gas Emission Allowances | | 562 | 280 |
| Trade and other payables | | (5.194) | (94.536) |
| Cash generated from operations | | 187.771 | 189.394 |
| Tax paid | | (12.288) | (16.831) |
| Net cash from operating activities | | 175.483 | 172.563 |
| Cash flows from investing activities | | | |
| Short-term deposits | | (41.277) | (34.122) |
| Purchase of property, plant and equipment | | (39.983) | (56.795) |
| Proceeds from sale of property, plant and equipment | | 2.048 | 1.985 |
| Additions to consumers' capital contributions | 22 | 15.064 | 16.978 |
| Interest received | | 2.157 | 1.912 |
| Net cash used in investing activities | | (61.991) | (70.042) |
| Cash flows from financing activities | | | |
| Proceeds from long term borrowings | | - | 180.000 |
| Repayments of long term borrowings | | (110.320) | (46.055) |
| Interest paid | | (9.899) | (14.425) |
| Net cash used in financing activities | | (120.219) | 119.520 |
| Net (decrease)/increase in cash and cash equivalents | | (6.727) | 222.041 |
| Cash and cash equivalents/bank overdrafts at beginning of year | | 39.769 | (182.272) |
| Cash and cash equivalents/bank overdrafts at the end of the year | 19 | 33.042 | 39.769 |

The notes on pages 86 to 129 are an integral part of these consolidated financial statements.

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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 19th December 1996 concerning common rules for the internal market in electricity.

The Authority prepares separate financial statements for activities regarding generation, transmission, distribution and supply of electricity and other activities in accordance to the Laws regulating the Electricity Market of 2003-2012 and the relevant resolutions of the Cyprus Energy Regulatory Authority (CERA).

Explosion at the Naval Base at Mari

On 11th of July, 2011 an explosion occurred at the naval base "Evangelos Florakis" in Mari, close to Vasilikos Power Station, resulting in extensive damage to property, plant and equipment of the station which was taken out of commission. The station covered 60% of EAC's generation.

At the date of the event Unit 5 was under construction and was insured by the contractor of Unit 5. The Authority had signed a separate insurance policy, with the insurance company of the contractor, for the value of the equipment which was delivered on the 1st July for temporary operation amounting to € 125,6 million with a deductible amount of € 250.000 (excess).

The rest of the plant as well as inventory is covered by an insurance contract with another company for the amount of € 662,7 million and €20 million respectively. The insurance contract covering all assets of the Authority of approximately € 1,9 billion provides maximum compensation from an incident of € 600 million and an amount of € 800.000 as deductible (excess).

The restoration has almost been completed with total expenditure amounting to €104,5 m for the year 2012, €43,9 m for the year 2013 and €1m for the year 2014. The repairs did not represent replacement of machinery or substantial repairs of the Generating Units. They related to the peripherals of the Units, which are parts and accessories, with their net book value and useful life not increasing, something which was confirmed by the Report of the Special Consultant.

To represent all above, reconstruction expenditure have been included in operating expenditure as repairs. After the out of court settlement between the Government, the insurance company and the reinsurers, total compensation of € 132,5 million was paid to EAC for Units 1-4. For Unit 5 an amount of €19,5 million has been received.

Operating environment of the Group

(a) Operating environment of the Group

The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. These events led to negotiations between the Republic of Cyprus and the European Commission, the European Central Bank and the International Monetary Fund (the "Troika") for financial support which resulted into the Eurogroup decision on 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus through a "bail in". Additionally, during 2013 the Cyprus economy further contracted with a decrease in the Gross Domestic Product.

During 2014, the bank sector in Cyprus took significant measures as a result of the European total review of the quality controls of bank assets and simulations of extreme situations and as a result was sufficiently recapitalized. Nevertheless the bank sector in Cyprus still faces challenges due to the high percentage of the non-servicing loans and the limited availability of credit funds.

The uncertain economic conditions in Cyprus, the unavailability of financing, the restructuring of the banking sector through the use of a "bail in" for Laiki Bank and Bank of Cyprus and the imposition of capital controls together with the current instability of the banking system and the continuing overall economic recession, have affected the ability of the Authority's trade and other debtors to repay the amounts due to the Authority the ability of the Authority to generate sufficient turnover.

The economic conditions described above, together with the impact of the Eurogroup decision of 25 March 2013 on Cyprus, had an adverse impact on the Authority's debtors (inability to meet their obligations towards the Authority) and revenue (decreased demand for the Authority's products or services due to decreased purchasing power of consumers).

The Authority's management has assessed:

- (1) Whether any impairment allowances are deemed necessary for the Authority's financial assets carried at amortized cost by considering the economic situation and outlook at the end of the reporting period. Impairment of trade receivables is determined using the "incurred loss" model required by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". This standard requires recognition of impairment losses for receivables that arose from past events and prohibits recognition of impairment losses that could arise from future events, no matter how likely those future events are.
- (2) Whether the net realizable value for the Authority's inventory exceeds cost.

(b) Disclosure of general events

The negotiations of the Cyprus Government with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), in order to obtain financial support, resulted in an agreement and decision of the Eurogroup on 25 March 2013 on the key elements necessary for a future macroeconomic adjustment programme which includes the provision of financial assistance to the Republic of Cyprus of up to €10 billion. The programme aims to address the exceptional economic challenges that Cyprus is facing, and to restore the viability of the financial sector, with a view to restoring sustainable economic growth and sound public finances in the coming years.

The Eurogroup decision on Cyprus includes plans for the restructuring of the financial sector and safeguards deposits below €100.000 in accordance with European Union legislation. In addition, the Cypriot authorities have reaffirmed their commitment to step up efforts in the areas of fiscal consolidation, structural reforms and privatizations.

On 12 April 2013 the Eurogroup welcomed the agreement that was reached between Cyprus and the Troika institutions regarding the macroeconomic adjustment programme for Cyprus. Subsequently all the necessary procedures for the formal approval of the Board of Directors of the European Stability Mechanism

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were completed, as well as the ratification by Eurozone member states. Following the completion of the above procedures, the first tranche of the financing of the Republic of Cyprus was released in line with the provisions of the Memorandum.

On 22 March 2013 legislation was enacted by the House of Representatives concerning restrictive measures in respect of transactions executed through the banking institutions operating in Cyprus. The extent and duration of the restrictive measures are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and were enforced on 28 March 2013. The temporary restrictive measures, with respect to banking and cash transactions include restrictions on cash withdrawals, the cashing of cheques and transfers of funds to other credit institutions in Cyprus and abroad. They also provide for the compulsory partial renewal of certain maturing deposits.

On 29 March 2013 the Central Bank of Cyprus issued decrees relating to Laiki Bank and Bank of Cyprus, implementing measures for these two banks under the Resolution of Credit and Other Institutions Law of 2013.

On the basis of the relevant decrees, Laiki Bank was placed into resolution, in accordance with the relevant decrees of the Resolution Authority. What remains in Laiki Bank are mainly the uninsured deposits and assets outside Cyprus. The assets of Laiki Bank in Cyprus, the insured deposits and the Eurosystem financing have been transferred to Bank of Cyprus, with compensation for the value of the net assets transferred, the issue of shares by Bank of Cyprus to Laiki Bank.

The recapitalization process for the Bank of Cyprus was completed in accordance with the relevant decrees of the Resolution Authority through “bail-in”, that is through the partial conversion of uninsured deposits into shares. In addition, the holders of shares and debt instruments in Bank of Cyprus on 29 March 2013 have contributed to the recapitalization of Bank of Cyprus through the absorption of losses. For the year ending 31 December 2013 the above measures resulted in impairment loss of Bank deposits amounting to €3.336.000. (Note 4).

On 18 April 2013 legislation was enacted by the House of Representatives to increase the corporate tax from 10% to 12.5% with effect from 1 January 2013. Furthermore, legislation was enacted to increase the rate of special defense contribution from 15% to 30% on interest which does not arise from the ordinary course of business or is closely linked to it with effect from 29 April 2013.

Following the positive outcome of the Cyprus’s economic programme by the European Commission, the European Central Bank and the International Monetary Fund during 2013 and 2014, the Eurogroup endorsed the disbursement of the scheduled tranches of financial assistance to Cyprus.

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 and the Laws regulating the Electricity Market of 2003-2012.

The consolidated financial statements have been prepared under the historical cost convention as amended with the revaluation of financial assets at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the 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 International Financial Reporting Standards (IFRS) and interpretations

During the current year, the Authority adopted all the changes to International Financial Reporting Standards (IFRS) which are relevant to its operations and are effective for accounting years/periods beginning on 1 January 2014. This adoption did not have a material effect on the consolidated financial statements of the Authority.

Standards and interpretations that are not yet effective

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2014. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the consolidated financial statements of the Authority, with the exception of IFRS 9: "Financial Instruments" for which at present stage, the Authority is considering the implications of the adoption of this standard to the consolidated financial statements. The Authority does not intend to adopt the following prior to their effective date.

(i) Standards and Interpretations adopted by the EU

IAS 19 (Amendments) "Employee Benefits" (effective for annual periods beginning on or after 1 July 2014).

This amendment introduces important changes to the recognition and measurement of defined benefit plans and post-retirement benefits (elimination of the corridor method) as also to the disclosures of all employees' benefits. The basic changes relate to the recognition of actuarial profits and losses, the recognition of the service cost/curtailments to the measurement of pensions, the required disclosures for the treatment of expenses and taxes which relate to defined benefit plans and distinction between short and long term benefits. The Authority is currently evaluating the impact of the standard on its consolidated financial statements.

Improvements to IFRSs 2010-2012 (effective for annual periods beginning on or after 1 July 2014).

In December 2013, the International Accounting Standards Board issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the International Accounting Standards Board during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs, Annual Improvements to IFRSs 2010-2012 Cycle (published in November 2012). The Authority is currently evaluating the impact of the improvements on its consolidated financial statements.

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Improvements to IFRSs 2011-2013 (effective for annual periods beginning on or after 1 July 2014).

In December 2013, the International Accounting Standards Board issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the International Accounting Standards Board during the project cycle that began in 2011, and that were subsequently included in the Exposure Draft of proposed amendments to IFRSs, Annual Improvements to IFRSs 2011-2013 Cycle (published in November 2012). The Authority is currently evaluating the impact of the improvements on its consolidated financial statements.

(ii) Standards and Interpretations not adopted by the European Union

IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016).

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for “regulatory deferral account balances” in accordance with previous accounting policies, both on initial adoption of IFRS and in subsequent financial statements. The Authority is currently evaluating the impact of the standard on its consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).

In December 2014, the International Accounting Standards Board issued narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28. These amendments introduce clarifications to the requirements when accounting for investment entities, while they provide relief in particular circumstances, which will reduce the costs of applying the Standards. The Authority is currently evaluating the impact of the standard on its consolidated financial statements.

Amendment to IFRS 11 “Accounting for acquisitions of Interests in Joint Operations” (effective for annual periods beginning on or after 1 January 2016).

The amendment clarify that same general accounting concept is applied in accounting for business combinations or the acquisition of additional interests in joint operations that result in retaining joint control. The additional interest acquired in the joint operation should be measured at fair value. The previously acquired interest in the joint operation should not be remeasured. The Authority is currently evaluating the impact of the standard on its consolidated financial statements.

Amendments to IAS 1: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016).

Amendments to IAS 1: Disclosure Initiative address the disclosure requirements in existing Standards and develop principles for disclosures in the notes in the financial statements. The Authority is currently evaluating the impact of the standard on its consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016).

The amendments aim to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The Authority is currently evaluating the impact of the standard on its consolidated financial statements.

IAS 27 (Amendments) “Equity method in separate financial statements” (effective for annual periods beginning on or after 1 January 2016).

The Amendments allow entities to account for their investments in subsidiaries, joint ventures and associates under the equity method in their separate financial statements. The Authority is currently evaluating the impact of the standard on its consolidated financial statements.

IAS 16 and IAS 41 (Amendments) “Bearer plants” (effective for annual periods beginning on or after 1 January 2016).

The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. The Authority does not expect the adoption of these amendments in future periods to have a material effect on the consolidated financial statements of the Authority.

IAS 16 and IAS 38 (Amendments) “Clarification of acceptable methods of depreciation and amortisation” (effective for annual periods beginning on or after 1 January 2016).

The amendments to IAS 38 “Intangible Assets” establish the presumption that the use of revenue-based methods to calculate the amortisation of intangible assets is not appropriate. This presumption can only be rebutted when revenue and the consumption of the economic benefits embodied in an intangible asset are highly collated or when the intangible assets used as a measure of revenue. The amendments to IAS 16 “Property, plant and equipment” clarify that the use of revenue-based methods to calculate the depreciation of an asset are not appropriate for Property, Plant and Equipment. The Authority does not expect the adoption of these amendments in future periods to have a material effect on the consolidated financial statements of the Authority.

Annual Improvements to IFRSs 2012–2014 Cycle (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2016).

Annual Improvements to IFRSs 2012–2014 Cycle was issued by the IASB on 25 September 2014, a collection of amendments to IFRSs, in response to four issues addressed during the 2012-2014 cycle. The amendments reflect issues identified by the IASB during the project cycle that began in 2012, and that were subsequently included in the Exposure Draft of proposed amendments to IFRSs, Annual Improvements to IFRSs 2012–2014 Cycle (published in September 2014). The issues addressed in this cycle include the following: IFRS 5 Changes in methods of disposal, IFRS 7 Servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements, IAS 19 Discount rate and IAS 34 Disclosure of information ‘elsewhere in the interim financial report’. The Authority is currently evaluating the impact of the standard on its consolidated financial statements.

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IFRS 15 “Revenue from contracts with customers” (effective for annual periods beginning on or after 1 January 2017).

The new standard may have a significant effect on how and when entities will recognise revenue from contracts with customers. IFRS 15 replaces the IAS 11 “Construction contracts”, IAS 18 “Revenue”, IFRIC 13 “Customer Loyalty Programmes”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfers of Assets from Customers” and SIC-31 “Revenue - Barter Transactions Involving Advertising Services”. The standard provides a single, principles based model to be applied to all contracts with customers and two approaches to the recognition of revenue: at a point in time or over time. The Authority is currently evaluating the impact of the standard on its consolidated financial statements.

IFRS 9 “Financial Instruments” (the International Accounting Standards Board decided temporarily to request the application of this standard for annual periods beginning on or after 1 January 2018).

On 24 July 2014, the International Accounting Standards Board (IASB) published the final version of IFRS 9 “Financial Instruments” which will replace the requirements of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 abolishes the four categories of classification of financial instruments and financial assets are classified under one of the three measurement categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The new standard is effective for periods beginning on or after 1 January 2018 with early adoption permitted, if the Authority decides so, subject to its adoption by the competent EU bodies. The Authority is currently evaluating the impact of the standard on its consolidated financial statements.

Subsidiary undertaking

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

Revenue recognition

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 Group'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 tariffs.

Applicants ensure the right of permanent access to the network for an unlimited period of time. The Authority is committed to provide access for an unlimited period of time. Capital contributions represent the price for this continuous service and hence income is shown as deferred income and is gradually released to the consolidated statement of comprehensive income 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 when there is objective evidence that the Authority will not be able to collect these amounts and charged in the consolidated statement of profit and loss at the time granted.

(d) Income from Desalination

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

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Authority will comply with all attached conditions. Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

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

Employee benefits

The Authority operates one defined benefit plan 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 annually 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 recognized in the consolidated statement of other comprehensive income.

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

Current and deferred income tax

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

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted until the reporting date and are expected to apply when the related deferred income tax asset is recognized or the deferred income tax liability is settled.

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

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 |
|--|--------------|
| 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 |

There is no depreciation on freehold land.

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 is determined by comparing proceeds with the carrying amount and these are included in "other gains-net" in profit or loss.

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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 excess emission as well as to sell any surplus.

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

The intangible asset is surrendered at zero value at the end of the compliance period reflecting the consumption of economic benefit. Surplus emission allowances can be carried forward and off-set future shortages (up to the end of the compliance period) or be sold. Proceeds from the sale of surplus emission allowances are recognized upon the sale of these rights.

Impairment of non-financial assets

Assets that have an indefinite useful life, including goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Classification

The Group classifies its financial assets at fair value through profit or loss 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.

- **Financial assets at fair value through profit or loss**

This category has two sub categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Group's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. Assets in this category are classified as current assets if they are either held for trading or are expected to be recognized within twelve months of the reporting date.

- **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 reporting date. These are classified as non current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated financial position.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date which is the date on which the Authority commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised as fair value and transaction costs are expensed in profit or loss. Financial assets are derecognized 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.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within 'other (losses)/gains net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss as part of other income when the Group's right to receive payments is established.

(iii) Impairment of financial assets

The Authority assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the profit or loss.

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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 amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized 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 recognized 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 recognized for future operating losses.

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

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 90 days and bank overdrafts. Short term bank deposits with maturity of 3-12 months is included in short-term bank deposits and within investing activities for cash flow purposes. In the consolidated statement of financial position bank overdrafts are shown within borrowings in current liabilities.

Borrowings

Borrowings are recognized 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 recognized 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, amortization of discounts or premium relating to borrowings, amortization of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably.

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

Trade payables

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

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

Comparative information

Where necessary, comparative figures have been adjusted to conform to 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.

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- **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 recognized 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.

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

The net foreign exchange difference debited/credited to the consolidated statement of profit and loss amounts to €1.528.000 (2013: €103.000) which relates to financing activities (Note 10).

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

At 31 December 2014, if interest rates on Euro denominated borrowings had been 0,1% (2013: 0,1%) higher/lower with all other variables held constant, post tax profit for the year would have been €501.609 (2013: €610.542) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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.

Sales to customers are settled in cash, direct debits or using major credit cards. See Note 16 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 reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Less than 1 year €000 | Between 1 and 2 years €000 | Between 2 to 5 years €000 | Over 5 years €000 |
|-----------------------------------|-----------------------------|-------------------------------------|------------------------------------|-------------------------|
| At 31 December 2013 | | | | |
| Borrowing (Capitals and interest) | 60.767 | 50.407 | 183.291 | 457.049 |
| Tade and other payables* | 102.692 | - | - | - |
| | 163.459 | 50.407 | 183.291 | 457.049 |
| At 31 December 2014 | | | | |
| Borrowing (Capitals and interest) | 34.140 | 38.576 | 151.374 | 387.940 |
| Tade and other payables* | 91.551 | - | - | - |
| | 125.691 | 38.576 | 151.374 | 387.940 |

*Excluding statutory liabilities and deferred income.

(ii) Capital risk management

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

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

During 2014, the Authority's strategy, which was unchanged from 2013, was to maintain the gearing ratio within 15% to 30%. The gearing ratio at 31 December 2014 and 2013 was as follows:

| | 2014 €000 | 2013 €000 |
|---|------------------|--------------|
| Total borrowings (Note 20) | 502.127 | 616.634 |
| Less: Short term deposits (Note 18) | (145.336) | (104.059) |
| Cash and cash equivalents (Note 19) | (33.042) | (43.957) |
| Net debt | 323.749 | 468.618 |
| Total equity | 1.361.171 | 1.569.567 |
| Total capital as defined by Management | 1.684.920 | 2.038.185 |
| Gearing ratio | 19% | 23% |

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(iii) Fair value estimation

The table below analyses financial instruments carried at statement of financial position at fair value by valuation method.

Different levels are stated as follow:

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

The following table presents the Authority's financial assets that are measured at fair value.

| | Level 1 2014 €000 | Level 3 2013 €000 |
|--|-------------------------|-------------------------|
| Assets | | |
| Financial assets at fair value through profit or loss: | | |
| - Equity securities | 978 | 1.196 |
| Total financial assets measured at fair value | 978 | 1.196 |

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

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

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

Specific valuation techniques used to value financial instruments include:

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

Transfers from Level 3

During 2013, following the March Eurogroup decisions, the Group obtained 4.532.191 shares in Bank of Cyprus which are valued in Level 3 estimation basis because they were not listed in the stock exchange and there was no recent trading activity. On 16th December 2014, the shares were listed on the Cyprus Stock Exchange and were traded in an active market. Due to the fact that the shares have a stock exchange price in an active market, their fair value has been transferred from Level 3 to Level 1 of the fair value hierarchy as at 31 December 2014.

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.

4. Critical accounting estimates and judgments

Critical accounting estimates and assumptions

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

(i) Deferred income

The Group accepts applications for extension of its network in areas not yet covered by the existing network by individuals and legal entities. Furthermore the Group accepts applications for additional load from the existing network. In both cases the Group charges the applicants with the construction cost. The assets remain under the control of the Group, that performs all necessary repairs and maintenance. Construction cost is recognized in property, plant and equipment.

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

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

Subsidies from the Group in respect of such capital contributions are deducted from the amounts receivable and charged in the consolidated statement of profit and loss at the time granted.

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(ii) Tax

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

Where the actual final outcome to differ by 10% from management's estimates then the Group would need to increase its current tax liabilities by €345.300 if the final outcome was not in the Group's favor.

(iii) Impairment loss on bank deposits

As of 26 March 2013, the Group held deposits of €9.639.823 in Bank of Cyprus. Following the Eurogroup decision on 25 March 2013, the Group's uninsured bank deposit balances with Bank of Cyprus have suffered an impairment loss. The Group has considered that there was no impairment loss on the bank deposits which had not been converted into shares but an impairment loss has been suffered as a result of the conversion of 47,5% of the uninsured bank deposits into ordinary shares of Bank of Cyprus. The impairment loss has been estimated at €3.336.000, being the difference between the deposit balance of €4.532.191 which was converted into 4.532.191 ordinary shares of Bank of Cyprus and the fair value of these shares which has been estimated at €0,264 per share.

Due to the absence of a market price for the shares of Bank of Cyprus, and in view of the drastic changes in the activities, tasks and structure of BOC as a result of the Eurogroup's decision in March 2013, the Group has estimated the fair value of the shares as at 31 December 2013 using a valuation based on non-observable inputs.

(iv) Defined Benefit Plan

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

5. Revenue from Sale of electricity

Sale of electricity does not include the consumption of Turkish Cypriots in the areas of the Republic of Cyprus where the Government of the Republic does not exercise effective control. The unbilled electrical energy, calculated at a special rate, amounts to €1.001.000 (2013: €1.285.000).

6. Other operating income - net

| | 2014 €000 | 2013 €000 |
|---|--------------|--------------|
| Income from reconnection | 2.246 | 2.311 |
| Employees Contribution for Pension Fund (Note 1) | 1.841 | 1.967 |
| Income from fees for telecommunication usage of optical fibres | 1.438 | 1.451 |
| Income from Desalination | 14.500 | 2.792 |
| Consumers' capital contributions | 21.119 | 20.698 |
| Greenhouse gas emission allowances cost recovered | 4.103 | 3.966 |
| Income from TSOC | 2.600 | 2.590 |
| Compensation from Insurance Companies | 1.000 | 61.790 |
| Temporary Surcharge for the recovery of the extra generation cost | 13 | 8.047 |
| Sundry income | 4.297 | 3.221 |
| Interest income: | | |
| Bank balances | 1.332 | 1.635 |
| Other | 708 | 379 |
| | 55.197 | 110.847 |

Note 1: The amount represents deduction from the employees' salaries at the rate of 3% and is paid to the Authority for maintaining the viability of Pension Fund per Law 216 (ii) 2012, paragraph 4 and is presented in other operating income of the Authority.

7. Other losses - net

| | 2014 €000 | 2013 €000 |
|---|--------------|--------------|
| Property, plant and equipment (Note 15) | | |
| Profit on sale | 196 | 12 |
| Loss of fair values on financial assets estimated at fair value through profit and loss | (217) | - |
| Impairment of bank deposits | - | (3.336) |
| | (21) | (3.324) |

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8. Analysis of operating costs by nature

| | 2014 | 2013 |
|--|----------------|----------------|
| | €000 | €000 |
| Fuel | 446.975 | 485.492 |
| Repairs at Vasilikos Power Station | 1.023 | 43.867 |
| Purchase of Electricity from third parties | 31.831 | 40.257 |
| Staff costs (Note 9) | 84.991 | 74.921 |
| Depreciation (Note 15) | 95.244 | 94.405 |
| Repairs and maintenance | 15.420 | 16.246 |
| Independent Auditor's Fees for the compulsory audit of the annual financial statements | 66 | 42 |
| General Audit Fee | 34 | 29 |
| Audit of the Funds | 28 | 23 |
| Audit fees prior years | 18 | 2 |
| Rental expenses | 823 | 730 |
| Provision for Impairment of stock | 240 | 1.000 |
| Stock written off | - | 144 |
| Provision for Bad debts | 2.743 | 7.819 |
| Immovable property tax | 331 | 1.241 |
| CERA | 1.693 | 1.565 |
| TSOC fee | 4.307 | 3.112 |
| Transport | 2.592 | 2.885 |
| Insurance | 3.923 | 4.306 |
| Telephones and Postages | 1.484 | 1.432 |
| Electricity, cleaning and water | 1.314 | 1.765 |
| Electricity for Desalination | 7.026 | 1.536 |
| Other expenses | 14.555 | 15.079 |
| | 716.661 | 797.898 |

Other expenses disclosed above include fees amounting to € Nil (2013: €11.600) for other non-audit services and tax consultancy fees €3.550 (2013: €800) charged by the Authority's Statutory Auditor.

9. Staff costs

| | 2014 €000 | 2013 €000 |
|------------------------------------|---------------|----------------|
| Wages and salaries | 70.647 | 81.511 |
| Social insurance and other costs | 8.767 | 8.443 |
| Social cohesion fund contributions | 1.423 | 1.553 |
| Pension costs - current year cost | 5.169 | 4.710 |
| Other defined contribution plans | 3.718 | 3.970 |
| | 89.724 | 100.187 |

| | 2014 €000 | 2013 €000 |
|---|---------------|----------------|
| The staff costs were allocated as follows: Statement of Comprehensive Income (Note 8): | | |
| - Salaries and employers contributions | 84.991 | 74.921 |
| - Restoration of the Vasilikos P/S | 179 | 11.520 |
| Capitalized in fixed assets and work in progress | 4.554 | 13.746 |
| | 89.724 | 100.187 |

Defined Benefit Plan

The amounts recognized in the consolidated balance sheet and the consolidated statement of other comprehensive income of the Group as at 31 December 2014 are in accordance with the actuarial valuation as at 31 December 2014 for the defined benefit plan.

| | 2014 €000 | 2013 €000 |
|--|----------------|-----------------|
| Present value of defined benefit obligation | 757.296 | 514.263 |
| Fair value of plan assets | (539.301) | (537.195) |
| Net asset on the consolidated statement of financial position | 217.995 | (22.932) |

| | 2014 €000 | 2013 €000 |
|---|--------------|--------------|
| Current service cost | 6.161 | 6.164 |
| Interest on plan assets | (992) | (1.454) |
| Total included in 'staff costs' (Note 9) | 5.169 | 4.710 |

| Movement of Net asset included in the consolidated statement of financial position | 2014 €000 | 2013 €000 |
|---|----------------------|----------------------|
| Net asset at beginning of year | (22.932) | (37.554) |
| Employer contributions | (9.239) | (9.227) |
| Transfer from other plans | - | 68 |
| Expense recognized in the consolidated statement of comprehensive income | 5.169 | 4.710 |
| Total amount recognized in other comprehensive income | 244.997 | 19.071 |
| Net liability/ net asset at end of year | 217.995 | (22.932) |

| Change in present value of benefit obligation during the year | 2014 €000 | 2013 €000 |
|--|----------------------|----------------------|
| Present value of obligation at beginning of year | 514.263 | 536.595 |
| Current service cost | 6.161 | 6.232 |
| Interest cost | 18.795 | 18.571 |
| Members contributions | 1.175 | 1.266 |
| Benefits paid | (20.084) | (33.966) |
| Adjustments: | | |
| - Actuarial loss/(gain) - (financial assumptions) | 185.276 | (14.435) |
| - Actuarial loss/(gain) - (demographic assumptions) | 16.844 | - |
| - Actuarial loss/(gain) - (period experience) | 38.866 | - |
| Present value of benefit obligation at end of year | 757.296 | 514.263 |

| Changes in fair value of plan assets during the year | 2014 €000 | 2013 €000 |
|---|----------------------|----------------------|
| Fair value of plan assets at start of year | 537.195 | 574.149 |
| Expected return on plan assets | 19.787 | 20.025 |
| Employer contributions (Note) | 9.239 | 9.227 |
| Employee contributions | 1.175 | 1.266 |
| Benefits paid | (24.084) | (33.966) |
| Adjustments: | | |
| Actuarial loss/(gain) | (4.011) | (33.506) |
| Fair value of plan assets at end of year | 539.301 | 537.195 |

Note: Employer's contributions include an amount of €1.841.000, that was deducted at the rate of 3% from the employees' salaries for maintaining the viability of the Pension Fund per Law 216 (ii) 2012, paragraph 4 and is presented in other operating income of the Authority.

The principal actuarial assumptions used for the actuarial valuation were:

| | 2014 | 2013 |
|--|-----------------------------|-----------------------------|
| | % | % |
| Discount rate | 2,14 | 3,73 |
| Average expected return on plan assets | 2,14 | 3,73 |
| Average rate of salary increases | 2015-16: 0,00 2017+: 3,5 | 2014-16: 0,00 2017+: 3,5 |
| Pension increases | 2015-16: 0,00 2017+:1,5 | 2014-16: 0,00 2017+:1,5 |
| Price inflation | 2,0 | 2,00 |
| Mortality | EVK2000 | EVK2000 |

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | Change | Impact |
|-------------------|--------|---------|
| Discount Rate | +1% | -16,36% |
| Discount Rate | -1% | 21,74% |
| Salaries/Pensions | +1% | 21,72% |
| Salaries/Pensions | -1% | -16,60% |

Plan assets are comprised as follows:

| | 2014 | | 2013 | |
|--------------------------|-------------|--------|-------------|--------|
| | € | % | € | % |
| Immovable property | 27.530.987 | 5,07 | 30.480.531 | 5,59 |
| Shares - listed | 3.211.213 | 0,59 | 4.775.064 | 0,88 |
| Debentures (Government) | 78.493.476 | 14,46 | 97.798.008 | 17,95 |
| Debentures (other) | 4.170.009 | 0,77 | 4.000.000 | 0,73 |
| Receivables | 115.860.060 | 21,34 | 152.478.883 | 27,99 |
| Loans | 25.160.882 | 4,63 | 26.773.167 | 4,91 |
| Hedge and Mutual Funds | 80.921.949 | 14,90 | 51.775.204 | 9,50 |
| Cash and net receivables | 207.631.828 | 38,24 | 176.858.491 | 32,45 |
| | 542.980.404 | 100,00 | 544.939.348 | 100,00 |

Plan assets did not include any of the Authority's financial asset, immovable property or other assets.

Expected benefits to be paid from the defined pension plan for the next year are €22.819.000 (2013: €20.756.000).



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10. Financial costs

| | 2014 €000 | 2013 €000 |
|---------------------------------------|--------------|--------------|
| Interest expense: | | |
| Bank borrowings | 9.240 | 13.156 |
| Overdue taxation | 343 | 11 |
| Other | 88 | 189 |
| | 9.671 | 13.356 |
| Net foreign exchange transaction loss | 1.528 | 103 |
| | 11.199 | 13.459 |

The finance cost is allocated as follows:

| | 2014 €000 | 2013 €000 |
|---|--------------|--------------|
| Consolidated statement of profit and loss | 11.199 | 12.594 |
| Cost capitalized under fixed assets or buildings under construction | - | 865 |
| | 11.199 | 13.459 |

11. Tax

| | 2014 €000 | 2013 €000 |
|---|--------------|---------------|
| Current tax: | | |
| Corporation tax - current year | - | 3.184 |
| - previous years | 2 | 16 |
| Defence contribution | 325 | 506 |
| Total current tax | 327 | 3.706 |
| Deferred tax (Note 21) | | |
| Origination and reversal of temporary differences | 6.150 | 8.851 |
| Tax effect of change in applicable tax rate | - | 8.413 |
| Total deferred tax | 6.150 | 17.264 |
| Tax Charge | 6.477 | 20.970 |

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

| | 2014 €000 | 2013 €000 |
|---|--------------|--------------|
| Profit before taxation | 48.453 | 93.961 |
| Tax calculated at the applicable tax rates on income and defence contribution | 6.250 | 12.249 |
| Tax effect of change in applicable tax rate | - | 8.413 |
| Tax effect of expenses not deductible for tax purposes | 225 | 316 |
| Tax effect of income not subject to tax | - | (24) |
| Tax charge - previous years | 2 | 16 |
| Tax charge | 6.477 | 20.970 |

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

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

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

Tax effects of components of other comprehensive income

| | Year ended 31 December 2014 | | | Year ended 31 December 2013 | | |
|---|--------------------------------|------------------------------------|----------------------|--------------------------------|------------------------------------|----------------------|
| | Before tax €000 | Tax/ (charge) credit €000 | After tax €000 | Before tax €000 | Tax/ (charge) credit €000 | After tax €000 |
| Defined benefit obligations: | | | | | | |
| Remeasurements of post employment benefit obligations | (244.997) | 680 | (244.317) | (19.071) | 1.771 | (17.300) |
| Other comprehensive income | (244.997) | 680 | (244.317) | (19.071) | 1.771 | (17.300) |

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12. Financial assets at fair value through profit or loss

| | 2014 €000 | 2013 €000 |
|------------------------------------|--------------|--------------|
| Equity securities - (Note 3 (iii)) | 978 | 1.196 |

The financial assets at fair value through profit or loss are recorded in the cash flow statement as part of the movement in working capital.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other losses - net' (Note 7) in profit or loss.

13. Financial instruments by category

Assets as per consolidated statement of financial position - 2014

| | Assets at fair value €000 | Loans and receivables €000 | Total €000 |
|---------------------------------|---------------------------------|----------------------------------|----------------|
| Non current receivables | - | 631 | 631 |
| Trade and other receivables (1) | - | 109.388 | 109.388 |
| Financial assets at fair value | 978 | - | 978 |
| Short term deposits | - | 145.336 | 145.336 |
| Cash and cash equivalents | - | 33.042 | 33.042 |
| Total | 978 | 288.397 | 289.375 |

Asset as per consolidated statement of financial position -2013

| | Assets at fair value €000 | Loans and receivables €000 | Total €000 |
|---------------------------------|---------------------------------|----------------------------------|----------------|
| Non-current receivables | - | 1.702 | 1.702 |
| Trade and other receivables (1) | - | 128.903 | 128.903 |
| Financial assets at fair value | 1.196 | - | 1.196 |
| Short term deposits | - | 104.059 | 104.059 |
| Cash and cash equivalents | - | 43.957 | 43.957 |
| Total | 1.196 | 278.621 | 279.817 |

Liabilities as per consolidated statement of financial position

Other financial liabilities

| | 2014 €000 | 2013 €000 |
|--|----------------|----------------|
| Borrowings | 502.127 | 616.634 |
| Net liability of Pension Fund | 217.995 | - |
| Trade and other payables (excluding statutory liabilities and deferred income) | 91.551 | 102.692 |
| Total | 811.673 | 719.326 |

1) The rest of the balance sheet item 'trade and other receivables' is prepayments.

14. Credit quality of financial assets

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

| | 2014 €000 | 2013 €000 |
|---|---------------|---------------|
| Trade receivables - net | | |
| Group 1 | 2.042 | 2.287 |
| Group 2 | 10.923 | 13.949 |
| Group 3 | 51.554 | 62.215 |
| | 64.519 | 78.451 |
| Past due trade receivables - net | | |
| Group 4 | 17.075 | 17.635 |
| Group 5 | 11.514 | 14.615 |
| Group 6 | 327 | 900 |
| Group 7 | 1.578 | 4.091 |
| Group 8 | 3.616 | 6.476 |
| | 34.110 | 43.717 |
| Other receivables - net | | |
| Group 9 | 11.482 | 8.437 |

| Short term bank deposits | 2014 €000 | 2013 €000 |
|---|----------------|----------------|
| A2 | - | 88.041 |
| Ca | - | 3.539 |
| Caa1 | 29.625 | 30 |
| Caa2 | 12.036 | 12.439 |
| Caa3 | 61.500 | - |
| Without external credit rating ⁽¹⁾ | 42.175 | 10 |
| | 145.336 | 104.059 |

| Cash and cash equivalents ⁽²⁾ | 2014 €000 | 2013 €000 |
|---|---------------|---------------|
| A2 | - | 44 |
| B3 | 443 | - |
| Ca | - | 10.654 |
| Caa1 | 4.513 | 17.400 |
| Caa2 | 202 | - |
| Caa3 | 22.322 | 11.235 |
| | 27.480 | 39.333 |

Group 1: New customers (less than 6 months) with no defaults in the past.

Group 2: Existing customers (more than 6 months) with no defaults in the past.

Group 3: Trade receivables billed during the next year.

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Group 4: Existing customers (more than 6 months) with some defaults in the past.
All defaults were fully recovered.

Group 5: Receivables that have been provided for, excluding related parties .

Group 6: Receivables from related parties that have been provided for.

Group 7: Receivables from related parties including amounts with defaults in the past.

Group 8: Other trade receivables including amounts with defaults in the past.

Group 9: Other receivables with no defaults in the past.

(1) Management monitors credit risk arising from deposits in financial institutions without external credit ratings.

(2) 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 €4.695.000 (2013 €4.360.000).

None of the financial assets that are fully performing, has been renegotiated.

15. Property Plant and Equipment

| | Freehold land €000 | Buildings €000 | Plant and machinery €000 | Lines, cables and meters €000 | Motors vehicles €000 | Furniture, fittings and office equipment €000 | Tools and instru- ments €000 | Computer hardware and software €000 | Work in progress €000 | Total €000 |
|----------------------------|--------------------------|-------------------|--------------------------------|--|----------------------------|---|---------------------------------------|---|-----------------------------|---------------|
| At 1 January 2013 | | | | | | | | | | |
| Cost | 28.452 | 325.885 | 1.396.260 | 963.272 | 21.402 | 7.036 | 7.191 | 30.153 | 126.136 | 2.905.787 |
| Accumulated depreciation | - | (99.883) | (507.370) | (306.056) | (16.575) | (5.397) | (6.056) | (27.703) | - | (969.040) |
| Net book amount | 28.452 | 226.002 | 888.890 | 657.216 | 4.827 | 1.639 | 1.135 | 2.450 | 126.136 | 1.936.747 |
| Year ended | | | | | | | | | | |
| 31 December 2013 | | | | | | | | | | |
| Opening net book amount | 28.452 | 226.002 | 888.890 | 657.216 | 4.827 | 1.639 | 1.135 | 2.450 | 126.136 | 1.936.747 |
| Additions | 41 | 721 | 408 | 318 | 10 | 78 | 50 | 213 | 55.821 | 57.660 |
| Disposals | - | (1.225) | (102) | (644) | - | - | - | (2) | - | (1.973) |
| Depreciation charge | - | (11.517) | (52.770) | (25.979) | (1.563) | (403) | (230) | (1.943) | - | (94.405) |
| Transfers | 497 | 20.287 | 73.698 | 42.827 | - | 129 | - | 2.206 | (139.644) | - |
| Closing net book amount | 28.990 | 234.268 | 910.124 | 673.738 | 3.274 | 1.443 | 955 | 2.924 | 42.313 | 1.898.029 |
| At 31 December 2013 | | | | | | | | | | |
| Cost | 28.990 | 345.580 | 1.470.204 | 1.005.748 | 21.394 | 7.240 | 7.242 | 32.472 | 42.313 | 2.961.183 |
| Accumulated depreciation | - | (111.312) | (560.080) | (332.010) | (18.120) | (5.797) | (6.287) | (29.548) | - | (1.063.154) |
| Net book amount | 28.990 | 234.268 | 910.124 | 673.738 | 3.274 | 1.443 | 955 | 2.924 | 42.313 | 1.898.029 |
| Year ended | | | | | | | | | | |
| 31 December 2014 | | | | | | | | | | |
| Opening net book amount | 28.990 | 234.268 | 910.124 | 673.738 | 3.274 | 1.443 | 955 | 2.924 | 42.313 | 1.898.029 |
| Additions | 11.858 | 31 | 2.620 | 251 | - | 27 | 8 | 2.196 | 22.992 | 39.983 |
| Disposals | (11) | (130) | (1.711) | - | - | - | - | - | - | (1.852) |
| Depreciation charge | - | (11.501) | (53.400) | (26.566) | (1.261) | (341) | (221) | (1.954) | - | (95.244) |
| Transfers | 147 | 3.993 | 19.869 | 24.819 | - | - | - | 160 | (48.988) | - |
| Closing net book amount | 40.984 | 226.661 | 877.502 | 672.242 | 2.013 | 1.129 | 742 | 3.326 | 16.317 | 1.840.916 |
| At 31 December 2014 | | | | | | | | | | |
| Cost | 40.984 | 349.448 | 1.490.812 | 1.030.819 | 20.912 | 7.267 | 7.250 | 34.807 | 16.317 | 2.998.616 |
| Accumulated depreciation | - | (122.787) | (613.310) | (358.577) | (18.899) | (6.138) | (6.508) | (31.481) | - | (1.157.700) |
| Net book amount | 40.984 | 226.661 | 877.502 | 672.242 | 2.013 | 1.129 | 742 | 3.326 | 16.317 | 1.840.916 |

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

| | 2014 €000 | 2013 €000 |
|--|--------------|--------------|
| Net book amount | 1.852 | 1.973 |
| Profit on sale of property, plant and equipment (Note 7) | 196 | 12 |
| Proceeds from sale of property, plant and equipment | 2.048 | 1.985 |

Depreciation amounting to € 95.244.000 (2013: €95.405.000) has been charged to operating costs.

During the year 2013 the Group capitalized loan interest amounting to €865.000 in property, plant and equipment that met the criteria. Loan interest has been capitalized with weighted average interest of 1.64%.

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 (2013: NIL) bringing the accumulated provision at 31 December 2014 to €12.440.000 (2013: €12.440.000) and leaving a written down value of €538.000 (2013: €538.000) which represents the cost of land. The consequences of the Turkish occupation on the value of this land and equipment is unknown.

16. Trade and other receivables

| | 2014 €000 | 2013 €000 |
|--|------------------|--------------------|
| Trade receivables | 118.133 | 139.041 |
| Less: Provision for impairment of receivables | (19.504) | (16.873) |
| Trade receivables - net | 98.629 | 122.168 |
| Republic of Cyprus | - | 24.465 |
| Less provision | - | (24.465) |
| Capital contributions receivable by instalments | 764 | 1.443 |
| Advance payment to contractors | 3.294 | 4.419 |
| Other receivables net of provision for impairment | 10.626 | 6.994 |
| Prepayments | 399 | 582 |
| | 113.712 (631) | 135.606 (1.702) |
| | 113.081 | 133.904 |
| The maturity of non-current receivables and prepayments is as follows: | | |
| | 2014 €000 | 2013 €000 |
| Between 1 and 2 years | 314 | 983 |
| Between 2 and 5 years | 317 | 708 |
| Over 5 years | - | 11 |
| | 631 | 1.702 |

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

At 31 December 2014, trade receivable of € 67.594.000 (2013: €78.793.000) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2014, trade receivables of €19.194.000 (2013: €27.860.000) 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:

| | 2014 €000 | 2013 €000 |
|----------------|----------------------------|--------------|
| Up to 3 months | 18.622 | 26.197 |
| 3 to 6 months | 572 | 1.663 |
| Over 6 months | - | - |
| | 19.194 | 27.860 |

As of 31 December 2014, trade receivables of €31.345.000 (2013: €32.388.000) were impaired and provided for. The amount of the provision was €19.504.000 as at 31 December 2014 (2013: €16.873.000). The individually impaired receivables mainly relate to consumers, 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:

| | 2014 €000 | 2013 €000 |
|----------------|----------------------------|--------------|
| Up to 3 months | 7.586 | 6.384 |
| 3 to 6 months | 3.963 | 5.751 |
| Over 6 months | 19.796 | 20.253 |
| | 31.345 | 32.388 |

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who have a variety of end markets in which they sell. The Group'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 Group's trade receivables.

Movements on the Group's provision for impairment of trade receivables are as follows:

| | 2014 | 2013 |
|--|---------------|--------|
| | €000 | €000 |
| At 1 January | 16.873 | 9.025 |
| Provision for receivables impairment | 2.897 | 7.989 |
| Receivables written off during the year as uncollectible | (266) | (141) |
| At 31 December | 19.504 | 16.873 |

The creation and release of provision for impaired receivables have been included in operating costs in the consolidated statement of comprehensive income (Note 8). 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 €18.000 (2013: €38.000).

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

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

| | 2014 | 2013 |
|-----------------------|----------------|---------|
| | €000 | €000 |
| Currency | | |
| Euro | 113.712 | 158.399 |
| United States dollars | - | 12 |
| Pound Sterling | - | 46 |
| Swiss Franc | - | 81 |
| | 113.712 | 158.538 |

17. Inventories

| | 2014 | 2013 |
|------------------------|----------------|---------|
| | €000 | €000 |
| Fuel | 49.411 | 90.723 |
| Spares and consumables | 58.959 | 62.112 |
| | 108.370 | 152.835 |

The cost of inventories recognized as expense and included in operating costs amounted to €453.009.000 (2013: €488.627.000).

All inventories are recognized at historic cost.

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18. Short-term bank deposits

| | 2014 €000 | 2013 €000 |
|--------------------------|--------------|--------------|
| Short-term bank deposits | 145.336 | 104.059 |

The effective interest rate on short term bank deposits was 0,40% - 3,40% (2013: 0,40% - 4,00%) and these deposits had a maturity of 3 - 12 months (2013: 3-12 months). Deposits of €10,6 million are used as guarantees for fuel deliveries respectively.

19. Cash and cash equivalents

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

| | 2014 €000 | 2013 €000 |
|--------------------------|---------------|---------------|
| Cash at bank and in hand | 29.955 | 40.081 |
| Short-term bank deposits | 3.087 | 3.876 |
| | 33.042 | 43.957 |

The effective interest rate on short term bank deposits was 0,75% - 2,50% (2013: €0,75% - 2,5%) and these deposits had an average maturity of 33 days (2013: 32 days).

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

| | 2014 €000 | 2013 €000 |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | 33.042 | 43.957 |
| Bank overdrafts (Note 20) | - | (4.188) |
| | 33.042 | 39.769 |

At 31 December 2013 bank deposits with initial maturity over 3 months include notice deposits in Bank of Cyprus amounting to €3.575.000 with maturities of six, nine and twelve months for which Bank of Cyprus has the option to renew them for an additional period of the same duration. The Group has classified these balances as current as the Group expects that Bank of Cyprus will not exercise its option to renew these for a further term and the balances will be available for use within the next 12 months from the reporting date.

20. Borrowings

| | 2014 €000 | 2013 €000 |
|---------------------------|----------------|----------------|
| Current | | |
| Bank overdrafts (Note 19) | - | 4.188 |
| Bank loans | 29.479 | 48.444 |
| | 29.479 | 52.632 |
| Non-current | | |
| Bank loans | 472.648 | 564.002 |
| Total borrowings | 502.127 | 616.634 |

Maturity of non-current borrowings is as follows:

| | 2014 €000 | 2013 €000 |
|-----------------------|----------------|--------------|
| Between 1 and 2 years | 31.050 | 40.729 |
| Between 2 and 5 years | 118.199 | 142.293 |
| Over 5 years | 323.399 | 380.980 |
| | 472.648 | 564.002 |

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 reporting date were as follows:

| | 2014 % | 2013 % |
|---|-----------|-----------|
| Bank overdrafts, loans & suppliers' credits | 0,90 | 1,30 |

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

| | 2014 €000 | 2013 €000 |
|-------------------------------|----------------|--------------|
| Floating rate | | |
| 6 months or less | 501.609 | 610.542 |
| Fixed rate on maturity | 518 | 6.092 |
| | 502.127 | 616.634 |

The Group has the following unutilized borrowing facilities:

| | 2014 €000 | 2013 €000 |
|--------------------------|---------------|--------------|
| Floating rate: | | |
| Expiring within one year | 97.500 | 170.528 |
| Expiring beyond one year | - | 15.585 |
| | 97.500 | 186.113 |

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

The carrying value of the Authority's borrowings are denominated in the following currencies:

| | 2014 €000 | 2013 €000 |
|---|--------------|--------------|
| Euro - functional and presentation currency | 502.127 | 616.634 |

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21. Deferred tax liabilities

Deferred tax liabilities are analysed as follows:

| | 2014 €000 | 2013 €000 |
|--|---------------|--------------|
| Deferred tax liabilities after twelve months | 57.066 | 51.596 |

Deferred taxation is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 11).

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:

| | 2014 €000 | 2013 €000 |
|--|---------------|--------------|
| At 1 January | 51.596 | 36.103 |
| Charged to Statement of comprehensive income (Note 11) | | |
| - Current year | 6.150 | 17.264 |
| (Credit)/charged to other comprehensive income | (680) | (1.771) |
| At 31 December | 57.066 | 51.596 |

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

| | Accelerated Tax Depreciation €000 | Deferred Income €000 | Actuarial gains €000 | Tax loss €000 | Other €000 | Total €000 |
|---|--|----------------------------|----------------------------|---------------------|---------------|---------------|
| Deferred tax liability to be settled after more than twelve months | | | | | | |
| At 1 January 2013 - as restated | 81.386 | (46.824) | 2.451 | - | (910) | 36.103 |
| Charge/(Credited): | | | | | | |
| Profit & Loss | 29.582 | (11.241) | - | - | (1.077) | 17.264 |
| Other comprehensive income | - | - | (1.771) | - | - | (1.771) |
| At 31 December 2013 | 110.968 | (58.065) | 680 | - | (1.987) | 51.596 |
| Charge/(Credited): | | | | | | |
| Profit & Loss | 9.411 | 757 | - | (4.110) | 92 | 6.150 |
| Other comprehensive income | - | - | (680) | - | - | (680) |
| At 31 December 2014 | 120.379 | (57.308) | - | (4.110) | (1.895) | 57.066 |

22. Deferred income

| | 2014 €000 | 2013 €000 |
|---|--------------|--------------|
| Consumers' capital contributions: | | |
| Balance at 1 January | 464.522 | 468.242 |
| Additions | 15.064 | 16.978 |
| Transferred to the consolidated statement of profit and loss | (21.119) | (20.698) |
| Balance at 31 December | 458.467 | 464.522 |
| Less: non-current portion of deferred income | (437.020) | (443.403) |
| Current portion of deferred income | 21.447 | 21.119 |

23. Trade and other payables

| | 2014 €000 | 2013 €000 |
|--|---------------------|--------------------|
| Fuel oil suppliers | 17.311 | 32.121 |
| Other Suppliers | 8.410 | 9.272 |
| Deferred income - compensation from insurance Companies | - | 1.000 ¹ |
| Value Added Tax payable | 17.110 | 8.825 |
| Pay As You Earn payable | 570 | 942 |
| Property tax | - | 1.193 |
| Retention on capital contracts | 2.467 | 5.025 |
| Consumers' deposits | 20.528 | 18.521 |
| Payments received in advance | 33 | 3.091 |
| Interest payable | 199 | 426 |
| Other contribution to Pension Fund | 47 | 40 |
| Accrued charges | 1.969 | 4.115 |
| Creditors for purchase of land and substations | 9.406 | 10.084 |
| Amount available for interpleader proceedings | 11.897 ² | 9.101 ² |
| Other creditors | 19.284 | 10.896 |
| | 109.231 | 114.652 |

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

1. This amount represents a compensation from the insurance company which was spent during the year 2014 for the restoration of the Vasilikos Power Station.

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

24. Subsidiary undertakings

| | % Holding | Country of incorporation | Principals activities |
|---------------------------------|-----------|--------------------------|-----------------------|
| Electriki Limited Investments | 100 | Cyprus | Dormant |
| EAC LNG Investments Company Ltd | 100 | Cyprus | Dormant |
| EAC Solar Thermal Power Ltd | 100 | Cyprus | Dormant |

The results of Subsidiary undertakings which during 2014 remained dormant were consolidated in the Group accounts of Electricity Authority of Cyprus.

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25. Contingent liabilities

(a) At 31 December 2014 the Group had a contingent liability in respect of possible tax for various expenses, amounting to €3.453.000 (2013: €3.276.000).

(b) At 31 December 2014 the Group had contingent liabilities in respect of pending litigations amounting to €3.451.445 (2013: €3.910.723) and contingent asset of €676.512 (2013: €434.921), not including any amounts to be claimed from insurance companies relating to the Mari incident.

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 2014 the Group had the following guarantee documents:

(i) An amount of €2.798.000 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 \$20.831.250 for the benefit of fuel suppliers.

26. Commitments

Capital commitments

| | 2014 €000 | 2013 €000 |
|--|--------------|--------------|
| Commitments in respect of contracts or with work in progress | 7.709 | 13.986 |
| Approved commitments but not contracted without any work in progress | 62.629 | 50.766 |
| Approved commitments with expenditure outstanding | 70.338 | 64.752 |

Operating lease commitments - where the Authority is the lessee

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

| | 2014 €000 | 2013 €000 |
|--|--------------|--------------|
| Not later than one year | 413 | 473 |
| Later than one year and not later than 5 years | 669 | 924 |
| Over 5 years | 14 | 40 |
| | 1.096 | 1.437 |

27. 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

| | 2014 €000 | 2013 €000 |
|-------------------------------------|--------------|--------------|
| Sales of electricity | | |
| Related parties to the Organisation | 58,416 | 66,847 |

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

(ii) Year end balances - net

| | 2014 €000 | 2013 €000 |
|---|--------------|--------------|
| Receivable from related parties from sales of electricity | 1,905 | 4,991 |

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:

| | 2014 €000 | 2013 €000 |
|-----------------------------|--------------|--------------|
| Salaries and other benefits | 330 | 541 |

(iv) Directors' remuneration

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

| | 2014 €000 | 2013 €000 |
|--|--------------|--------------|
| Emoluments in their executive capacity | 32 | 31 |

Consolidated Financial Statements

28. Adoption of IAS19 “Employee Benefits”

The group has adopted IAS19 (Revised 2011) “Employee Benefits” on 01.01.2013. The new accounting policy has the following impacts on the Consolidated Financial Statements:

Impact of change in the consolidated statement of financial position (extract)

| | As at 1.1.2013 (as previously stated) €000 | Adoption of IAS 19 (revised 2011) €000 | As at 1.1.2013 (restated) €000 |
|--|--|--|---|
| Current Assets | | | |
| Retirement benefit asset | - | 37.554 | 37.554 |
| Reserves | | | |
| Retained Earnings | 1.008.160 | 13.356 | 1.021.516 |
| Other reserves | - | 22.063 | 22.063 |
| | 1.008.160 | 35.419 | 1.043.579 |
| Current Liabilities | | | |
| Retirement benefit obligations | 316 | (316) | - |
| Non-current Liabilities | | | |
| Deferred income tax liability/(asset) | 33.652 | 2.451 | 36.103 |
| | 33.968 | 2.135 | 36.103 |

Impact of change in the consolidated Statement of Changes in Equity (extract)

| | Other Reserve €000 | Revenue Reserve €000 | Total €000 |
|--|-----------------------|-------------------------|---------------|
| Balance 31 December 2013 - as previously reported | - | 1.066.922 | 1.066.922 |
| Effect of changes in accounting policy | 4.763 | 17.805 | 22.568 |
| Balance 31 December 2013 - as restated | 4.763 | 1.084.727 | 1.089.490 |

29. Events after the reporting date

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

Independent Auditor's Report on pages 79-81.

Appendices

APPENDIX 1

CONSUMERS, SALES AND AVERAGE PRICES

| AS AT 31 st DECEMBER | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| NUMBER OF CONSUMERS | | | | | | | | | | |
| Domestic | 332 338 | 348 394 | 366 799 | 386 489 | 402 671 | 415 150 | 422 655 | 427 184 | 428 616 | 433 072 |
| Commercial | 74 916 | 76 272 | 78 294 | 80 913 | 83 160 | 84 800 | 85 325 | 85 198 | 84 695 | 85 188 |
| Industrial | 10 956 | 11 198 | 11 299 | 11 792 | 11 618 | 11 391 | 11 255 | 10 805 | 10 222 | 9 836 |
| Agricultural | 10 931 | 11 597 | 12 117 | 12 796 | 13 546 | 14 209 | 14 692 | 14 978 | 15 280 | 15 536 |
| Public lighting | 7 138 | 7 581 | 7 991 | 8 499 | 9 035 | 9 500 | 9 983 | 10 333 | 10 635 | 10 942 |
| TOTALS | 436 279 | 455 042 | 476 500 | 500 489 | 520 030 | 535 050 | 543 910 | 548 498 | 549 448 | 554 574 |
| SALES TO CONSUMERS (Thousands kWh) | | | | | | | | | | |
| Domestic | 1 431 792 | 1 500 511 | 1 607 048 | 1 682 327 | 1 720 777 | 1 737 474 | 1 721 663 | 1 671 095 | 1 435 231 | 1 407 656 |
| Commercial | 1 587 196 | 1 713 921 | 1 783 885 | 1 881 173 | 1 918 932 | 1 990 994 | 1 854 782 | 1 836 756 | 1 655 761 | 1 630 789 |
| Industrial | 726 059 | 723 038 | 699 746 | 757 803 | 791 640 | 816 074 | 796 187 | 631,829 | 581 860 | 656 097 |
| Agricultural | 120 062 | 128 701 | 137 339 | 156 930 | 143 971 | 152 642 | 136 747 | 128,590 | 129 129 | 135 680 |
| Public lighting | 67 793 | 68 851 | 70 301 | 77 596 | 80 426 | 84 788 | 85 502 | 87,330 | 87 807 | 85 257 |
| TOTALS | 3 932 902 | 4 135 022 | 4 298 319 | 4 555 829 | 4 655 746 | 4 781 972 | 4 594 881 | 4 355 600 | 3 889 788 | 3 915 479 |
| AVERAGE SALES PER CONSUMER (kWh) | | | | | | | | | | |
| Domestic | 4 308 | 4 307 | 4 381 | 4 353 | 4 273 | 4 185 | 4 073 | 3 912 | 3 349 | 3 250 |
| Commercial | 21 186 | 22 471 | 22 784 | 23 249 | 23 075 | 23 479 | 21 738 | 21 559 | 19 550 | 19 143 |
| Industrial | 66 270 | 64 568 | 61 930 | 64 264 | 68 139 | 71 642 | 70 741 | 58 476 | 56 922 | 66 703 |
| Agricultural | 10 984 | 11 098 | 11 334 | 12 264 | 10 628 | 10 743 | 9 308 | 8 585 | 8 451 | 8 733 |
| Public lighting | 9 497 | 9 082 | 8 798 | 9 130 | 8 902 | 8 925 | 8 565 | 8 452 | 8 256 | 7 792 |
| AVERAGE PRICE PER UNIT BILLED (cent) | | | | | | | | | | |
| Domestic | 11,009 | 12,492 | 12,746 | 15,988 | 13,321 | 16,192 | 18,695 | 22,271 | 20,743 | 18,663 |
| Commercial | 11,748 | 13,009 | 13,328 | 16,982 | 14,196 | 16,905 | 19,377 | 22,645 | 20,840 | 18,923 |
| Industrial | 9,594 | 11,111 | 11,458 | 14,955 | 12,325 | 14,982 | 17,148 | 20,868 | 19,127 | 16,824 |
| Agricultural | 10,106 | 11,434 | 11,675 | 15,296 | 12,697 | 15,440 | 18,293 | 21,929 | 20,013 | 18,168 |
| Public lighting | 9,298 | 10,981 | 11,233 | 14,554 | 12,129 | 14,711 | 17,481 | 20,909 | 19,393 | 17,353 |
| AVERAGE PRICE | 10,988 | 12,408 | 12,719 | 16,178 | 13,473 | 16,232 | 18,668 | 22,188 | 20,488 | 18,418 |

APPENDIX 2

GENERATION, TRANSMISSION & DISTRIBUTION EQUIPMENT

| Description | Unit | In Commission 31.12.2013 | Commisioned in 2014 | Taken out of Commission in 2014 | In Commission 31.12.2014 |
|---|------|-----------------------------|---------------------------|---------------------------------------|--------------------------------|
| GENERATION PLANT | | | | | |
| Dhekelia Power Station | | | | | |
| Steam Turbines | Αρ. | 6 | - | - | 6 |
| Capacity | MW | 360 | - | - | 360 |
| Internal Combustion Engines | Αρ. | 6 | - | - | 6 |
| Capacity | MW | 100 | - | - | 100 |
| Moni Power Station | | | | | |
| Steam Turbines | Αρ. | 4 | - | - | 4 |
| Capacity | MW | 150 | - | - | 150 |
| Gas Turbines | Αρ. | 4 | - | - | 4 |
| Capacity | MW | 150 | - | - | 150 |
| Vasilikos Power Station | | | | | |
| Gas Turbines | Αρ. | 1 | - | - | 1 |
| Capacity | MW | 38 | - | - | 38 |
| Steam Turbines | Αρ. | 3 | - | - | 3 |
| Capacity | MW | 390 | - | - | 390 |
| Combined Cycle Gas Turbine Units | Αρ. | 2 | - | - | 2 |
| Capacity | MW | 440 | - | - | 440 |
| TRANSMISSION EQUIPMENT: | | | | | |
| 220kV Transmission Lines operated at 132kV | | | | | |
| Route Length | km | 43,885 | - | - | 43,885 |
| Circuit Length | km | 87,77 | - | - | 87,77 |
| 132kV Transmission Lines | | | | | |
| Route Length | km | 441,11 | 6,29 | - | 447,40 |
| Circuit Length | km | 882,21 | 12,58 | - | 894,79 |
| 132kV Underground Cables | | | | | |
| Route Length | km | 207,54 | 3,88 | - | 211,43 |
| Circuit Length | km | 207,54 | 3,88 | - | 211,43 |
| 132kV U/G Cables-Operated at 66kV | | | | | |
| Route Length | km | 3,72 | - | 3,72 | 0 |
| Circuit Length | km | 3,72 | - | 3,72 | 0 |
| 66kV Underground Cables | | | | | |
| Route Length | km | 0,66 | - | - | 0,65 |
| Circuit Length | km | 0,66 | - | - | 0,65 |

| Description | Unit | In Commission 31.12.2013 | Commissioned in 2014 | Taken out of Commission in 2014 | In Commission 31.12.2014 |
|---|------|-----------------------------|-------------------------|---------------------------------------|--------------------------------|
| 132kV Transmission Lines operated at 66kV | | | | | |
| Route Length | km | 53,61 | - | 11,04 | 42,58 |
| Circuit Length | km | 107,22 | - | 22,07 | 85,15 |
| 66kV Transmission Lines | | | | | |
| Route Length | km | 82,26 | - | 1,76 | 80,50 |
| Circuit Length | km | 82,26 | - | 1,76 | 80,50 |
| 132/66kV Interbus Transformers | No. | 13 | - | - | 13 |
| | MVA | 648 | - | - | 648 |
| 132/11kV Step Down Transformers | No. | 101 | 2 | 1 | 102 |
| | MVA | 392,5 | 80 | 31,5 | 3 441 |
| 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. | 55 | 2 | 2 | 55 |
| | MVA | 577 | 32 | 10 | 599 |
| 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. | 20 | - | - | 20 |
| | MVA | 1 304 | - | - | 1 304 |
| 11/66kV Step Up Transformers | No. | 4 | - | - | 4 |
| | MVA | 150 | - | - | 150 |
| Substations | No. | 64 | 1 | 2 | 63 |
| DISTRIBUTION EQUIPMENT: | | | | | |
| MV Overhead Lines | km | 5 777,28 | 59,86 | 20,88 | 5 816,28 |
| MV Underground Cables | km | 3 696,60 | 69,59 | 5,95 | 3 760,24 |
| LV Overhead Lines | km | 9 669,73 | 116,84 | 28,58 | 9 757,99 |
| LV Underground Cables | km | 5 686,65 | 164,09 | 2,25 | 5 848,49 |
| 22000-11000/433/250V | | | | | |
| P.M. Transformers | No. | 9 933 | 186 | 31 | 10 088 |
| | kVA | 923 489 | 32 385 | 12 000 | 943 874 |
| 22000-11000/433V | | | | | |
| G.M. Transformers | No. | 6 149 | 67 | 9 | 6 207 |
| | kVA | 3 432 868 | 71 140 | 24 513 | 3 479 495 |

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