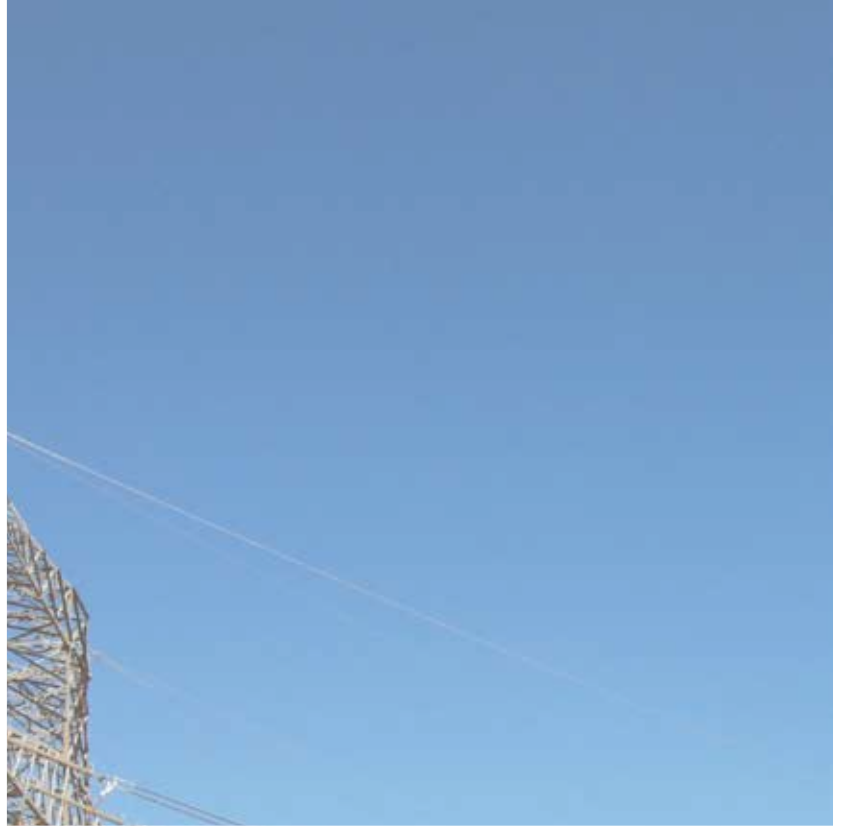




Electricity
Authority
of Cyprus

Annual Report 2016





Electricity
Authority
of Cyprus

Annual Report 2016

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



Electric

The Electricity Authority of Cyprus

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

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

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

Our Mission is ...

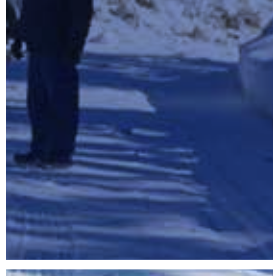
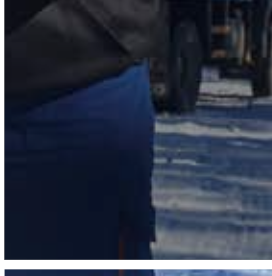
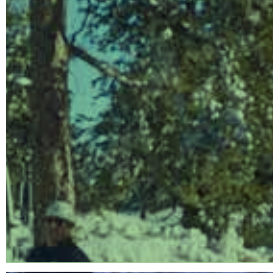
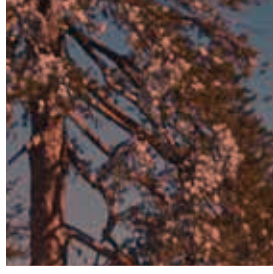
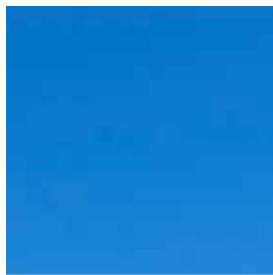
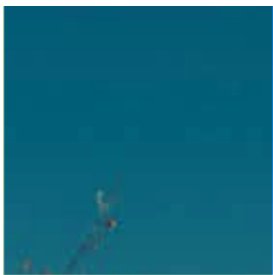
To provide our customers with the highest quality of safe and reliable services in the energy sector and in other activities at competitive prices, respecting society, the environment and our people and contributing to the development of our country.



Author

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The year in brief

		2016	2015	% Increase (Decrease)
GENERATION				
Total units generated	million kWh	4 455,3	4 127,9	7,9
Maximum output capacity of power stations	MW	1 478,0	1 478,0	-
Maximum demand met	MW	968	939	1,5
Thermal efficiency of generation	%	36,3	36,5	(0,5)
SALES OF ELECTRICITY				
Sales	million kWh	4 358,5	4 036,1	8,0
Consumption in the turkish occupied area	million kWh	2,9	2,0	45,0
Average charge per kWh sold	€ cents	11,957	14,281	(16,3)
Consumers at 31 December	thousand	565,6	559,7	1,1
FINANCIAL ACTIVITY				
Total income	€ thousand	580.288	627.787	(7,6)
Operating costs	€ thousand	491.183	553.609	(11,3)
Other losses net	€ thousand	5.415	291	1.760,8
Operating profit	€ thousand	83.690	73.887	13,3
Finance costs	€ thousand	6.585	7.577	(13,1)
Tax	€ thousand	11.321	9.964	13,6
Net profit for the year	€ thousand	65.784	56.346	16,8
Remeasurement of Pension Plan Obligation	€ thousand	(108.337)	84.483	(228,2)
Capital expenditure	€ thousand	36.923	17.952	105,7
Average net assets employed	€ thousand	1.964.622	1.957.278	0,4
Return on average net assets employed	%	4,3	3,8	13,2
EMPLOYEES				
Permanent employees in service at 31 December		2 035	2 046	(0,5)
Sales per employee	million kWh	2,14	1,97	8,6
Consumers per employee		278	274	1,5

Board of Directors and Management

BOARD OF DIRECTORS

From 1.1.2016 until 30.6.2016

CHAIRMAN

Othon Theodoulou
Businessman

VICE CHAIRMAN

Demetra Karantokis
Entrepreneur

MEMBERS

Alexandra Pelagias-Christodoulou
Lawyer

Charalambos Artemis
Lawyer - Professor

Michalis Hadjipantela
Certified Accountant

Nicolas Nicolaou
Electrical Engineer &
Business Administration

Loizos Loizou
Civil Engineer

Konstantinos Kosti
Mechanical Engineer

Ioannis Stavrou Athienitis
Businessman

From 18.7.2016 until 31.12.2016

CHAIRMAN

Andreas Marangos
Lawyer

VICE CHAIRMAN

Michalis Hadjipantela
Certified Accountant

MEMBERS

Agni Shialarou
Lawyer

Elena Tsolakis
Architect

Charalambos Artemis
Lawyer - Professor

Christina Zikkou
Lawyer

Yiannis Constantinides
Certified Accountant

Konstantinos Kosti
Mechanical Engineer

Michael Komodromos
Professor - Electrical Engineering



Andreas Marangos
Chairman



Michalis Hadjipantela
Vice Chairman



Agni Shialarou
Member



Elena Tsolakis
Member



Charalambos Artemis
Member



Christina Zikkou
Member



Yiannis Constantinides
Member



Konstantinos Kosti
Member



Michael Komodromos
Member



Adamos Kontos
Deputy General Manager

MANAGEMENT

General Manager

Vacant Post

Deputy General Manager

Antonios Patsalis

BSc (Eng), MIOSH

Executive Manager Networks

Vacant Post

Adamos Kontos

(from 15.6.2016)

BSc (Eng), MEng, PhD, MBA, MIEEE

Executive Manager Generation and Supply

Alexis Michael

(from 15.6.2016)

BSc (Eng), PhD, MIET, CEng

Executive Manager Finance

Harilaos Hadjiyerou

(until 31.7.2016)

FCA, MBA

Vacant Post

(from 1.8.2016)

Maria Charalambous

(acting from 7.6.2016)

BA Econ (Hons) FCA, MBA

LEGAL ADVISERS

Ioannides Demetriou LLC

Lefkosia

AUDITORS

Auditor General of the Republic

PricewaterhouseCoopers Ltd, Lefkosia

Distribution System Owner Manager

Vacant Post

Adamos Kontos

(until 14.6.2016, by assignment)

BSc (Eng), MEng, PhD, MBA, MIEEE

Adonis Yiasemides

(from 1.11.2016)

Dipl Eng, MBA, MIET

Distribution System Operator Manager

Anastasis Gregoriou

(until 31.10.2016 by assignment,

appointment from 1.11.2016)

BSc (Eng), MBA, MIET, CEng

Transmission System Owner Manager

Costas Gavrielides

(until 31.10.2016 by assignment, appointment from 1.11.2016)

BSc (Eng), MEng, MBA, CIPR Diploma, MIET, MCIPR

Generation Manager

George Skarparis

(until 31.10.2016 by assignment,

appointment from 1.11.2016)

BSc (Eng), MBA, MBA (Oil, Gas & Energy Management)

MIET, CEng, MIMechE

Supply Manager

Yiangos Frangoulides

(until 31.10.2016, by assignment)

BSc (Eng), MBA, MIEEE, MIEE

Marios Skordellis

(from 1.11.2016)

BSc (Hons), MSc, MBA, MIET, CEng

Chairman's Message



EAC's energy is the energy of Cyprus!

The Electricity Authority of Cyprus, the largest organisation in the country, on which economic growth and social welfare have relied, is entering a crucial period of multidimensional challenges.

The implementation of Operational and Accounting Unbundling, which is already under way, is one of the most important projects that EAC has ever undertaken in the course of its 64-year history. In accordance with the relevant Regulatory Decision, based on the corresponding provisions of the European Acquis Communautaire, the four Core Regulated Activities of EAC have been operationally unbundled: the monopoly activities (Transmission and Distribution) and the competitive activities (Generation and Supply). Operational Unbundling ensures that EAC does not exploit its dominant position and that equal opportunities are offered to private sector producers or suppliers.

For the implementation of the Operational Unbundling, EAC has created independent Units for its Core Regulated Activities in such a way as to guarantee their reliable and independent operation.

Furthermore, a Non-Regulated Activities Unit has been set up to deal with additional activities, such as services to third parties, renewable energy sources, desalination, etc.

Based on unbundling, the allocation of costs and charges per activity should be clear. This means that charges must be discernible from the stage of generation to that of supply, so that consumers understand precisely how the amount they are asked to pay on the bill is calculated.

In this way, they will be in a position to make the proper choice once new Producers and Suppliers are in place, as determined by the new Market Rules with the opening up to competition.

Beyond the obvious challenge, the liberalisation of the electricity market and the resulting competition represent an opportunity and a major incentive for us to become better every day. Consumers have choice, they compare and judge. Nothing can be taken for granted and there is no room for complacency. People have demands and expectations of EAC, as one of the most important Organisations in Cyprus. For our part, in 2016 we quietly worked on improving our infrastructures, services and customer assistance offering.

EAC's preparation began with its active participation in the Public Consultation – organised by CERA in 2014 – on the selection of the Market Model and in the Public Consultation on the Market Rules, held by the Cyprus Transmission System Operator in 2016. Looking ahead to July 2019, each Core Regulated Activity has organised its units independently in order to respond effectively to the new needs of the Market.

It is a fact that in recent years, due in part to the financial crisis, the whole spectrum of business activity on the island has had to deal with many problems. EAC was obliged to redefine its strategy and forge ahead cautiously and responsibly in a volatile environment. The results justify the choices that were made and may be seen in the increased sales of electricity for commercial and industrial use in 2016 by 4.1% and 19.5% respectively.

EAC's first priority now is to ensure an adequate supply of natural gas (NG), which will cover consumer requirements at the lowest possible price.

We are ready to contribute to the NG infrastructure through our participation in the BOOT process and the corresponding ownership percentage once the process is complete.

Finally, regarding the development of the NG network and, specifically, the provision of NG to Dhekelia Power Station, this will be perhaps the most significant factor in determining the location of EAC's next generation units. The place and time of installation of new generation units will be examined in the context of the study for the Generation Unit's Development Plan.

The global energy sector is undergoing significant changes. For EAC, it is imperative to adapt to the new realities and adopt technologies that strengthen its infrastructure and reliability. The benefits go beyond narrow business confines and belong to Cyprus itself.



Recognising the importance of energy saving, EAC, through its subsidiary ESCO AHK Ltd, will now be able to offer energy performance contracting and other services. This subsidiary is already on the Energy Service's Register of Energy Service Providers.

EAC is planning to construct the biggest Photovoltaic Park in Cyprus, with a capacity of 20 MW in the Akrotiri area of Limassol. This is a project of national dimensions and is of vital importance for the transition to power generation using RES, covering the electricity needs of tens of thousands of households. It is currently at the environmental licensing stage from the various authorities, although delays have been noted in the issuing of the relevant licence. The cost of the project is expected to be in the area of €20m - €22m. Its implementation will contribute to keeping electricity costs low for consumers and to significantly reducing polluting emissions. At the same time, it is crucial to the achievement of the 2020 national targets regarding the production of electricity with RES.

To this end, another important project forms part of the cooperation between EAC and the University of Cyprus. This is the creation of the 10MW Apollo Photovoltaic Park. The joint proposal by EAC and the University of Cyprus has been submitted to the responsible authorities for approval. At the same time, the foundations are being laid for important research projects and the development of the relevant technology and know-how.

Another substantial move concerns the installation of photovoltaic systems in every school in the Republic of Cyprus, following a request by the Ministry of Education. The project includes the installation of photovoltaics in some 400 schools with a total capacity of 4MW. EAC will undertake the funding of the project, expected to be around €5m.

Broadly speaking, in the context of its strategic planning for the development of RES, EAC is studying and evaluating ways in which it can support relevant projects, either alone or in collaboration with the private sector.

Aligned with the vision of sustainable energy development, EAC follows cutting-edge technology and is an active participant in various European research and innovation programmes.

Smart grids, while at the research stage with pilot schemes on a global scale, are a one-way street for EAC's infrastructural development. The Organisation draws knowledge from the international environment so as to implement state-of-the-art technologies in the development and support of smart grids.

A significant part of this effort concerns smart meters. We are in touch with the responsible State authorities so that the necessary decisions for implementation are taken in 2017.

As fundamental as electricity is to human civilisation, so absolutely necessary is the constant development of the infrastructure of power companies. Smart grids are going to bring a current of growth to the future of human activity.

In 2016, by decision of the President of the Republic, Mr. Nicos Anastasiades, to whom we extend warm thanks, I had the particular honour of taking up my duties as Chairman of the Board of Directors of EAC, an Organisation that, over time, has offered more than most to the country's progress and development.

The Board of Directors has a great responsibility to face up to the challenges and contribute substantially to the development of EAC and the further strengthening of its established reliability in the new energy sector of Cyprus. EAC's high-level human resources, with their specialised know-how and innovation skills, are the Organisation's greatest "working capital" on the road that lies ahead.

I would also like to thank the Minister of Energy, Commerce, Industry & Tourism, Mr. Yiorgos Lakkotrypīs for his personal cooperation and for that of all the officials of his Ministry.

I express my thanks to the Government, the House of Representatives, the Auditor General of the Republic, the Cyprus Energy Regulatory Authority, the Cyprus Transmission System Operator, to all those government bodies and local government authorities with which EAC has collaborated, as well as the representatives of the Media for their promotion of the work of EAC.

Finally, I particularly wish to thank all my colleagues on the Board of Directors, the former Deputy General Manager of EAC, Mr. Antonis Patsalis, the present Deputy General Manager, Dr. Adamos Kontos, and the members of the Organisation's Management, Union leaders and all the personnel for their productive and creative cooperation.

Andreas Marangos
Chairman of the Board of Directors

Message from the Deputy General Manager



During 2016 we found ourselves in a totally new working environment, one in which everything had to change in accordance with the EAC's Accounting and Operational Unbundling.

Despite the challenges that arise from the Accounting and Operational Unbundling process, the Organisation completed its mission for yet another year, implementing a major part of the development plan that it had prepared for 2016. Moreover, the people of EAC once again showed their dedication and determination to serve the public in the best possible way – a public that, throughout the course of almost 65 years since the Authority was founded, has always been one of our top priorities.

It has been said many times but I consider that it would be an omission on my part if I were not to make mention of EAC's personnel. My many years spent in the Organisation have enabled me to gain an all-round view of its people, whether they work in the technical crews, in the power stations, in the offices or in managerial positions. The personnel are the greatest asset of any organisation of the size and contribution of EAC. I therefore congratulate every single member on their individual contribution and work so far and I ask them to continue with the same zeal and work ethic, thereby spurring on our Organisation to become even stronger and better within the new competitive environment that is being created in the energy sector.

Given the new situation that has arisen following the Operational Unbundling, difficulties and obstacles will be encountered. Obstacles and new realities are challenges that the people of EAC always accept and meet successfully as it has repeatedly demonstrated in the 64-year course of the Organization.

The statistics included in this 2016 Annual Report indicate the financial state of our Organisation. Despite the fact that, in 2016, international fuel prices fell compared to 2015, which brought a reduction of around 14.8%, EAC's fuel expenditure was still high, representing almost 49% of the Authority's total expenditure for the year. This percentage reflects, on the one hand, the long-term dependence of both EAC and the country at large on international fuel prices and, on the other, the need to bring natural gas to the country for electricity generation purposes, as well as to include RES in the energy mix while, at the same time, raising public awareness around the subject of energy conservation.

Revenue from billed sales of electricity for the year amounted to €515,622,000, a reduction of €58,416,000 or 10.2%. Total operating expenses amounted to €491,183,000, a reduction of €62,426,000 or 11.3%. Taking financing costs of €6,585,000 into consideration, profit before tax was €77,105,000 compared to €66,310,000 the previous year. After a provision of €11,321,000 for tax, net profit for the year was €65,784,000 (2015: €56,346,000).

Regarding electricity Generation, in 2016, EAC's three power stations generated a total of 4 455 189 MWh, compared to 4 127 876 MWh in 2015, i.e. an increase of approximately 7.9% over the previous year.

Furthermore, it was decided that an anti-pollution system should be installed to reduce nitrogen oxide emissions from the Internal Combustion Units (ICU) 1 at Dhekelia Power Station, the commercial operation of which was completed in early 2017. Also, the Authority proceeded to conduct studies for the installation of anti-pollution technologies in all the Units at Vasilikos Power Station and to install the infrastructure for using natural gas as fuel at Vasilikos Power Station.



The Authority has published a tender for the updating of its Development Plan, which will show whether a new Generation Unit is necessary and when it should be installed.

At the same time, in the field of Networks and in particular the Transmission System, significant projects have been implemented based on the 10-year development plan drawn up in cooperation with the TSO and approved by CERA in order to ensure the reliability of the System.

Regarding the GeoDiaS GIS Network Data Management System - which is an activity of the Distribution System Operator - and is the infrastructure through which the thorough management of Network Planning, Energisation, Operation and Connections takes place, the task of recording and updating data of the Medium Voltage Network and the substations on the Distribution system was completed and it is almost finished for the Low Voltage Network. By the end of 2016, some 20% of customers had been recorded. Furthermore, the systematic recording of all Photovoltaic System Installations is taking place with regard to technical/operational details, properties and their connection to the Network.

In the context of the work of the Distribution System Owner Unit, 135,146 kilometres of Medium Voltage and Low Voltage overhead power lines were installed, together with 104,913 kilometres of Medium Voltage and Low Voltage underground cables. Some 123 overhead transformers were installed and 39 distribution substations established.

In an effort to promote the use of electric vehicles in Cyprus and to further contribute to reducing pollution, having installed a number of charging points across the island, the initial purchase of six electric cars was speeded up and they will be used on a daily basis by staff of the Area Offices and the Authority's Head Offices.

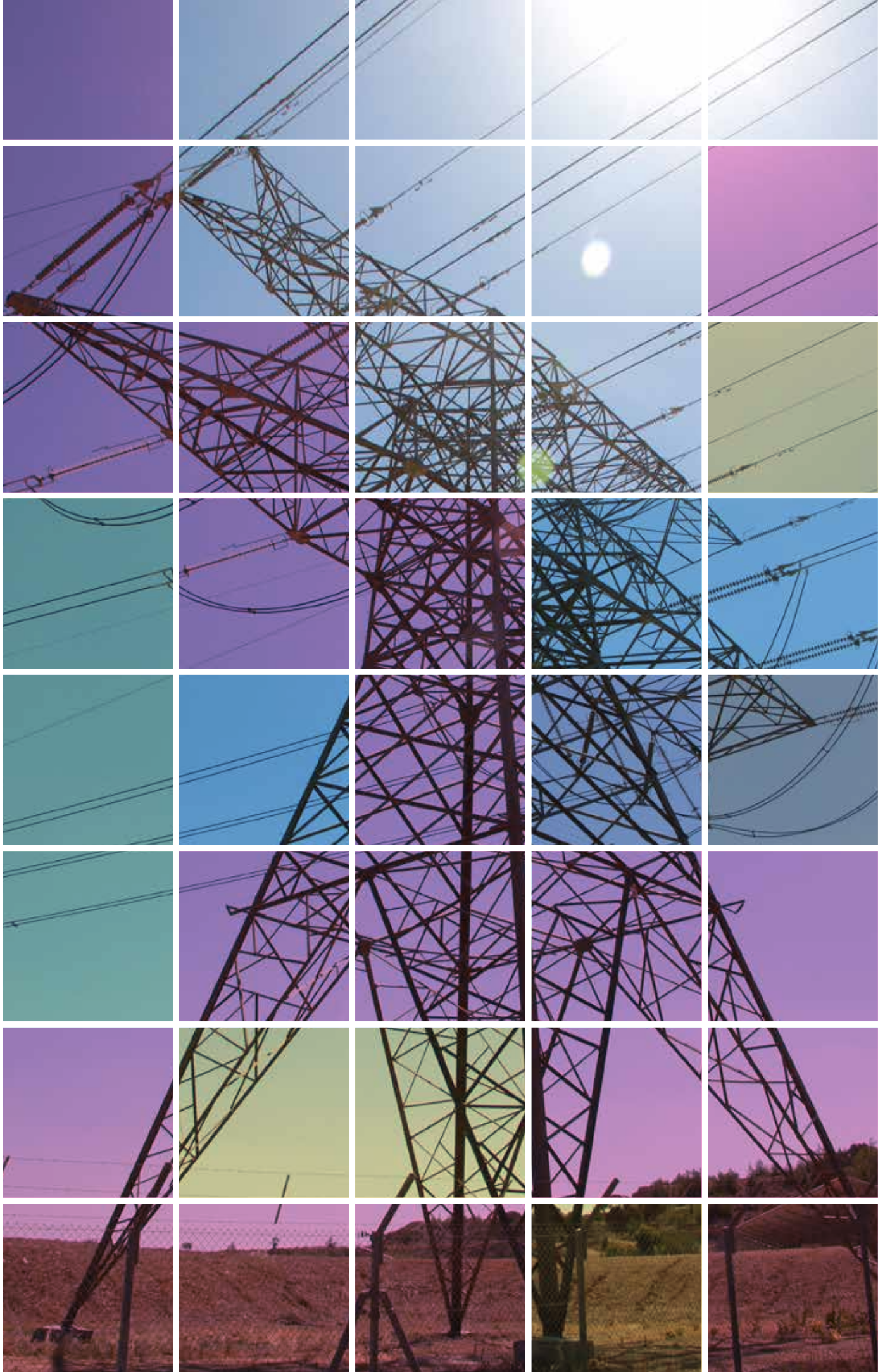
During 2016, EAC continued to sponsor associations and organisations that support our fellow citizens who are facing various problems, mainly related to health. In the framework of its social contribution, among other activities, EAC continued to support the Cyprus Anti-Cancer Society, with which it once again organised the "Light up a Life" Christmas event. We also carried out our regular visit to the schools at Rizokarpaso to provide financial assistance to the children there.

At the same time, in collaboration with the Environment Commissioner, we participated in the "GreenCyprus" campaign, reforesting the areas of Argaka and Solea which were destroyed by fire during the summer. We provided a breath of air with 11,000 young trees and helped the revival of the fauna of the area by contributing to the revival of the burnt wooded areas with the active participation of members of EAC's personnel.

To conclude, I wish to express my warm thanks to all my colleagues and, in particular, the Executive Managers of the Business Units and Managements as well as all the Heads of Department for their full cooperation, and promise that the efforts of the entire Management Team will always focus on the immediate resolution of any problem within the Organisation. I also express my thanks to all EAC's trade unions and to every member of our personnel and I stress that, together, we shall work to achieve the Organisation's further progress.

At the same time, I thank the former Deputy General Manager, Mr. Antonis Patsalis, for our cooperation prior to my succeeding him in the post. I consider it my duty to express thanks to all the members of the EAC Board of Directors and, in particular, the Chairman of the Board, Mr. Andreas Marangos, for his collaboration throughout the time I have spent carrying out the duties of General Manager of EAC.

Dr. Adamos Kontos
Deputy General Manager



Operational Unbundling



Following the Cyprus Energy Regulatory Authority (CERA) Regulatory Decisions No. 02, 03 and 04/2014 for the Unbundling of EAC accounts and the Operational Unbundling, EAC implements measures for its compliance.

Through the compliance procedure, EAC is restructured in four independent Core Regulated Activities (CRA) Generation, Supply, Transmission and Distribution, and to the Non- Regulated Activities.

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

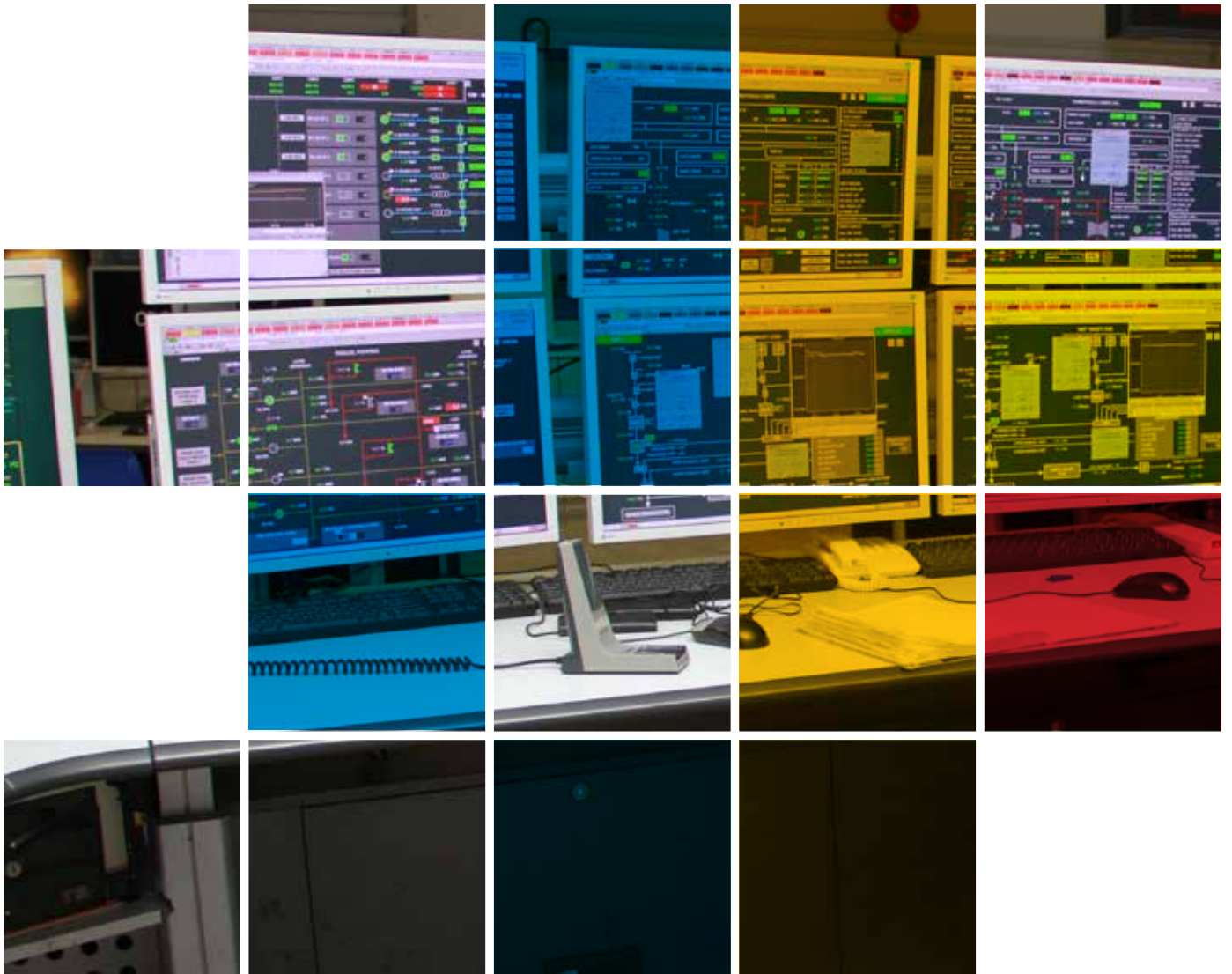
- by the independent preparation of each Core Regulated Activity's budget, Strategic, Business and Action Plan
- with the implementation of the Corporate Governance Code and the Code of Conduct, as well as
- with the correct costing of man-hours of all services provided to and between Core Regulated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

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

By implementing the above measures, EAC seeks to achieve exclusion of cross-subsidization and protection of competition, to avoid "discrimination" and non-discriminatory behavior towards consumers, users of the system and electricity market participants.

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

generation and supply business unit



GENERATION MANAGEMENT

During the year 2016, 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 2016, 2 873 548 MWh, which corresponds to 64,50% of the total electricity generated from the Authority's Power Stations. During the same period the Station exported 2 733 360 MWh which corresponds to 64,55% 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 38,08%, for the CCGT Unit No. 4 reached 45,14%, while for the CCGT Unit No. 5 reached 46,21%.

Moreover, the thermal coefficient of efficiency for units exported, of the Steam Units 1, 2 and 3, reached 36,07%, for the CCGT Unit No. 4 reached 44,06%, while for the CCGT Unit No. 5 reached 43,78%.

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 2016, 1 557 984 MWh which corresponds to 34,97% of the total electricity generated from the Authority's Power Stations. During the same period the Station exported 1 478 490 MWh which corresponds to 34,91% of the total electricity exported from the Authority's Power Stations.

The thermal coefficient of efficiency of the Steam Units, for units generated, reached 29,71% whereas the corresponding thermal coefficient of efficiency for the Internal Combustion Plants reached 41,58%.

Moreover, the thermal coefficient of efficiency of the Steam Units, for units exported, reached 28,05% whereas the corresponding thermal coefficient of efficiency for the Internal Combustion Plants reached 39,27%.

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 2016, 23 658 MWh which corresponds to 0,53% of the total electricity generated from the Authority's Power Stations. During the same period, the Power Station exported 22 763 MWh which corresponds to 0,54% of the total electricity exported from the Authority's Power Stations.

The thermal coefficient of efficiency of the gas turbines for units generated reached 24,33% whereas the corresponding thermal coefficient of efficiency for units exported reached 23,41%.

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 2016. 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.

Due to the high NO_x emissions of the Internal Combustion Engines (ICE1) at Dhekelia Power Station, the Authority has decided the installation of a Selective Catalytic Reaction (SCR) DeNO_x system on these Engines with the aim to lower these emissions.

STUDIES

Officers of the Operational Generation Unit were involved in the procedures required for the Accession of Cyprus in the European Union and the effects these will have on EAC operations and especially in matters involving the environment and the generation of electricity.

The Operational Generation Unit prepared the verification report with calculations of the carbon dioxide (CO₂) emissions for the period January-December 2015 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.

SYSTEM OPERATION

Electricity supplied

In 2016 the total number of units generated by the EAC's three Power Stations was 4 455 189 MWh, compared to 4 127 876 MWh in 2015, representing an increase of about 7,93% over the previous year.

Figure 2 (page 21) shows the total number of units generated annually from 2009 to 2016, as well as the predicted generation for the period 2017 - 2026.

Generation, Transmission and Distribution Losses

Electricity consumption at the Power Stations amounted to about 4,95% of the total generation, compared to 5,35% the previous year.

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

Fuel Consumption

The amount of heavy fuel oil consumed by the Power Stations totalled 882 677 Metric Tonnes, compared to 857 868 Metric Tonnes the previous year, representing an increase of 2,89%.

The total quantity of diesel fuel consumed by the Power Stations was 149 967 Metric Tonnes, compared to 89 358 Metric Tonnes consumed during 2015, representing an increase of 67,83%.

The average calorific value of the fuel oil used was 42 844 kJ/kg compared to 43 017 kJ/kg in 2015.

Plant Efficiency

The average generating system efficiency in 2016, based on the total units generated by the EAC's three Power Stations, was

36,25% compared to 36,47% in 2015. The heat rate per kWh generated was 10 448 kJ/kWh compared to 10 429 kJ/kWh in 2015.

DEVELOPMENT PLAN OF EAC

The EAC has taken the decision to install an SCR DeNOx System on No. 1 Internal Combustion Engines (ICE1) at Dhekelia Power Station, the commercial operation of which is expected to be at the beginning of 2017.

The Authority has investigated and evaluated its options for the installation of reduction emission technologies on all Units at Vasilikos Power Station. In addition, EAC will proceed with the construction of the required Natural Gas infrastructure at Vasilikos Power Station.

The Authority is also planning at the beginning of the year, to issue a Tender for its Development Plant, with an aim, amongst others, to evaluate the necessity of installing a new Generating Unit.

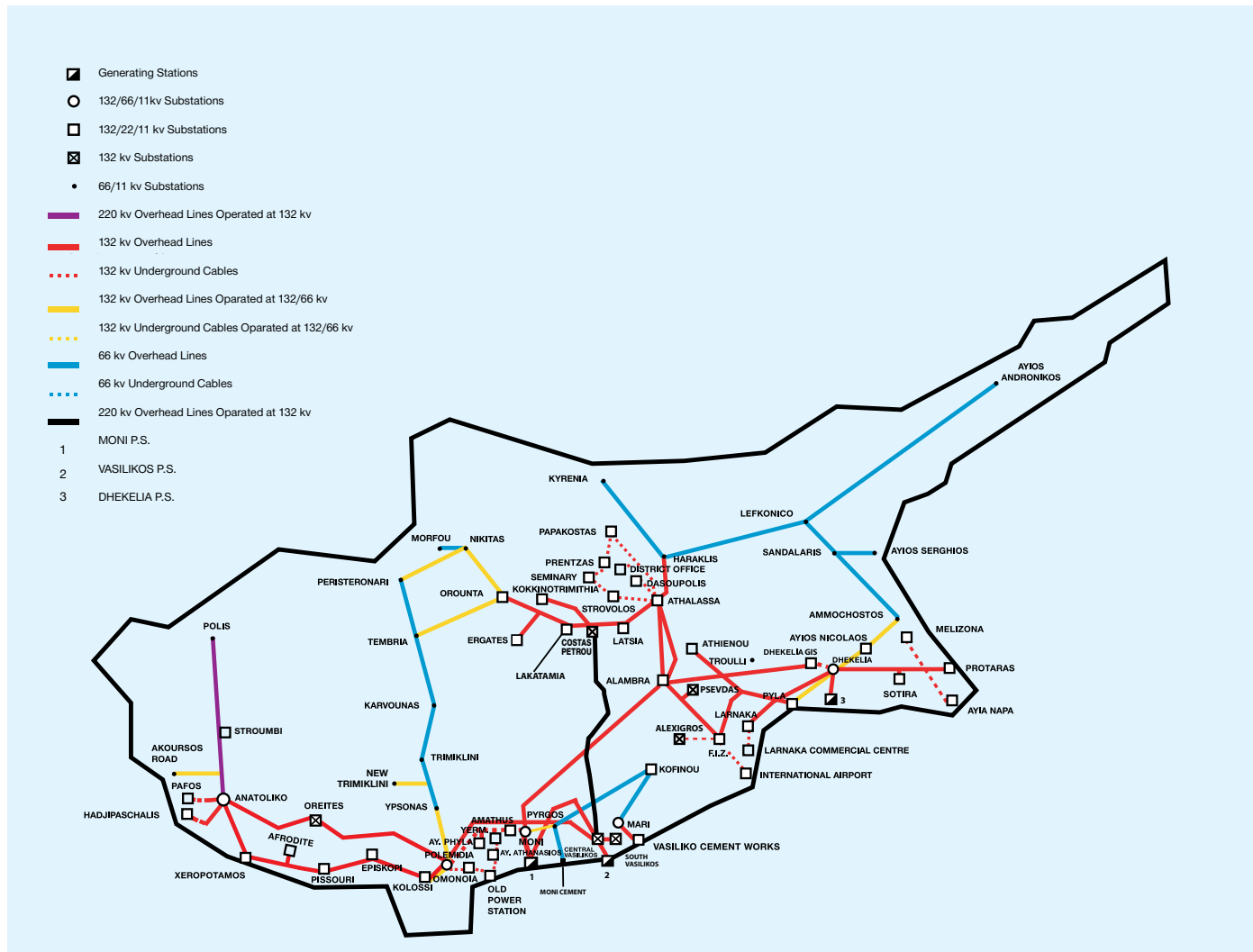




Figure 1

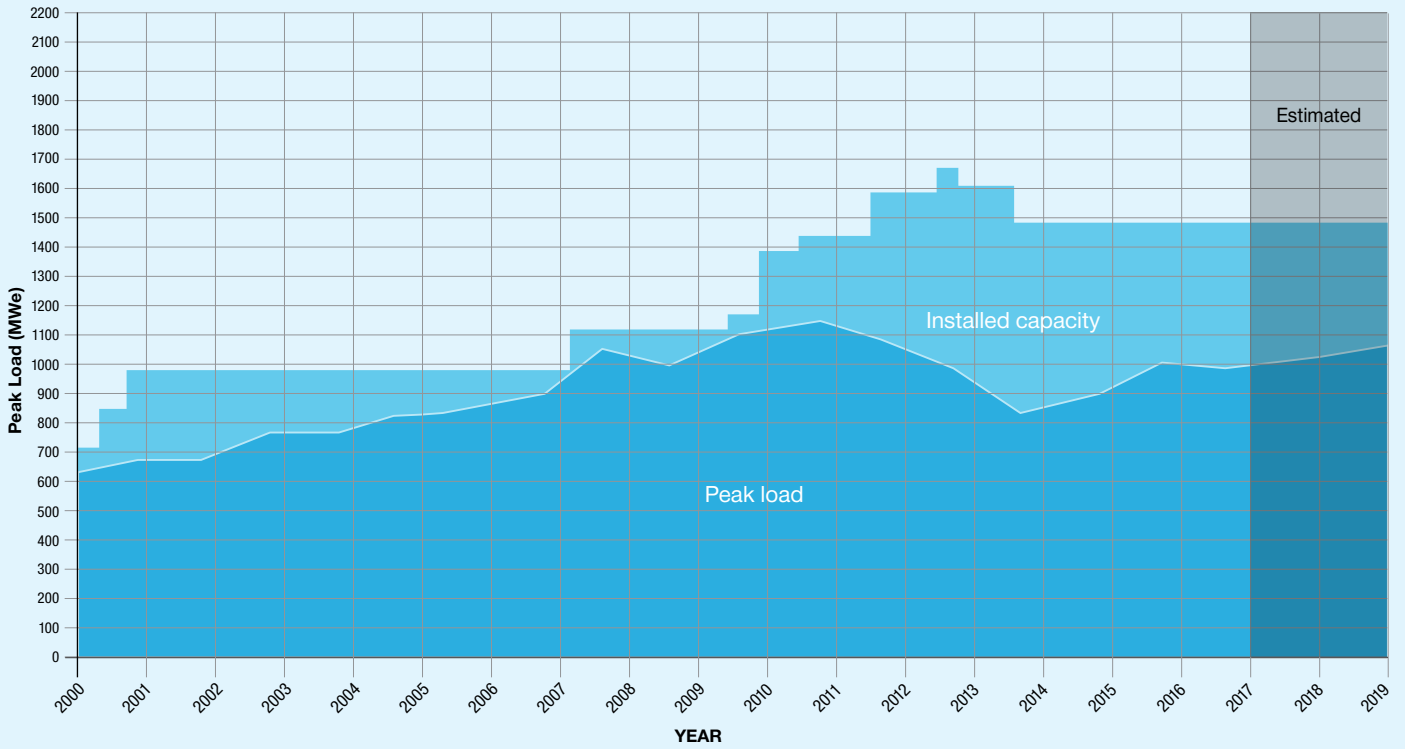


Figure 2

TOTAL SYSTEM GENERATION

(Million kWh)

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

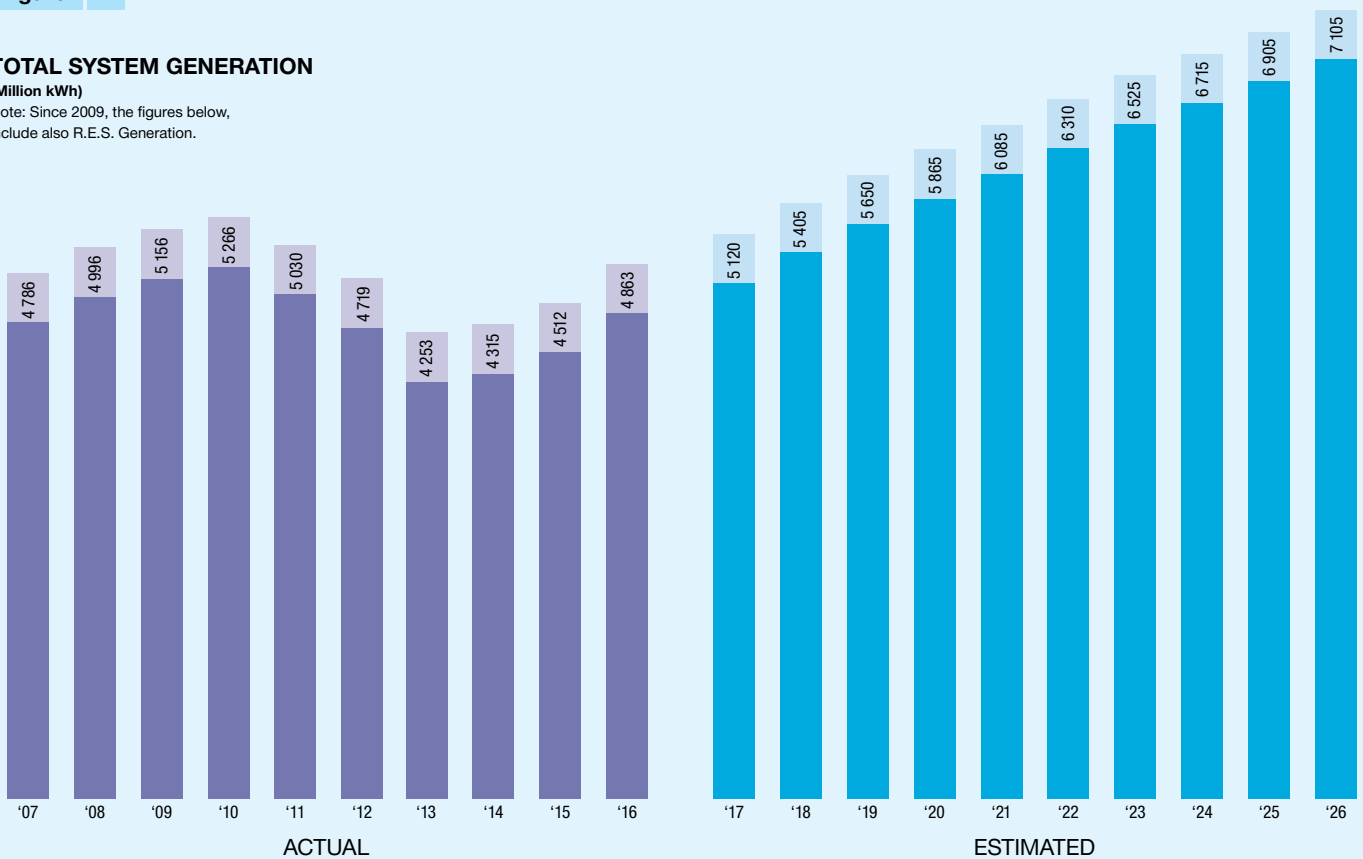


Figure 3

ELECTRICITY SYSTEM ENERGY GENERATION AND EAC SALES FOR 2016

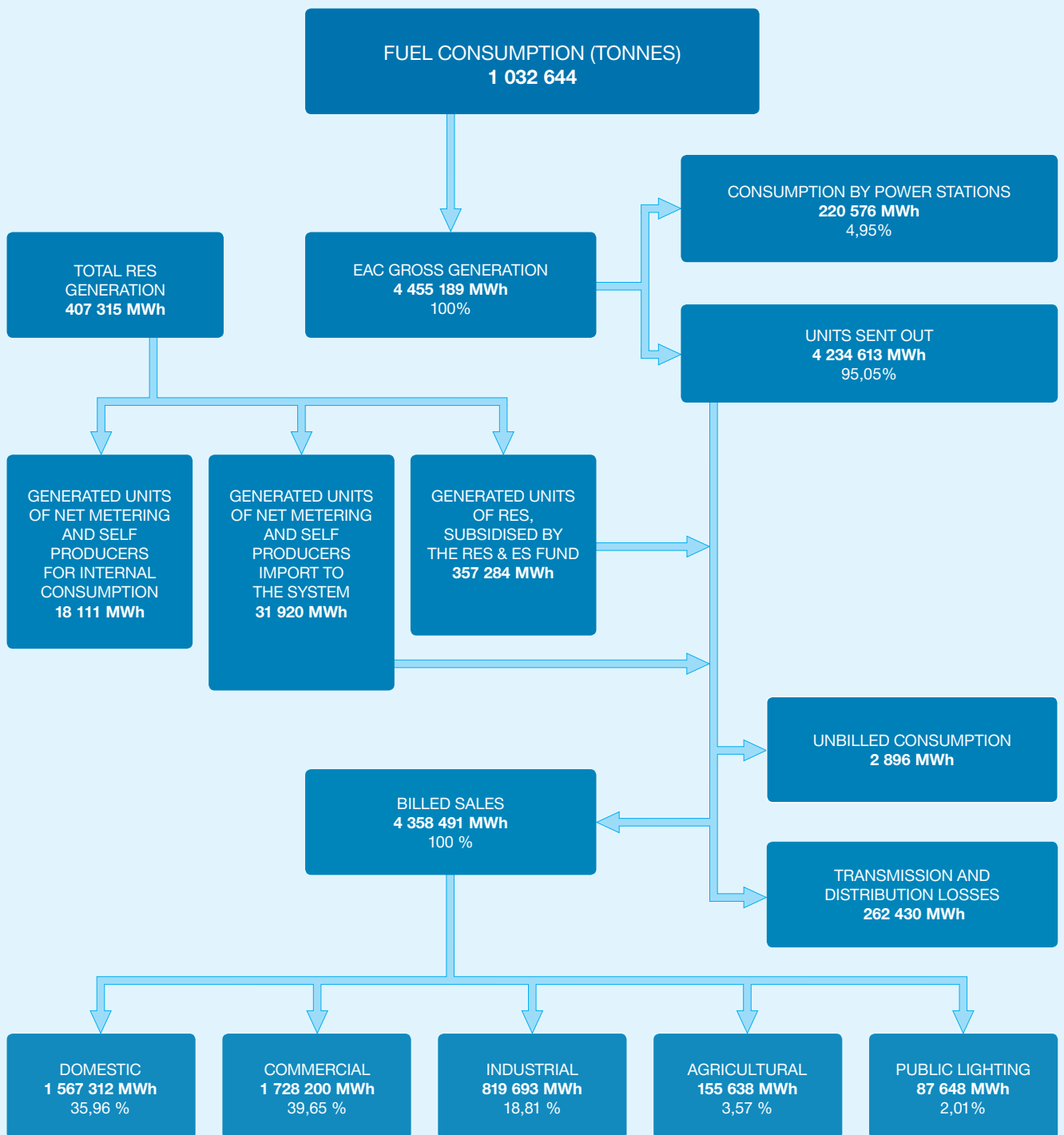
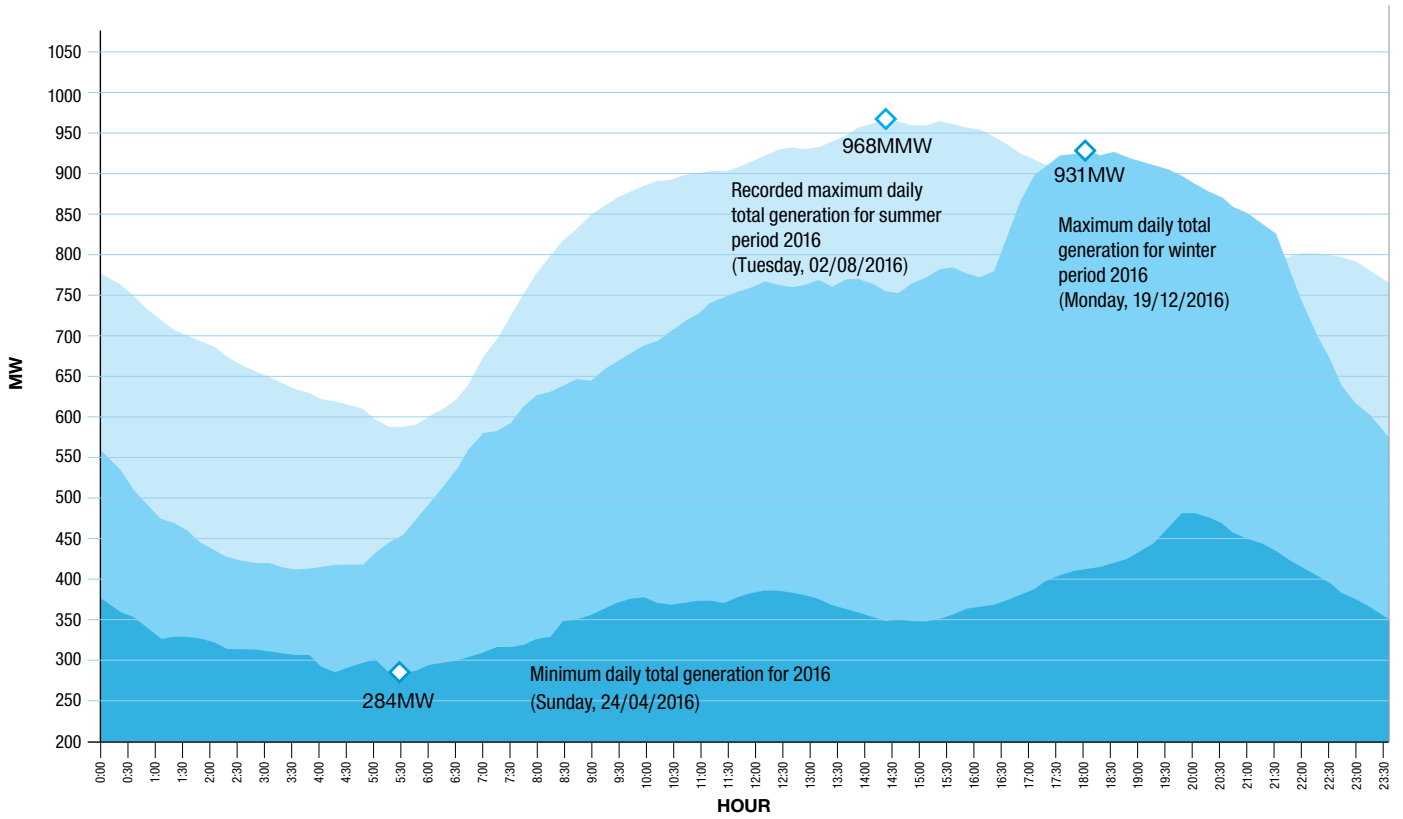




Figure 4

RECORDED MAXIMUM AND MINIMUM TOTAL GENERATION FOR SUMMER AND WINTER PERIOD OF 2016



SUPPLY MANAGEMENT

CONSUMERS

At the end of 2016, the total number of consumers in the government-controlled areas of Cyprus stood at 565 556, a net increase of 5 856 or 1,0%.

Table 1 below 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 4 319,0 GWh, compared to 4 036,1 GWh the previous year, representing an increase of 7,0%.

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

Sales for the years 2014, 2015 and 2016 are shown in Figure 5. Sales and revenue for 2016 are shown by consumer category and as a percentage of the EAC's total sales and revenue in Figure 6.

OFF-PEAK SUPPLIES

Off-peak sales (tariff Code 55) totalled 44 400 MWh, representing a decrease of 2 169 MWh or 4,66% compared to 2015. This was due mainly to the fact that the average per kWh charge for the off-peak tariff (tariff Code 55), decreased from 9,74 cents in 2015 to 6,38 cents in 2016.

Consumers opting for the off-peak tariff totalled 20 889, representing a reduction of 81. Of these, 20 575 (96,9%) were domestic consumers with an average consumption of 2 092 kWh compared to 2 186 kWh in 2015.

Table 1

NUMBER OF CONSUMERS

Consumer category	As at 31.12.2016	As at 31.12.2015	Change %
Domestic	442 293	437 577	1,1
Commercial	86 494	85 525	1,1
Industrial	9 596	9 712	(1,2)
Agricultural	15 886	15 748	0,9
Public Lighting	11 287	11 138	1,3
TOTAL	565 556	559 700	1,0

Table 2

BILLED SALES OF ELECTRICITY (MWh)

Consumer category	As at 31.12.2016	As at 31.12.2015	Change %
Domestic	1 567 312	1 475 972	6,2
Commercial	1 728 200	1 659 588	4,1
Industrial	819 693	685 864	19,5
Agricultural	155 638	129 447	20,2
Public Lighting	87 648	85 211	2,9
TOTAL	4 358 491	4 036 082	8,0



Figure 5

SALES OF ELECTRICITY
(millions kWh)

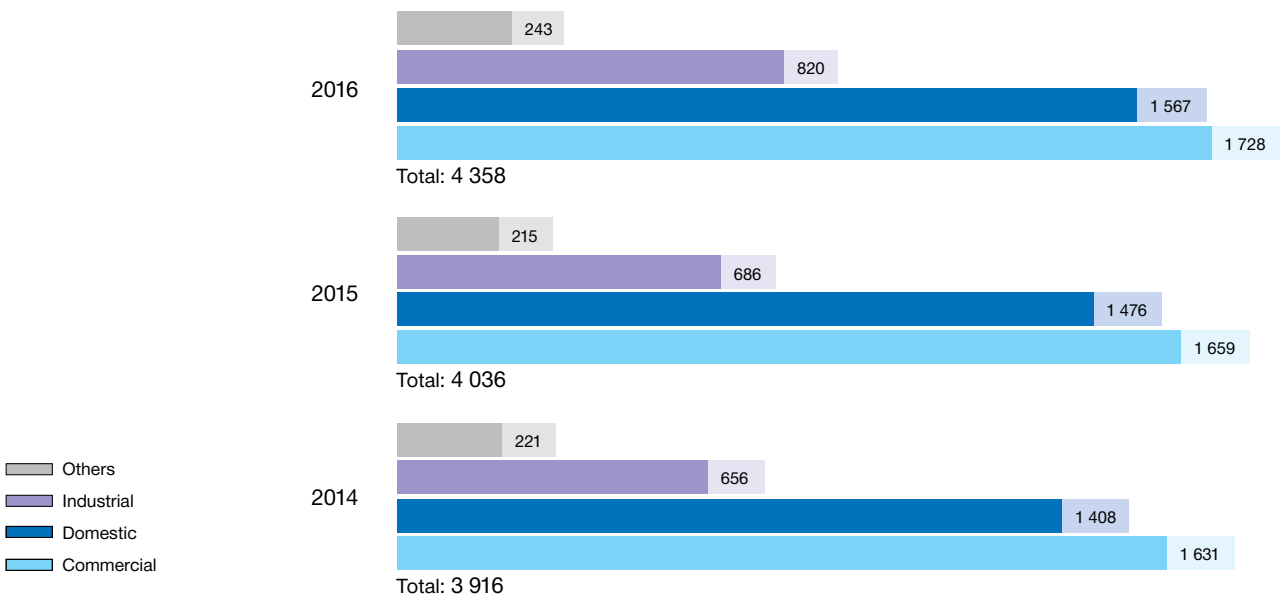
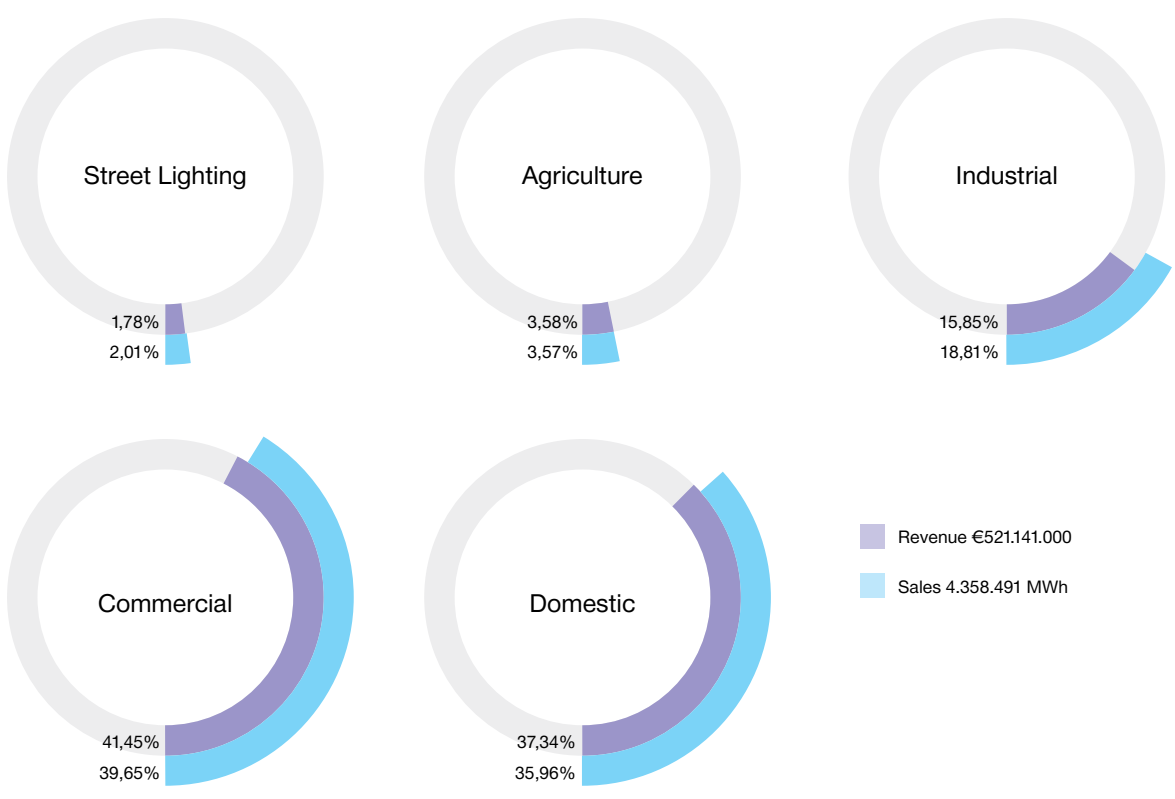


Figure 6

ELECTRICITY SALES & REVENUE BY CONSUMER CLASS



TARIFFS

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 2016 some 17 647 customers were benefiting from this. The total benefit to customers in 2016 and consequently, the reduction in revenue to the EAC as a result of this special tariff, was €3.048.713 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 14,281 cents in 2015 to 14,281 cents in 2015 or 22,5 %, as a result of the reduction of oil prices and the permanent reduction of 8% that CERA imposed to basic price of EAC tariffs.

During the year 2016, within the framework of the liberalised electricity market in Cyprus, the EAC Tariffs Team in collaboration with external consultants started drafting new marginal cost tariffs.

The whole effort was focused on simplifying and reducing the number of tariffs as well as the elimination of cross subsidies that exist between various types of tariffs. The EAC after several consultations with CERA, submitted to CERA in October 2016, a new tariffs study. By instruction of CERA, this new tariffs study was put to public consultation from 27.10.16 until 27.11.2016. All comments submitted by the public during the public consultation will be taken under consideration for a new revised study that will be submitted to CERA in early 2017.

LOAD RESEARCH AND CONTROL

In the context of its Load Research, the 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 2016, the 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

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.

During 2016, the technical upgrading of the system began which is expected to be completed in 2017.

CONTACT CENTRE

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.

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 2016, the Meter Reading Service received approximately 21 900 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 2016, the Billing Service received approximately 127 500 calls.

Faults Reporting and Complaints Service

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 2016, the Faults Reporting and Complaints Service received approximately 176 000 calls.

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

New Applications Service

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 2015, the service received approximately 16 300 calls.

“JOIN AND WIN” CAMPAIGN

During the year 2016, the Supply Management continued the campaign “Join and Win” giving the opportunity to customers to win supermarket vouchers worth €100. Specifically, customers who settle their account via bank order participate in a draw for 10 vouchers every six months while customers who settle their account via bank order and also receive their electricity bill electronically participate in a draw for 10 coupons every three months.

SEND SMS TO CUSTOMERS

Since Autumn 2015, the Supply Management in its effort to help even further its customers who for any reason have delayed the payment of their electricity bill, adopted, as an additional reminder the sending of SMS messages to customers for settling their bills, before EAC proceeds with disconnecting the electricity supply to their premises.

WIRELESS NETWORK WiFi IN CUSTOMER SERVICE CENTRES

The Supply Management is at the final stage of the process to provide wireless wifi network in eight of EAC’s Customer Service Centres throughout Cyprus, thus providing free online access to customers. The project is expected to be operational by early 2017.

EAC MOBILE APPLICATION

During October 2016, the Supply Management launched a tender for the design and operation of the EAC mobile application for iOS and Android, for mobile and tablets. Through the use of this application the EAC customers will be able to get information about various aspects of the EAC that interest them. The project should be completed within the second half of 2017.

RENEWABLE ENERGY SOURCES

EAC is acting always under the strict framework of Cyprus’ appropriately adapted and amended Laws and Regulations concerning the subject of Renewable Energy Sources (RES), and continued in 2016 to give all possible technical assistance and priority in the examination of customer’s applications to install units for generating electricity from RES.

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.

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 2016, a total of 1 918 photovoltaic systems had been installed (compared to 1 914 photovoltaic systems at the end of 2015, i.e. an increase of 0,2%) and were producing up to 53 778 kW, with a total installed voltage (compared to 50 458 kW at the end of 2015, i.e. an increase of 6,6%) and total production of 94 406 021 kWh (86 843 452 kWh at the end of 2015, i.e. an increase of 8,7%). It should also be noted that by the end of 2016, some 14 Generation Units using biomass/biogas were in operation with a total installed capacity of 9 714 kW and a total production of 36 606 521 kWh. The six Wind Parks operating on the island with a total installed capacity of 157,5 MW, generated 226 271 924 kWh in 2016.

networks
business unit



In accordance with recent amendments to Cypriot legislation, the Networks Business Unit is Owner and Operator of the Distribution Network and Owner of the Transmission Network. A particular characteristic of the Unit is that it deals with what is, by its very nature, the monopolistic part of the EAC's work and this creates a need for monitored regulation, so that the objectives laid down by the EU and the Republic of Cyprus concerning the functioning of the electricity market are achieved.

The Networks Business Unit has long aimed at finding the best technological solutions, leading to the most reliable supply of electricity at the lowest possible cost. Today, with the arrival of distributed generation and the development of two-way communication between consumers and network monitoring points through a modern, reliable telecommunications infrastructure, everything is in place for the creation of a smart network and all the benefits that come with it.

Organisationally, the Networks Business Unit consists of the following Units and the respective Departments of the Area Offices:

- Distribution System Operation (DSO) Unit
- Distribution System Owner (DAO) Unit
- Transmission System Owner (TAO) Unit

All the activities of the Area Offices, apart from Supplies, take place under the jurisdiction of the Networks Business Unit, with the objective of providing a complete range of network-related services. The aim of the Area Offices is the provision of the best possible customer service with the ultimate goal of offering an uninterrupted, reliable supply of electricity and connecting new consumers.

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:

- Nicosia-Kyrenia-Morphou
- Limassol
- Famagusta-Larnaca
- Paphos

The Area Offices are organised into Departments which fall under the jurisdiction of the three Units of the Networks Business Unit as follows:

- Studies/Planning/Connection Terms & Conditions (DSO)
- User Assistance/Inspection of Installations (DSO)
- Construction & Distribution Network Maintenance (DAO)
- Construction & Transmission Network Maintenance (TAO)

DISTRIBUTION SYSTEM OPERATOR (DSO) UNIT

The particular responsibilities, rights and obligations concerning the Distribution System Operator (DSO) arising from Cyprus' legislation create special requirements for their optimal, strict and effective implementation for the benefit of consumers and the economy.

The work of the Distribution System Operator is the development and efficient operation of the Electricity Distribution Network in a new environment, the efficient operation of the electricity distribution network in Cyprus and the provision of transparent, impartial access to consumers and, in general, all network users. It aims at ensuring a reliable power supply for consumers, the quality of the voltage and making constant improvements to the quality of service, as well as the smooth operation of the electricity market, since almost all producers, suppliers, consumers and prosumers are users of the Distribution Network.

On the basis of the provisions of the law presently in force, the work carried out by the DSO concerns:

1. Responding to applications from users

- New connections for consumers and producers.
- Increased capacity of existing connections.
- Network transfers.
- Expansion of the Street Lighting Network

2. Network Development

- Network reinforcement, improvement and modernisation
- Construction of Distribution Centres and the necessary interconnecting network
- Expansion of the e-charge network for electric vehicles

3. Distribution Network Operation and Use

- Distribution Network operation
- Network user service
- Provision of ancillary services
- Consumption metering
- Support to the Cyprus TSO for the operation of the System, providing all the necessary elements for the operation of the country's interconnected electricity system.

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, 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.

In the framework of its role as Distribution System Operator, the Networks Business Unit, among others:

- Managed the penetration of the following Photovoltaic Systems:

Photovoltaic Systems	Number of Producers	Total Installed Capacity (kW)
Net Metering	9,135	28,250
Autoproducers	81	3,653
Other systems through the purchase of electricity	1,918	53,782

- 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.
- Operated and managed the e-charge electric vehicle charging system with the aim of supporting the use of electric cars in Cyprus. At present, the system has 16 charging points. Also, an entire system for checking and monitoring electric vehicle charging points was installed and brought into operation. Proposals have been submitted to various stakeholders for expanding the charging infrastructure with

additional points in Nicosia and fast charging points on highways. In 2016, a decision was taken to expand the e-charge service with three more charging points in the Limassol area. The number of e-charge customers, and electricity sales, rose sharply during the year in review.

- Participated in the LIFE+ SmartPV research project, which aims at optimising the net metering system for all stakeholders. The objective is the best use – from a cost-efficiency standpoint – of photovoltaic technology and its greater penetration into the national electricity grid and the smart management of consumer demand. Through the project, a tool has been devised that predicts the amount of electricity generated by photovoltaic systems.

Operation of the SCADA Distribution Management System (DMS)

In 2016, in conjunction with its Consultants, the EAC proceeded with the detailed planning of the implementation of an integrated SCADA Distribution Management System (DMS). 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 Network Development Studies

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

The Studies & Planning Department of each Area Office deals with Studies/Planning and the publication of Connection Terms & Conditions. The main work in the area of Studies is the management of applications from consumers or producers for connection to the EAC Network and all the related tasks, studies, obtaining government approval and consent. The Connection Terms & Conditions Department deals exclusively with the publication of Connection Terms & Conditions for Applicants.

In order to expand and develop the Distribution System, 4,482 studies were completed by the Area Office study departments in 2016 compared with 3,3041 in 2015, an increase of approximately 35.6%.

User Assistance/Inspection of Installations

The main work of the Department includes the following:

- Providing assistance to Network Users regarding electrical/technical issues.

- Providing assistance to Network Users regarding quality of supply.
- Carrying out on-site inspections for connections to the Low Voltage Network.
- Revenue Protection/Monitoring meter accuracy/Investigating meter faults.
- Tampering/Theft/Recording Damage to meters.
- Inspection/Re-checking of electrical installations of consumers and producers.
- Ensuring compliance with current legislation regarding the inspection, connection and availability of electricity from Renewable Energy Sources.
- Ensuring compliance with the terms & conditions governing access to and use of the Distribution Network and with the Distribution Network market rules.
- Informing the Operations Department of problems on the Distribution Network.

This work is mainly carried out by the User Assistance/Inspection of Installations departments of the Area Offices.

During the year in review, the User Assistance Department began implementing the ISO 17020 standard with the objective of being accredited for on-site inspection of installations, photovoltaic systems, meters and network quality measurement.

Ring-fenced Measurement Recording Department

The main tasks of the Department are the following:

- Meter reading and recording
- Gathering metering data
- Data processing and monitoring
- Sending data to suppliers
- Supplier change process

During the year in review, specifications were drawn up and a tender published for the purchase of a new meter reading system and the appropriate data recording and processing software.

The specific department is operationally ring-fenced and its personnel are located in specific arts of the Area Offices.

GIS Network Data Management System (GeoDiaS)

The GeoDiaS GIS Network Data Management System operates with the Geographical Information System (GIS) system at its core and constitutes the infrastructure within which the dynamic management of the planning, energising, operation and connections of the electricity network takes place.

The GIS is responsible for the dynamic management of the whole of the electricity and electronic communications systems, and is updated constantly through the constant and systematic work of the technical departments across the whole network, thereby securing its dynamism and electrical function. The full operation of the GIS systems supports daily data updates and the management of the electricity system.

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 task of recording and updating data of the Medium Voltage Network and the substations on the Distribution system was completed and is almost finished for the Low Voltage Network. The recording and updating of all Network connections continues at a rapid pace. By the end of 2016, some 20% of customers had been recorded. Furthermore, the systematic recording of all Photovoltaic System Installations is taking place with regard to technical/operational details, properties and their connection to the Network.

As regards 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.

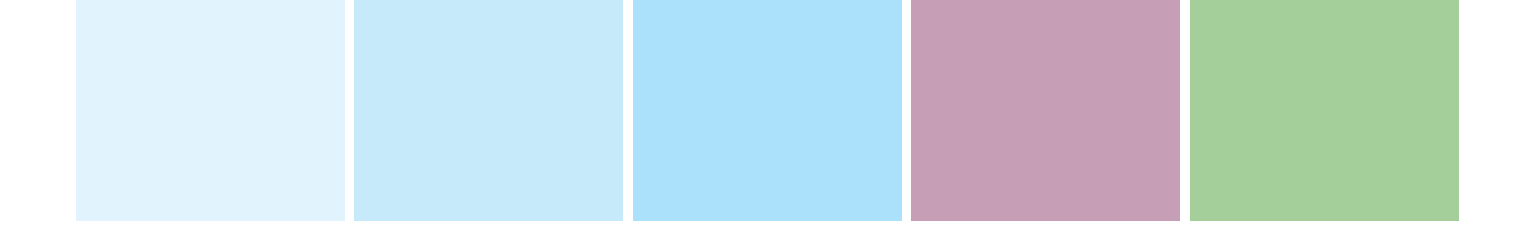
DISTRIBUTION SYSTEM OWNER (DAO) UNIT

The Distribution System Owner (DAO) Unit deals with the entire range of work relating to the expansion, reinforcement and maintenance of the Distribution Network and the Telecommunications Network with the aim of responding to the present-day needs of the Electricity Authority and, more generally, the needs and demands of the country's economy and society.

Construction

Distribution Network development projects are implemented and monitored by the responsible departments of the Area Offices.

The cost of construction work for the expansion and development of the Distribution System in 2016 amounted to some €18,9 million, corresponding to 3 271 construction files/studies.



Specifically, in 2016, 135.146 kilometres of Medium Voltage and Low Voltage overhead power lines were installed, together with 104.913 kilometres of Medium Voltage and Low Voltage underground cables. Some 123 overhead transformers were installed and 39 distribution substations established.

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 project of the Distribution System Owner (DAO) Unit.

For the maintenance of the Low Voltage Network in 2016, patrols and tree pruning took place along a total low voltage line length of 3,996 km. For the maintenance of the Medium Voltage Network, a total of 5,633 km of medium voltage power lines were patrolled, pruning took place and vegetation was cleared along a total of 5,819 km of medium voltage power lines. Additionally, 959 equipment earthing systems were inspected and 351 were repaired while simple equipment maintenance was carried out in a further 307 cases.

As regards transmission substation maintenance, annual work was carried out on 2,890 substations, twice-yearly maintenance took place in 1,066 substations and ten-year maintenance was carried out on 119 transmission substations

Technology, Specifications and Code of Practice

Among the responsibilities of the DAO Unit are the monitoring of developments in power distribution technology, the drawing up and updating of technical specifications for all Distribution Network equipment and materials. The Unit is also responsible for the preparation of Codes of Practice and Construction Methods as well as Distribution Network Technical Manuals and Processes.

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, 227 approved technical specifications concerning 1,283 materials, 55 technical instructions and 27 Distribution Network procedures. In 2016, 27 technical specifications were revised.

At the same time, the DAO Unit provides technical support on issues of cooperation with strategic partners and of connections for producers using RES and other distributed generation to the Distribution Network.

Supply Chain Management

In order to satisfy the need for expansion, upgrading and maintenance of the Distribution Network, the DAO Unit maintains stocks of materials and equipment.

The single Distribution Supply Chain consists of the Distribution Network Materials Management Team, the Central Distribution Store and the Area Stores.

The operation of the Central Distribution Store and the centralised system of replacement of stocks by the Unit has contributed substantially to a reduction of the accumulated Distribution Network material stocks held by the EAC. Stocks are now regulated dynamically according to the needs of technical/ financial studies as well as for Distribution Network material requirements of the past 12 months.

As of 31/12/2016, the total value of Distribution Network Material stocks (Central Store, Area Stores and MRTC) amounted to €16,624,995.

Evaluation of Tenders and Contract Management


During 2016, the DAO Unit was involved in the evaluation of six large international tenders and 53 smaller ones. It managed 48 materials procurement contracts, nine service provision contracts and four project contracts related to both small-scale (category A) and large-scale (category B) projects as well as the provision of materials and services.

For these contracts, quality control is carried out on materials in accordance with European and International Standards, type and design testing takes place in independent testing laboratories, routine and acceptance tests are held at the manufacturers' labs, materials are checked upon delivery to the stores and network testing is also carried out.

Vehicle Fleet Management

The DAO Unit is responsible for the management of the EAC's fleet of vehicles.

During the year under review, the process of replacing a large number of old cars was speeded up, on the one hand to reduce maintenance costs and, on the other, to lower fuel consumption and the EAC's carbon footprint, thereby making a serious contribution to the lowering of CO2 emissions and the reduction of environmental pollution.



In an effort to promote the use of electric vehicles in Cyprus and to further contribute to reducing pollution, having installed a number of charging points across the island, the initial purchase of six electric cars was speeded up and they are used on a daily basis by staff of the Area Offices and the Authority's Head Offices.

Area Offices - Construction and Maintenance

The Construction & Maintenance Departments of the EAC's Area Offices fall under the jurisdiction of the DAO Unit.

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.

The responsibilities of the DAO Unit at Area Office level include the expansion, reinforcement, improvement and maintenance of the Distribution Network, the installation of overhead power lines, the construction of overhead and underground feeders for connecting consumers, meter installation, cable laying/connection, the construction and commissioning of distribution substations, monitoring and supervision of contracted distribution project work, the installation of street lighting in new network development or expansion areas, and the disconnection and reconnection of consumers at the request of the Distribution System Operator. Furthermore, annual/two-yearly distribution substation maintenance is undertaken, together with maintenance of the overhead Distribution and Transmission Network, tree pruning around the power lines and the inspection and repair of earthing systems.

At Area Office level, the DAO Unit is also responsible for the detection, investigation and reparation of faults, as well as the operation of Emergency Crews that deal with immediate repairs and network-related consumer complaints on a 24-hour basis.

Vehicle fleet management is also carried out at a local level.

Electronic Systems and Telecommunications

The Electronic Systems and Telecommunications Department deals with the design, installation, operation, maintenance, repair and upgrading of the EAC's electronic, telecommunications, fire detection, fire extinguishing and protective security systems, and with maintaining strategic telecommunications partnerships as well as technical support for other units of the EAC and the Cyprus TSO.

In 2016, the Department dealt with the maintenance, development, upgrading and operation of the following systems:

- The EAC's [Optical Fibre Network](#), which interconnects its transmission substations, power stations, offices, stores and other properties of the Authority.
- The [SDH/PDH and Metro/Ethernet Optical Fibre Telecommunications System](#), which uses digital multiplexers to interconnect the EAC's installations 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.
- The [IP/MPLS Optical Fibre Telecommunications System](#), which is a fast, new generation telecommunications network that responds to the EAC's data transfer requirements via its own optical fibre network.
- The [Supervisory Control and Data Acquisition and Energy Management System \(SCADA/EMS\)](#), which controls the Generation, Transmission and Primary Distribution Network systems via the Energy Control Centre (ECC) and the Area Control Centres.
- The [Load Management System \(Ripple Control\)](#), which is used for controlled load management on customer premises (solar heaters, centralised climate control systems, water pumps, etc.) plus street lighting, using the Transmission and Distribution Networks as a telecommunications tool.
- The [M2M Wireless Communication System](#), which is used for secure wireless communication with the equipment of the Virtual Power Plant, Electric Vehicle Charging Points, Smart Meters and remote SCADA/EMS terminals.
- The internal [Telecommunications Networking](#) of the EAC's telephone systems in all locations and connections of the existing telephone network with the Contact Centre system

In addition to the above, work continued on the installation of [Security Systems](#), [Access Monitoring Systems](#), [Alarm Systems](#) and [Monitoring with Cameras](#) at high risk installations, new Fire Detection and [Fire Extinguishing](#) systems were installed in EAC buildings and the management/monitoring continued of Security Guard service contracts for the Area Offices and Customer Service Centres across Cyprus.

TRANSMISSION SYSTEM OWNER (TAO) UNIT

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.

Transmission System planning, development and maintenance work is carried out by the Transmission System Owner, in accordance with the development plan and the terms of the Transmission Control Protocol and the Cyprus Transmission System Operator.

In addition, it carries out any other necessary tasks in accordance with the development plan and informs the Cyprus Transmission System Operator and CERA within a timeframe determined by a decision of CERA about the measures it intends to take for the implementation of the development plan in accordance with the Transmission Control Protocol.

During the year in review, the installed capacity of the transmission substations increased by 6 MVA.

Construction Projects

In 2016, the following development and upgrading works were carried out on the Transmission Network:

Upgrading/Dismantling of Substations

Tembria 66/11kV substation in Nicosia

In May 2016, work was completed on replacing a 5 MVA transformer with a new 10 MVA one.

Alambra 132/11kV substation in Nicosia

In August 2016, the T1 15 MVA transformer was replaced by a 16 MVA one.

Overhead Power Lines/Underground Transmission Cables

Ypsonas-Trimiklini 132kV overhead power line

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

Vasilikos-Moni 132kV overhead power line

In 2016, the EAC published separate tenders for the provision of materials for the construction of the above interconnection. Work is due to start in 2017.

Vasilikos-Mari-Kophinou 132kV overhead power line

In 2016 the EAC published and awarded separate tenders for the provision of materials for the construction of the above interconnection. Work is due to start in 2017.

Undergrounding of the Athalassa-Latsia interconnection

Work began at the end of 2015 and is due for completion at the start of 2017.

Other Projects

Transmission System Reactive Power Compensation

- The tender was awarded for the purchase of 2x50MVAR 132kV variable inductors to be installed in the Tseri and Alambra substations. They are expected to be commissioned in autumn 2017.

Transmission System Development Studies

In 2016 the following studies were prepared in collaboration with the Cyprus Transmission System Operator (TSO):

Nicosia Area

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

- Replacement of 11kV equipment with 22-11kV at the Seminary substation

The following studies are also planned:

- Replacement of 132kV GIS equipment at the Strovolos substation

Limassol Area

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

- Transformation of the Pyrgos 66kV substation into a primary substation
- Changing of the busbars at the Yermasoyia substation to 22-11kV
- Replacement of 11kV equipment at the Ayia Phyla and Lanition substations with 22-11kV

The following studies are also planned:

- Vasilikos-Moni interconnection

Famagusta-Larnaca Area

The following studies were completed and approved for Famagusta-Larnaca and the surrounding area:

- Upgrading the Mari transmission substation to 132kV GIS
- Replacement of 11kV equipment with 22-11kV at the CPRL primary substation

The following studies are planned for the Famagusta-Larnaca Area:

- New Vasilkos-Mari-Kophinou overhead power line (Rubus Twin)
- New Kophinou-Alambra overhead power line (Rubus Twin)

Paphos Area

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

- Transfer of the autotransformer at the Anatoliko substation to the Akoursos substation (Rubus Twin)
- Replacement of 11kV equipment with 22-11kV at the Anatoliko substation

Other studies:

The following studies have also been completed:

- Ten-Year Transmission System Development Plan 2017-2026

The following studies are also planned:

- Ten-Year Transmission System Development Plan 2018-2027
- Continuous Modelling of the Transmission System and Equipment and System Analysis
- Penetration of RES into the System

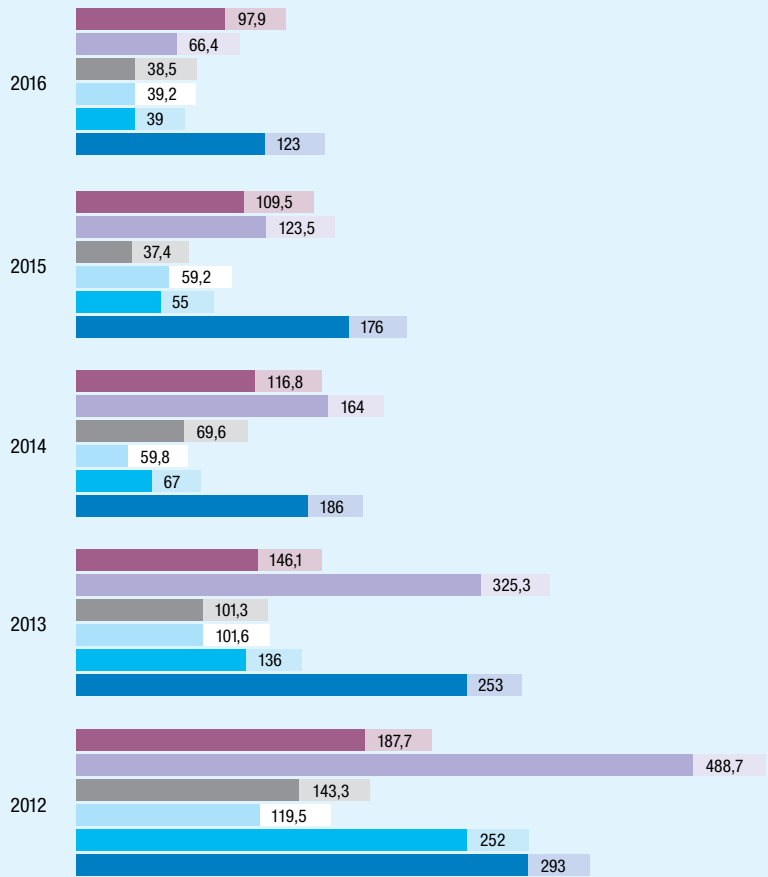
All Transmission System studies are carried out in collaboration with the Cyprus Transmission System Operator (TSO) which is directly responsible for the operation and development of the Transmission System.

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 91% implemented.

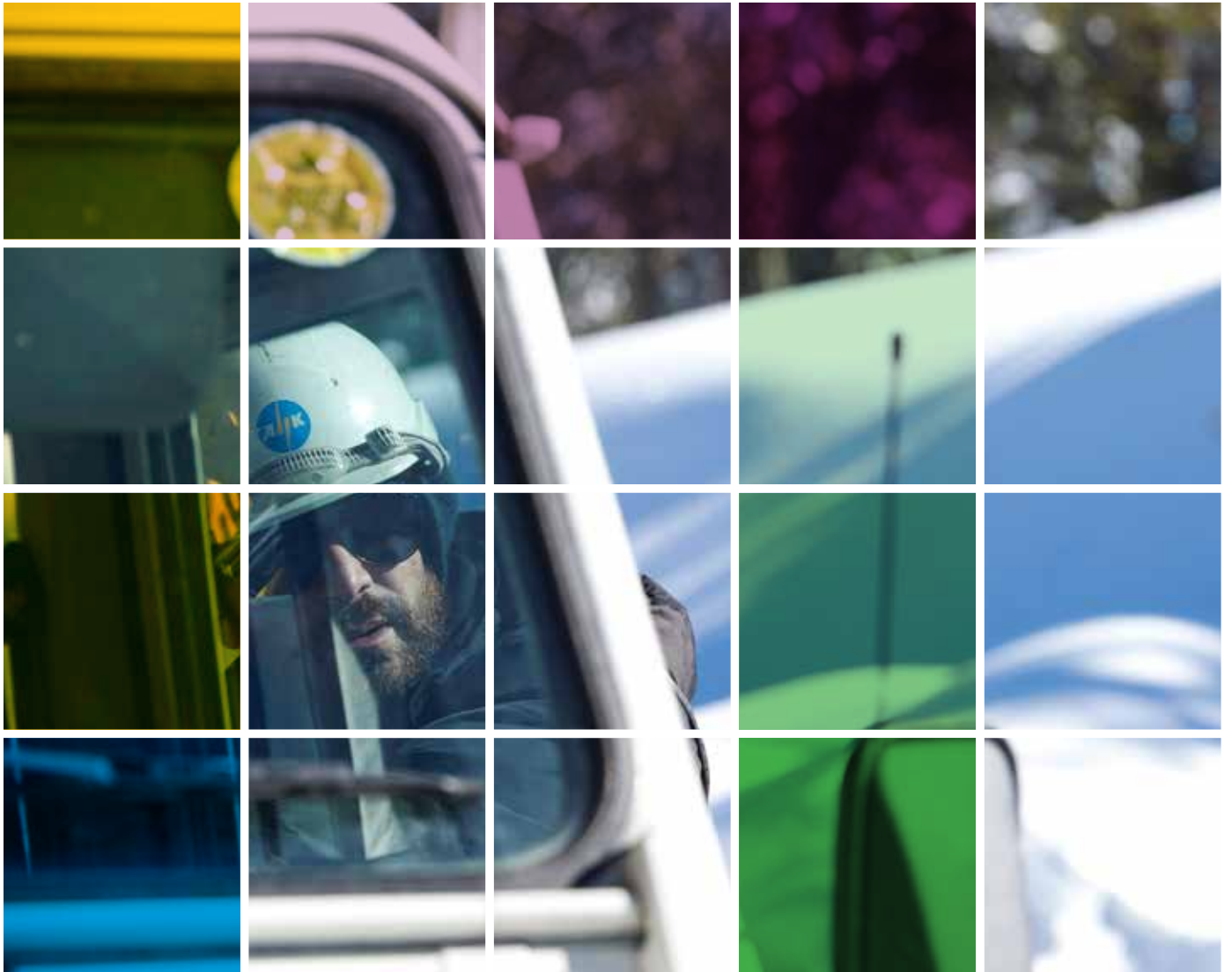
Figure 7

NEW DISTRIBUTION PROJECTS EXECUTED IN THE LAST FIVE YEARS



- L.V. O/H LINES (km)
- L.V. U/G CABLES (km)
- MV U/G CABLES (km)
- MV O/H LINES (km)
- G.M. TRANSFORMERS
- P.M. TRANSFORMERS

non-regulated
services management



Based on the Cyprus Energy Regulatory Authority Operational Unbundling decision 04/2014, the Authority has proceeded with the establishment of the Non-Regulated Services Management, comprising all non-regulated services of EAC.

The Non-Regulated Services is directly under the administration of the General Manager of EAC.

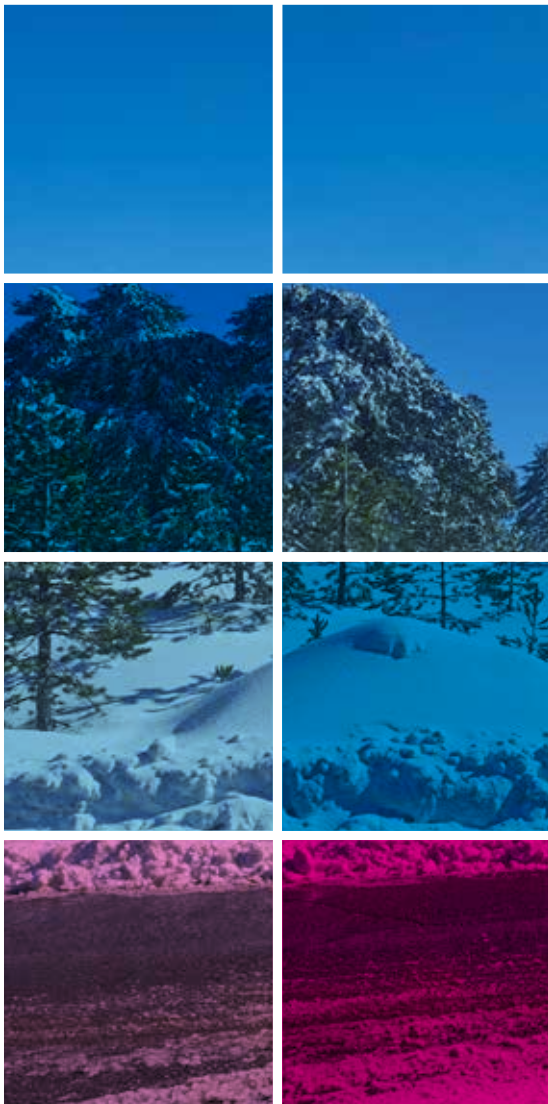
The Non-Regulated Services operating in a clear manner, separately from the Core Regulated services and their pricing is done separately from these services in a fair and transparent way.

Management's responsibility amongst other is the exploitation of expertise and infrastructure owned by EAC with an objective to develop new profitable Services and the submission for the creation and development of new services.

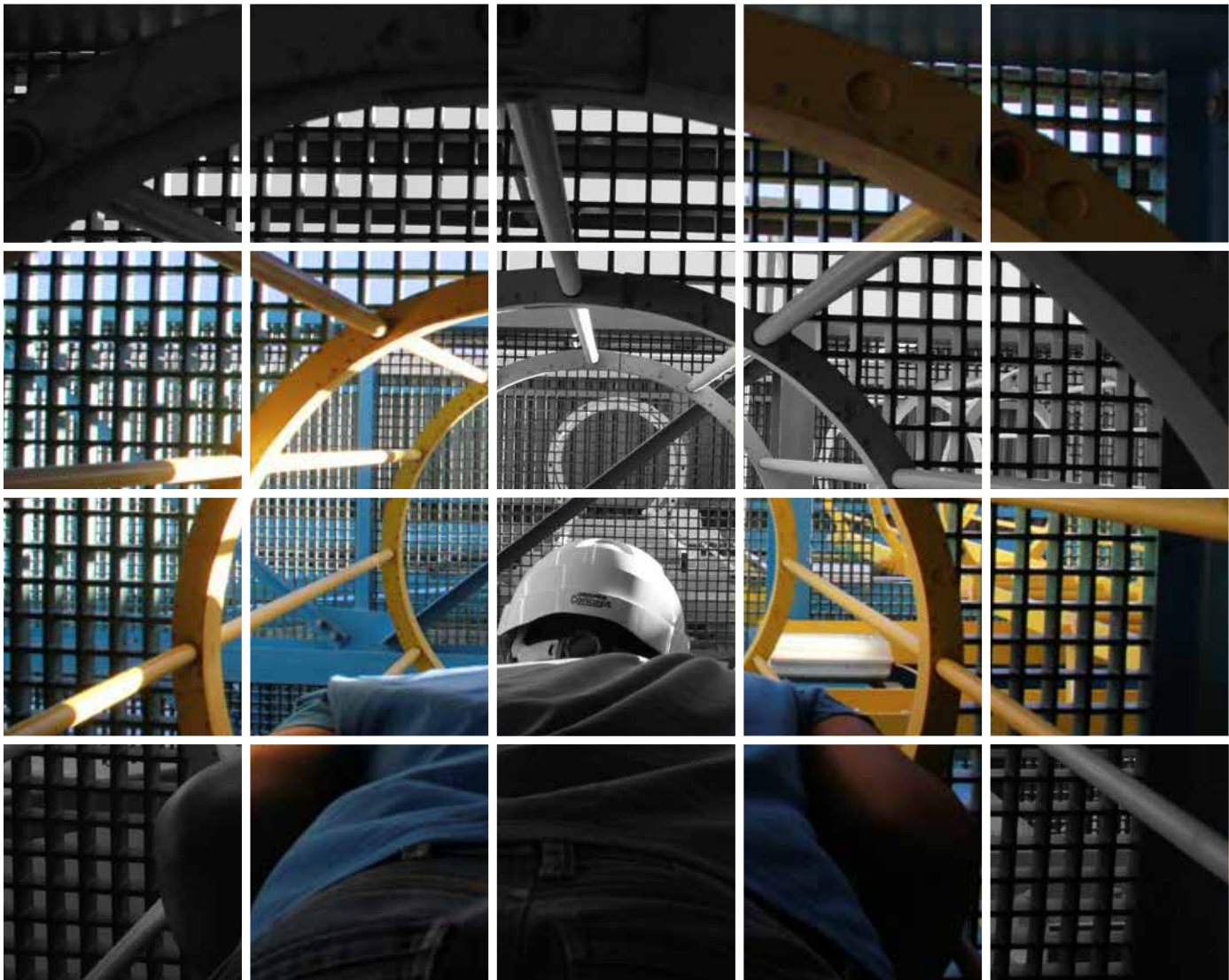
The EAC may carry out Services in fields related to the operation and development of its assets, its technical capabilities, facilities, services and expertise, with the consent of the Minister of Energy, Commerce, Industry and Tourism. Therefore, EAC always receives advance permission from the Minister before deciding engage the Non Regulated Services Management with a new activity.


The Non-Regulated Services cover a wide range of services, which among others are the following:

- Inspection of internal electrical installations
- The maintenance/replacement of street lighting
- Other contractors e.g. maintenance, installation and inspection of third parties' electrical equipment (e.g. cables, transformers, relays, circuit breakers, etc.)
- The operation and maintenance of Desalination Plant at Vasilikos Power Station
- Operation and maintenance of Photovoltaic Park in Tseri
- The design, supply and installation of photovoltaic systems for third parties
- The use and exploitation of existing telecommunications infrastructures for commercial Services, other than the use for the needs of the energy network (telecommunication network rent to Strategic Partners).
- Management of the Rental Contracts for the Fuel Tanks at Vasilikos Power Station to Cyprus Organisation for Storage and Management of Oil Stocks.



internal
audit unit





The internal audit at EAC is conducted by the Internal Audit Unit which is directly responsible to the Audit Committee.

The basic activities of the Internal Audit Unit are as follows:

1. Assurance activity

The internal auditor assures the Chairman and the Members of the Audit Committee, the General Manager, Executive Business Unit Managers and Managers at Area Offices and Power Stations that:

- Rules
- Regulations
- Procedures
- Decisions of the Members of the Board and Management
- EAC legislation etc.

are implemented without any delay and effectively.

2. Consulting activity

The internal auditor makes suggestions which aim to:

- Improve the Organisation's operations
- Add value
- Bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process

Main activities

During 2016, the following main activities were carried out:

Supply of Heavy Fuel Oil at Vasilikos and Dhekelia Power Stations

Members of the Internal Audit Unit attended in 96 cases, the supply of heavy fuel oil at Vasilikos and Dhekelia Power Stations. The process included sample testing and calculation of the quantity received.

It was established that the process for the supply of heavy fuel oil, was carried out as per instructions and regulations.

Payments for the supply of heavy fuel oil

All payment calculations for the supply of heavy fuel oil were checked by the Internal Audit Unit and found to be correct.

In addition, the monthly fuel average price calculations were checked and found to be correct.

In addition, the following planned and surprise audits were carried out in all Area Offices, Power Stations and Head Office:

- Excavation works for the installation of underground cables
- Meter checks for Big Consumers
- Business and educational trips of EAC personnel abroad
- Agreements with strategic partners
- Audit of the bank reconciliation statements of EAC Pension Fund
- Inventory taking of electronic equipment
- Sample audit on EAC vehicles for their physical existence
- Annual and sick leaves and correcting entries in the software system
- Wages Section audit
- Surprise cash surveys
- Sample tests on invoices paid to suppliers for goods and services
- Physical inventory taking at EAC stores based on sampling audit
- Issuing of terms for the supply of electricity
- Reports on illegal connections and damages to EAC meters and cut outs
- Electricity bills in arrears
- Local tenders for the supply of materials and services
- Open tenders at EAC Head Office for the supply of materials, equipment and services

In general, the audit results for the above audits were satisfactory. In a few cases, where weaknesses in the system of internal control were identified, suggestions were made for corrective action.

general
management
office





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.

The EAC continued to provide advisory services to all its customers on matters of interest to them in 2016. 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 2016 lectures were given to organised groups and to EAC customer groups on issues concerning energy saving, the safe use of electricity and new tariffs.

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. Visits also took place at Vasilikos Power Station, the Desalination Plant at Vasilikos and the Tseri Photovoltaic Park by students, university students and other organised groups.

Among the constitutive principles of the EAC is social contribution. During 2016 the main axes of the Corporate Social Responsibility program of the EAC was health environmental protection, sports, arts, music, projection of cultural monuments, support to various charitable associations and events. In cooperation with the Environment Commissioner, the EAC actively participated in the campaign for reforesting the areas Argaka, Solea and Evrihou that were burned in the summer of 2016. We gave oxygen by planting 11,000 new trees and helped with the recovery of the fauna of that region and to the restoration of burned forest lands in the affected areas. Also, like every year the "Give Light to a Life" event was jointly organised by the Cyprus Anti-Cancer Society and the Electricity Authority of Cyprus.

In 2016, the EAC also continued its support of the Greek Cypriots enclaved in the Karpas Peninsula, in particular students and pupils. The SavEnergy exhibition was also jointly organised with the Employers and Industrialists Federation and within the framework of the Environmental Management System that the

EAC follows, the EAC was involved in the "Let's Do It Cyprus" campaign. Soon the EAC will undertake in cooperation with the Ministry of Education and Culture, to install photovoltaic systems in all schools of Cyprus.

LEGAL SERVICES

The Legal Services Departments' mission is to provide legal advice and support to the Directors, to the Basic Regulated Activities and the Non-Regulated Activities and to all other Common Services Departments, at the Head Offices and at all EAC 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.

Legal Cases Management

In this context, during 2016 the Legal Services Department dealt with the following cases:

- Appeals against EAC by members of staff regarding promotions, appointments, transfers and other demands.
- Third Party Appeals against EAC regarding the installation of EAC network on their immovable property.
- 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.
- Third Party Legal action by EAC over unpaid final electricity bills.
- Legal action by EAC against third parties who have caused damage to its property and refuse to pay the amount required to repair it.
- 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.

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, through participation in Evaluation and Working Groups, regarding the drafting of contracts and Memoranda of Cooperation with energy companies and/or other companies in the energy sector, confidentiality agreements for the optimum legal coverage of EAC, and agreements regarding outstanding amounts owed to the EAC as well as other projects.

The Legal Services Department provides everyday legal support and advice, both verbal and written, to EAC's Basic Regulated Activities (Generation, Supply, Distribution, Transmission), as well as to all Non-Regulated Activities and other EAC Units, 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.

CIVIL AND BUILDING WORKS

The Civil and Building Works Subsection is under the Common Services Unit which is under the General Management Office. The Civil and Building Works Subsection provides its services (both Executive and Supportive) to the whole of the EAC Organisation. Particularly, the Subsection is involved in the whole of the Building and Technical Works/Development Works, such as Networks Business Unit Projects (Transmission and Distribution of Electrical Energy), Development projects of the Generation Unit, the construction of buildings and the maintenance of EAC infrastructure.

The executive services that are provided by the Civil and Building Works Subsection for the construction of new buildings, the adaptation of spaces in existing building envelopes to suit new purposes, the preservation and maintenance of existing buildings, are in relation to the following services:

- Upgrading (both aesthetically and on the basis of energy efficiency) and maintenance of the existing building premises of the EAC Head Offices.
- Upgrading (both aesthetically and on the basis of energy efficiency) of the Lemesos Area Offices.
- The preparation of studies for the Maintenance/Reinstatement of buildings listed as historical heritage buildings; part of EAC's property.
- The establishment of Data Centre within the Head Offices building premises.
- Provision of technical support to the different Management Departments of Area Offices for current issues.

The main supportive services provided by the Civil and Building Works Subsection, are as follows:

- Preparation of Technical and Economic Feasibility Studies for Projects (where required).
- Architectural Studies for ensuring the issuing of Planning Permit.
- Structural analysis and design and the preparation of Architectural and Structural Drawings for the issuing of Building Permit.
- Consultations with third parties (for matters regarding the issuing of Planning Permit and Building Permit).
- Preparation of the necessary documents for the issuing of Tenders.

- Evaluation of Tenders.
- Monitoring and Management of Contracts.
- Management of Contractors Claims and Final Accounts.
- Management of Consultants Claims.
- Supervision of Maintenance/Upgrading Works for EAC existing buildings and infrastructure (Power Stations infrastructure, Transmission Substations, Office Buildings, Customers Service Centers, Stores, etc.).
- Participation – as part of the Design Team - for Firefighting Systems for Transmission System Substations (Open/Closed Type).
- Provision of Consulting Services for Works regarding the Networks Overhead Power Line system and underground infrastructure.
- Services in relation to the of Transmission System Substations building premises vulnerability in a seismic event.
- The training and supervision of EAC's personnel responsible for Building Works for the Maintenance of the Overhead Power Line Transmission Towers and Distribution Substations.

Apart from the above, the Civil and Building Works Subsection has participation in the Networks (Transmission and Distribution Systems) Business Unit Projects, in the Development works of the Generation Unit, and in the upgrading/maintenance of all EAC building premises and infrastructures as noted below:

Transmission System Works

The Civil and Building Works Subsection is involved in all the stages of the design study for Transmission System Projects. During the year under review, the Civil and Building Works Subsection was involved in the preparation of design studies, drawings and documents for the issuing of Tenders for the construction of Transmission System Substations, which included works in relation to the Substations maintenance and extension (design study, supervision of works and Contract management), and the supervision of the erection and maintenance of high voltage Overhead Power Line Transmission Towers. Also, the Civil and Building Works Subsection was involved in the design, the preparation of drawings, specifications and Tender documents for building and civil works in relation to the installation of security systems in Transmission Substations.

Distribution System Works

The design study for the adaptation of the Head Offices building spaces for the establishment of SCADA Centre is at the final stage for the issuing of the Tender.

The Civil and Building Works Subsection is responsible for projects for the Maintenance/Improvement of existing premises, the Overhead Power Line system and underground infrastructure and the upgrading of existing premises on the basis of aesthetics and energy efficiency.

The issuing of Tenders (including the preparation of all the necessary documents/drawings) for the construction and maintenance works for the Distribution System Substations has been completed. The Contract Management of these projects is undertaken by the Civil and Building Works Subsection.

Also, various building works have been carried out under the supervision of the Civil and Building Works Subsection, such as the construction and maintenance of Distribution System Substations, the maintenance of Distribution System Stores, and the supervision of EAC personnel for the maintenance of Distribution Substations.

Generation Unit Works

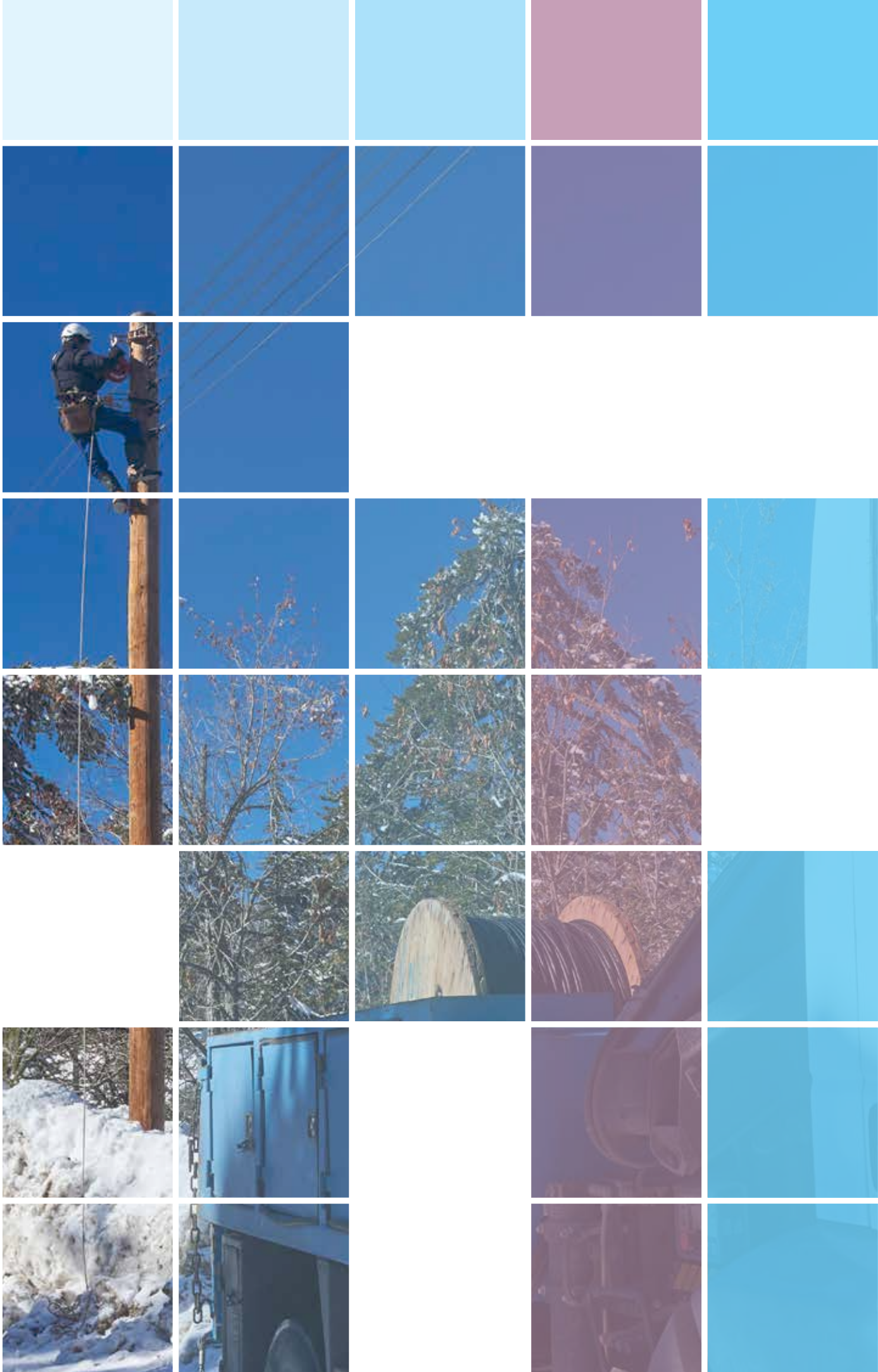
The Civil and Building Works Subsection provided specialised services in relation to the building and maintenance works for various Development Works of the Generation Unit. The Subsection provided the necessary support in the preparation of design studies, drawings and documentation for the Maintenance and Improvement of EAC Power Stations, in relation to the buildings premises, steel structures, infrastructure, marine works, Tank Farms and upgrading of the buildings energy efficiency.

Supply Department Works

The design study, as well as the execution of works, for the adaptation of spaces for the relocation of Strovolos Customer Service Centre has been completed. Furthermore, works for the upgrading of the energy efficiency of the premises, and maintenance works for the Unit have also been completed.

Non-Regulated Business Projects

The design study for the adaptation of spaces for the establishment of the new EAC Data Centre has been completed and the relevant Tender will be issued soon. The Civil and Building Works Department is also involved in the upgrading of existing buildings (in relation to aesthetics and energy efficiency), the evaluation of buildings energy efficiency (ESCO), in projects involving renewable energy sources (such as the development of Photovoltaic Parks), the development of strategic resources, the maintenance of Desalination Works, etc.



ADMINISTRATIVE SUPPORT

The mission of the Administrative Support Section is to provide swift, reliable, professional and efficient logistic responsibility for the management of building and office facilities of the EAC. Mission of the Administrative Support Section, is the management of the Central Archive, the stationery supplies and cleaning items throughout the EAC.

Within this framework, the Administrative Support Section deals with:

Contract Management

- Agreements concerning the lease of buildings, parking lots as well as warehouses for the needs of the EAC over Cyprus.
- Canteen management agreements.
- Maintenance agreements for the building of the Head Office.

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.

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 (B.M.S.).
- Photovoltaic system monitoring.
- Access Cards.

Head Office Archive Operations

This concerns the computerisation of incoming and outgoing correspondence for daily distribution and archiving.

Purchase and Supply of Stationery and General Provisions

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

QUALITY ASSURANCE & BUSINESS EXCELLENCE

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

Following the relevant decisions by the Board of Directors in July 2015 a new business unit has been created called Systems Management Business Unit which was later renamed Quality Assurance Unit. Its mission is the implementation of the Quality, Environment and Health and Safety Management Systems within EAC under an integrated Management System.

Main objectives focus in:

- Reducing the operational cost increasing productivity
- Creating an environment of good health & safety procedures for EAC's personnel
- Reducing EAC's environmental fingerprint
- Risk management and business continuity

fully aware of EAC's responsibility towards society and within the context of EAC's strategic objective towards sustainable development.

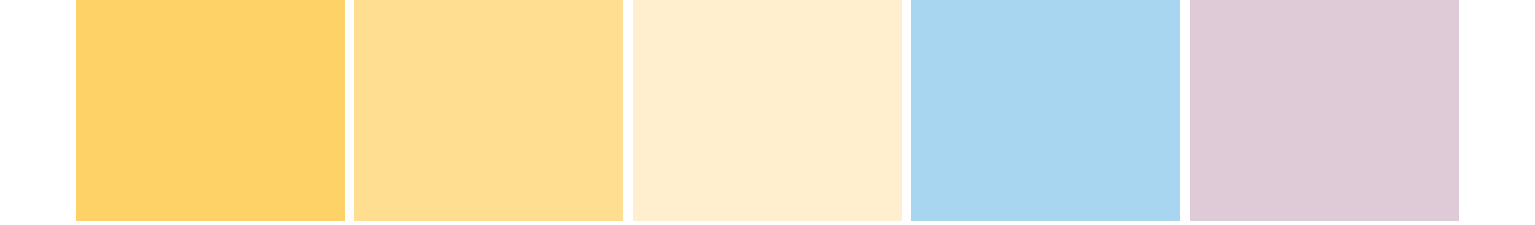
During 2016, in the context of continuous improvement, the following actions were carried out:

Integrated Management System

In October 2016, 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.

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.

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 four 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

Management reviews have been completed and presented to the Management Council. These reviews include all business results for 2016, as regards the Integrated Management system of EAC.

Corporate Social Responsibility (CSR)

EAC has decided to implement a CSR system to cover all operations in the Area Offices, 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.

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, 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

Within this continuously evolving environment due to the enforcement of the memorandum by Troika and the liberalisation of the energy market in Cyprus, as well as the market competition EAC is continuously monitoring the implementation level of its strategic and business planning using the balanced scorecard.

All Business Units and Departments are aligned towards meeting the strategic goals and the implementation of EAC's vision, contributing to the operational improvement and sustainability of the Organization.

Environmental Management Systems

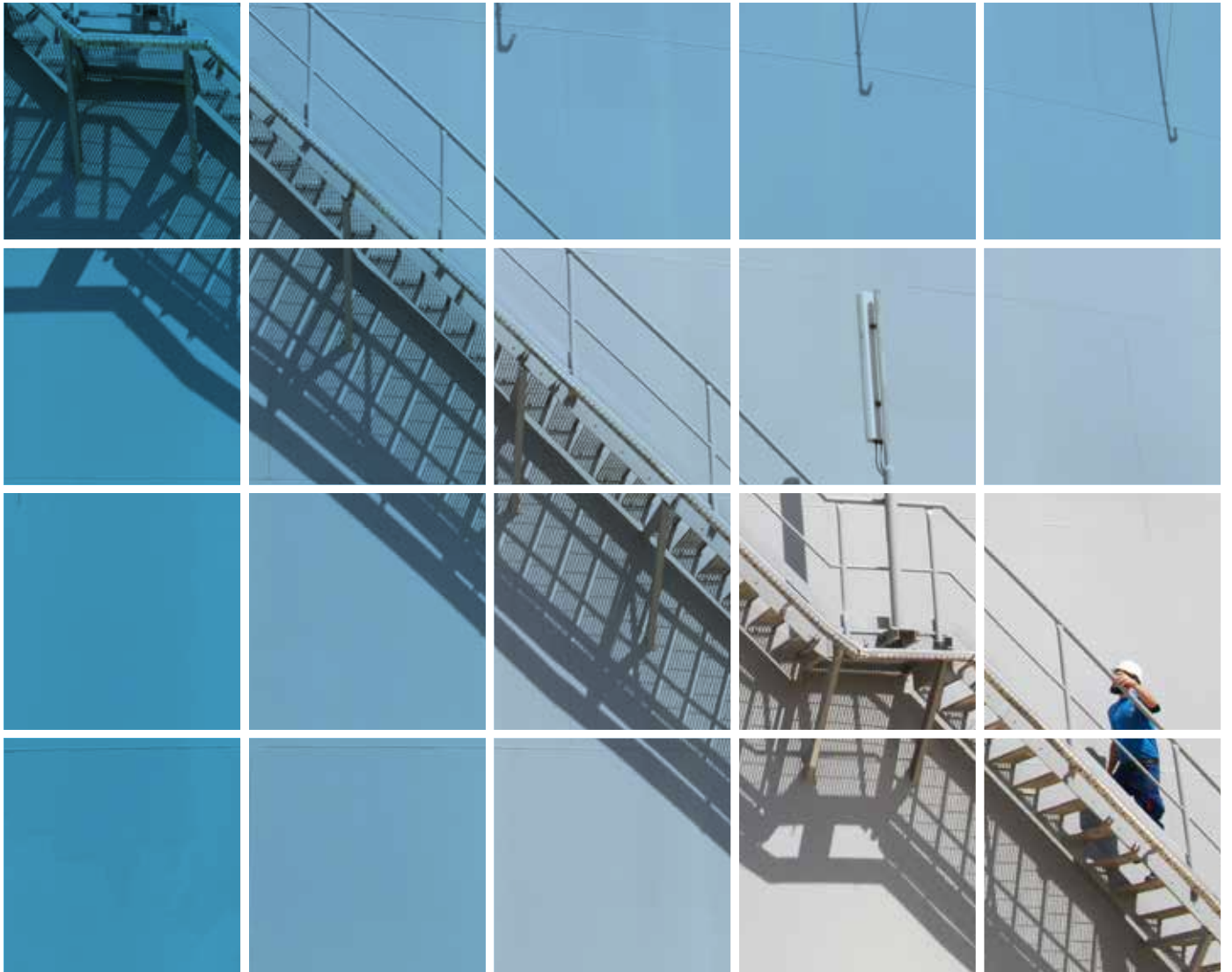
The project aiming to achieve ISO 14001:2004 certification for Vasilikos Power Station has begun in September. The target is to achieve certification by the end of March 2017.

Research and Technological Development (RTD)

Within EAC's efforts to achieve an effective and, at the same time, viable development is the applied scientific research. Scientific research is the foundation block for the creation of innovative and competitive technologies and methodologies. EAC research and development activities have already reached a mature stage with significant success regarding the submission and successful evaluation of scientific research proposals. This success was based on the sufficient know-how and experience of EAC scientific personnel. Through the ongoing participation of EAC in research programs, EAC achieves the partnerships with other technical institutions and research centres, the acquisition of useful experiences and the exchange of knowledge in specialised topics such as, environmental management, renewable energy sources, distributed generation, etc. This results in the development of management abilities regarding new technologies and the acquisition of experiences for the benefit of the Cyprus society.



human resources management



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

THE AUTHORITY'S STAFF

	2016	2015
Professional	209	211
Clerical	335	336
Technical	1 443	1 452
Other	48	47
TOTAL	2 035	2 046

«Other» employee refers to 48 employees whose conditions of employment are regulated by a certain Collective Agreement.

The Authority's pensioners

The total number of pensioners at the end of the year who received pension was 1286 (including 9 missing persons since the Turkish invasion of 1974) compared to 1321 at the end of the previous year. In addition 349 pensions were paid to widows and orphans of deceased pensioners/employees compared to 329 at the end of the previous year.

Manpower indicators and Productivity

Variations in productivity are shown in Figure 8 which indicates the relationship between the Authority's manpower, the total units billed and the number of consumers during the ten year period 2006-2016.

The Management of employee sick leaves is a persistent task, thus the Human Resource Management introduced new logistic programs able to get data that would be analyzed in order to find solutions that would better monitor absenteeism due to sickness.

INDUSTRIAL RELATIONS

The progress of EAC's Functional Unbundling and the subsequent need for changes in the Organization's establishment and the Schemes of Service, as well as EAC's inadequate staffing due to the relevant prohibitive legislation, were the main issues that the Human Resources Management had to deal with in 2016.

In particular, the HRM processed new schemes of services concerning EAC's Management Structure. These new schemes of service were then examined by the Professional Staff's Schemes of Service Committee and finally received the Authority's formal approval.

Furthermore, the Human Resources Management went through all the necessary processes for getting the State's permit to proceed and fill suspended by law vacant posts that are crucial for the functioning of both EAC and the Cyprus Transmission System Operator. The Authority approved HRM's actions and authorized the documented request to be forwarded to the Ministry of Energy, Trade, Industry and Tourism.

It is noteworthy to mention that the HRM handled compliance issues with EAC's code of Corporate Governance, in relation to EAC's Conditions of Employment.

Another important issue that was successfully managed by the HRM was the void that would be created in EAC's General Manager post with the retirement of the Deputy General Manager, given the fact that due to conditions beyond the control of EAC, the vacant post could not be filled in due time.

In other contacts of the HRM with the Unions various labor related matters were examined in a positive and constructive way, which in turn helped to maintain good labor relations within the Organization.

EAC's Certification as Gender Equality Employer

The Electricity Authority of Cyprus, as a Certified Gender Equality Employer is committed to forward actions aiming at promoting and strengthening gender equality, as well as integrating this dimension in its strategic choices.

In this context and in order to inform EAC's employees on gender equality issues, the following actions took place during 2016:

- Training for the Equality Committees members and persons responsible for managing indications of Harassment/ Sexual Harassment on sexism issues, in a workshop, organized by the Commissioner for Administration and Human Rights (ombudsman) and the Gender Equality Committee in Employment and Vocational Training.
- Representation of EAC in a program on «Gender Equality in Research», organized by the Institute of the Gender –Net project funded by E.U. The program's aim was to promote the exchange of best Practices and the adoption of a joint initiative to promote gender equality in research. During the program, EAC's relevant practices were presented and their impact, importance, difficulties and challenges were analyzed.

Furthermore, regarding the Authority's commitment to promote among women employment awareness on male-dominated occupations, EAC participated in a career fair organized by the

Cyprus University of Technology (C.U.T). EAC's representatives, presented the employment opportunities in the Organization for Undergraduate and Graduate students of the CUT. Also, a representative of EAC's HRM, presented the Organization's occupations and employment opportunities to the Latsia High School students.

HUMAN RECOURSES DEVELOPMENT

Education and Training

During 2016, 2305 members of the staff attended 81 in-house courses and seminars, organized by the Authority's Training School, which covered a wide range of topics. It is worth noting that HRM had also 339 additional participations of employees in various open educational programmes and training courses, organized by local educational institutions and organizations, whilst 13 members of the professional staff attended training courses or participated in conferences and seminars abroad. In total 2657 participants attended training courses at an overall cost of €41.80 per employee (without taking into consideration the HRDA subsidy). The in-house training courses and the training courses abroad were subsidized by the HRDA with the amount of €67658.

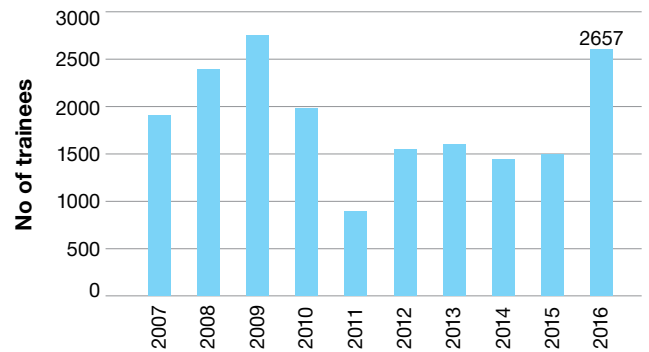
Recruitment / Promotions

Following a council of Ministers decision and the subsequent approval by the Parliamentary Finance Committee, thirteen Managerial vacant posts were exempted from the provisions of the law that prohibits and filling of vacant posts and EAC proceeded and filled the vacancies.

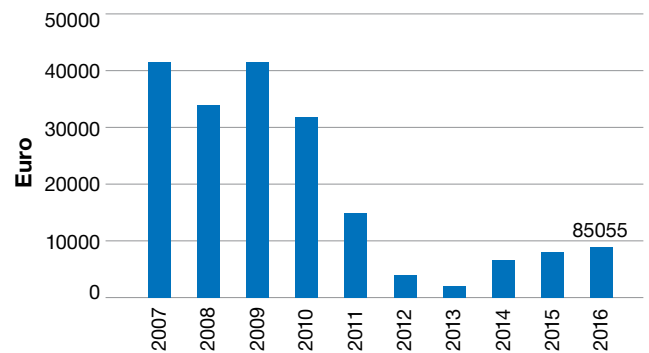
Retirements / Termination of Employment

During the year 3 employees reached the retirement age limit, 7 employees opted for early retirement, 2 employees retired for health reasons and 1 employee was deceased.

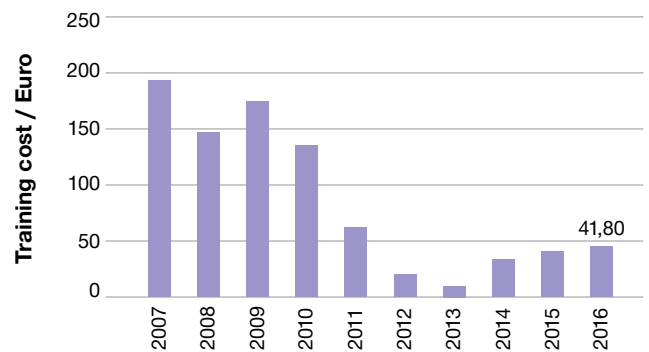
No of trainees / Year



Total training cost / Year
(Without HRDA Subsidy)



Cost / Employee / Year
(Without HRDA Subsidy)



SAFETY, HEALTH AND WELFARE

Medical Care

During the year the EAC contributed €7.443.668,89 (€7.537.695,59 in 2015) 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.

Benevolent Funds

The EAC'S Employee Benevolent Funds continued to function satisfactorily during the year. The financial aid offered to needy members, pensioners or members of their families, exceeded the sum of €255.000. 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 Electricity Companies after their works were undertaken by the EAC. The members of the Funds, as at 31 December 2016 were 1914.

Welfare Funds

EAC Employees' Welfare Funds continued to provide good service to their members and their families throughout the year, by offering accommodation facilities and other services.

Long Service Certificates and Awards

The following Awards were presented:

- The EAC's Long Service Certificates were awarded to 4 employees, who retired during 2016 upon completing more than 20 years of service.
- The EAC's silver metals were awarded to 21 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 injury to its personnel or the general public. Towards this, the Company 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 Organization. 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 Organization, has been organized by the Safety Officers in collaboration with the District and Power Stations management.

Health and Safety in the working environment

The election of new members for the Safety Committees in accordance to the Cyprus Legislation was completed in May 2016.

The Safety Committees held regular meetings during the year, adhering to legislation requirements and gave their professional views to the Management for dealing with 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 Organization, 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.

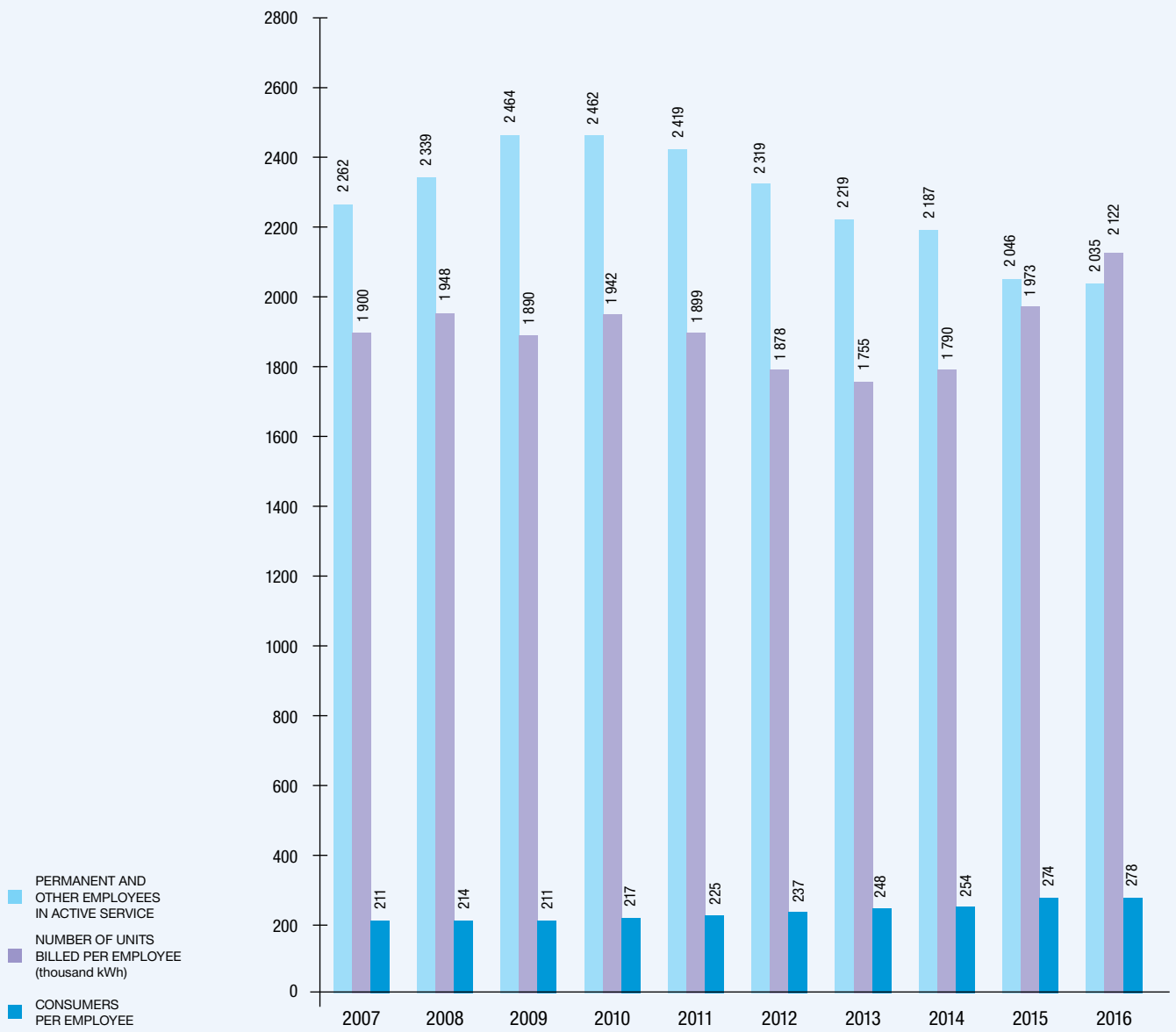
Education/Training

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



Figure 8

WORKFORCE INDICATORS



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 organized for the staffs, who work on the installation of photovoltaic systems.

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

Personal Protective Equipment

The purchase of high quality Personal Protective Equipment (PPE) is ensured through the close cooperation between the Department of Occupational Safety and Health and the Purchasing Department. The specifications of the PPE are continuously adapted to the latest European Standards and necessary revisions are made accordingly.

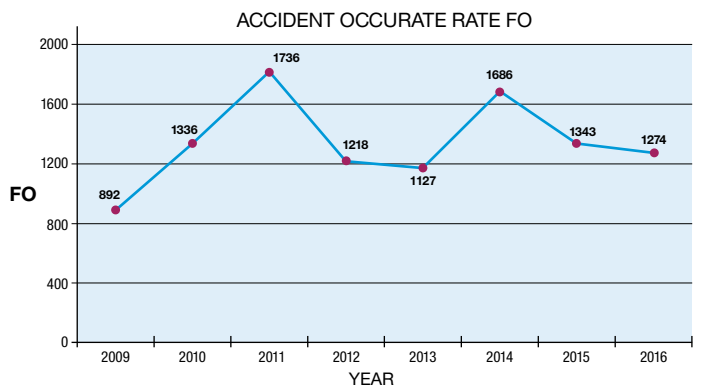
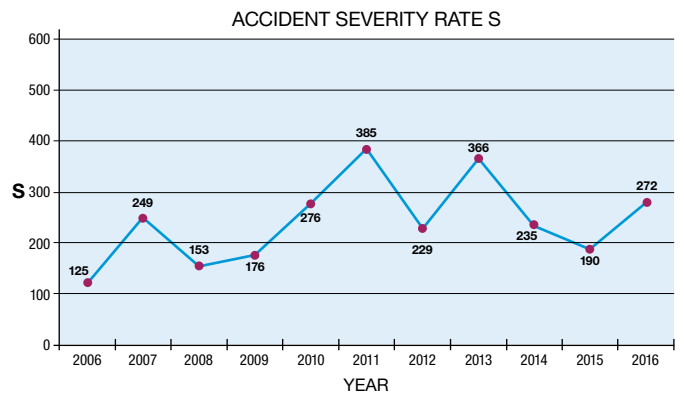
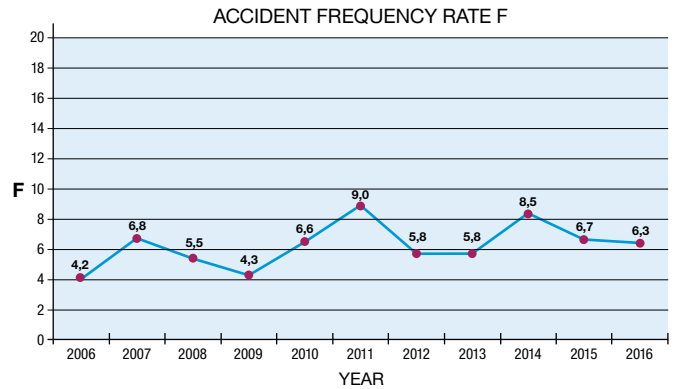
Accidents

There were 26 reported occupational accidents in 2016. Two of these accidents were road accident. All the accidents have been investigated and evaluated by the Safety Officers and appropriate measures, to prevent them from happening again in the future, have been taken.

The graphs below show the variation of the three indexes, Frequency Index (F), Severity Index (S) and Frequency of Occurrence (FO) for the period 2006 to 2016. 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), the Occurrence Index (FO) and the Severity Index (S) have been varied as follow:


The Frequency Index (F) from 6,7 to 6,3 ,the Occurrence Index (FO) from 1343 to 1274 and the Severity Index (S) from 190 to 272.





information
technology
department





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

In this framework, the IT Department deals with:

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

During the period January-December 2016:

Regulations/changes for the Human Resources system were successfully completed and implemented in the following:

- Reports with Statistical Information on personnel illnesses
- Additional reports concerning the Bradford Index

Legal regulations/changes for the Payroll system were successfully completed and implemented in the following:

- Pension Scheme
- XML Files for the Banks
- The processes for the new Budget/Planning Consolidation System Software – Labour Cost distribution in the various Business Units have commenced and are in progress.
- The required adjustments in the existing EAC software Systems are being carried out so as to accommodate the needs for the Operational Unbundling of the Authority according to the CERA regulatory decision 04/2014.

Within the frame of EAC's Operational Unbundling the following were successfully developed and implemented:

- New software for the management of Service Level Agreements (SLA)/ Staff Secondment Agreement (SSA) among Departments/Divisions of the EAC.
- New software for the time and attendance of the EAC personnel.

- The upgrade of the Software System - Assyst Helpdesk - to version 10 SP7 (web-based) was successfully completed. The new software facilitates the central support of the users' personal computers as well as the management of the Organisation's IT equipments.
- Within the context of the Software System Assyst Helpdesk upgrade the Assyst Mobile software was implemented successfully. This new software provides the IT officers direct access to the management of Users requests remotely making the coordination of their actions faster and more effective.
- The introduction of the Assyst Helpdesk in the Telecommunication Department for the management of users' requests as well as the management of the Department's equipment was successfully completed.
- Tender 105/2016-Design, Development and Implementation of a native iOS and Android software application for phone devices and tablets was issued and evaluated. The implementation of the Application will be the Authority's first Mobile Application providing an improved consumer service.
- The implementation of MobileFirst platform commenced in 2016 and it will be completed at the beginning of 2017. The platform will guarantee the prerequisites for an improved management of the Authority's Mobile Applications.
- The introduction of Mobile Applications presupposes their real time interface with the EAC's systems. Therefore the introduction of jBoss Fuse (Red Hat) in high availability environment commenced and is expected to be completed at the beginning of 2017. JBoss Fuse will constitute a flexible integration platform that will allow the direct interface in real time among the Authority's Software Systems.
- The modification of the EAC's website so as to incorporate the registration of the consumers who wish to receive their bills via email and/or to update their personal data was completed and successfully implemented.

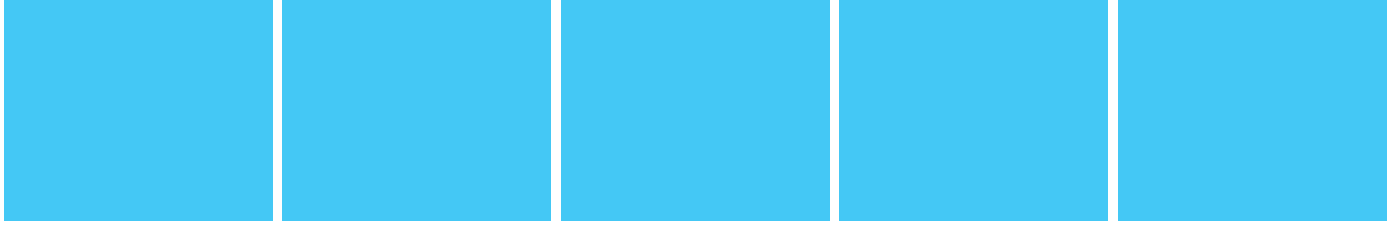
The following modifications in the Authority's website were successfully carried out:

- Making it accessible to disabled people so as to comply with the Web Content Accessibility Guidelines (WCAG) 2.0.
- Making it compliant with the decision of the council of ministers concerning the use of e-procurement.

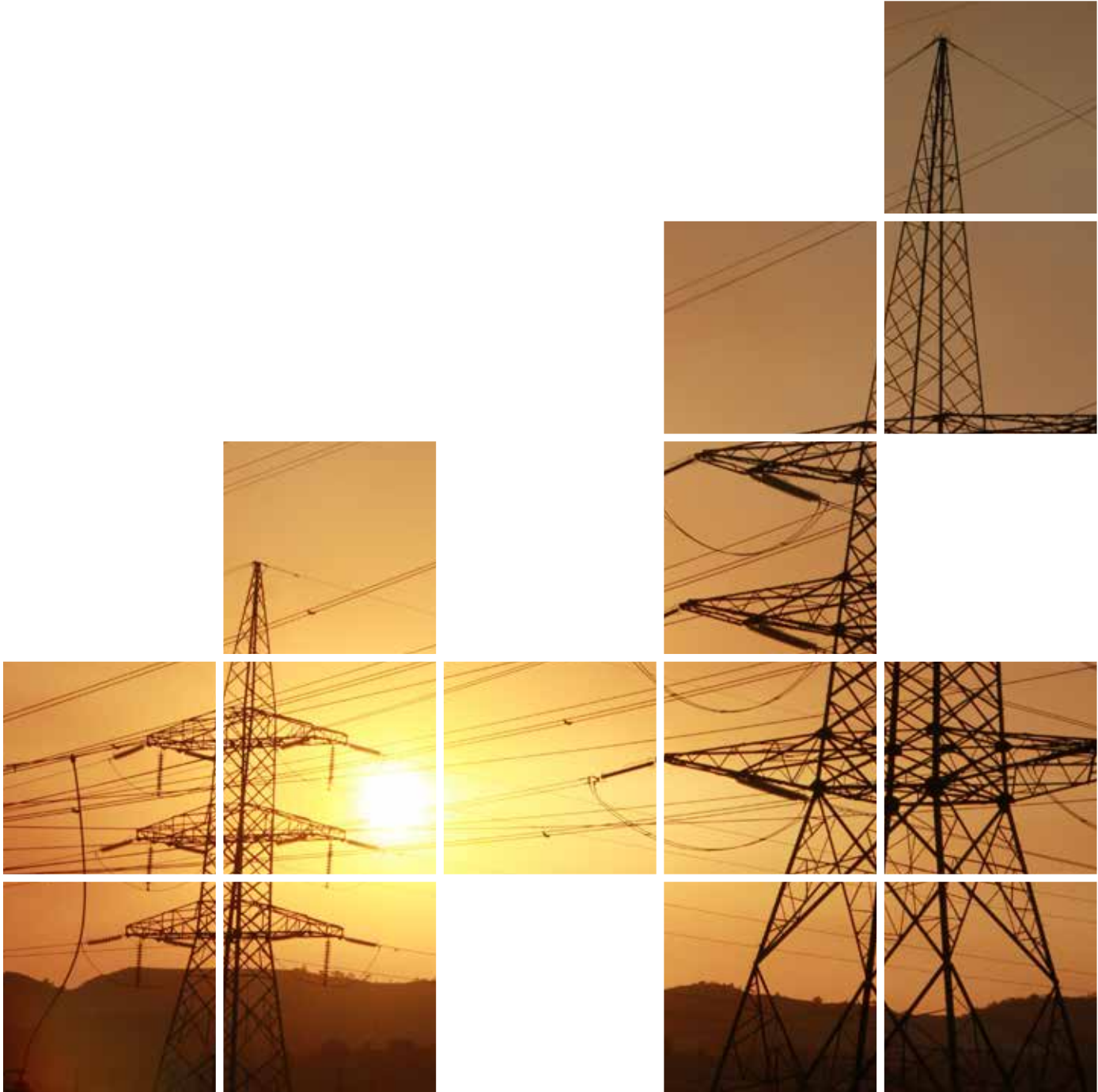


- Tender 102/2014 was awarded and the project for the upgrade of the Customer Care and Billing (CC&B) commenced and advanced through the year.
- The preparation of Tender specifications for Meter Data Management (MDMS) tender commenced in 2016 and is expected to be completed in 2017.
- The 3 year renewal of the Microsoft licencing through Microsoft Enterprise Agreement was successfully completed.
- The SAP Software System was upgraded from Non-Unicode to Unicode so as accommodate all possible languages.
- The upgrade of Software System Sap with the Enhancement Package 7 (EHP7) ECC6 providing the capability of using state of art development tools commenced and is expected to be completed early 2017.
- Specifications were prepared and the tender was issued for the purchase of servers and their corresponding VMware software licences which will support all the IT Applications in the Computer Centre and its Backup.
- Specifications were prepared for the issue of a tender to purchase an updated Call Centre System.
- Specifications were prepared for the issue of a tender for the creation of a modern data Centre at the Authority's Head Office.
- The Directive for the "Use of Electronic Mail" was reviewed and implemented.
- The Directive for the "Use and Security of Hardware Equipment of End Users and of IT Systems" was reviewed and implemented.
- The preparation of specifications for the issue of Tender for the Perimeter Security was completed.
- The Tender 008/2016 SUPPLY, DELIVERY, INSTALLATION, COMMISSIONING AND MAINTENANCE OF AN ENDPOINT SECURITY & ENCRYPTION SOFTWARE was successfully awarded.





corporate
finance unit



FINANCIAL STATEMENTS

The financial statements of the EAC for the year 2016 together with the supporting statements are set out in pages 62 to 119. The principal financial statistics for the ten year period 2007 2016 are summarized in pages 60 to 61.

Table 3

Consolidated income statement for the year ended 31 December 2016 and changes from previous year

	2016	% Increase (Decrease)
	€000	€000
INCOME		
Revenue from Sale of electricity	515.622	(58.416)
Consumers' capital contributions	21.716	269
Income from Desalination	12.707	3.609
Other operating income	24.541	7.047
Finance income	5.702	(8)
	580.288	(47.499)
Other losses net	(5.415)	(5.124)
OPERATING COSTS	(491.183)	62.426
Operating profit	83.690	9.803
Finance costs	(6.585)	992
Profit before tax	77.105	10.795
Tax	(11.321)	(1.357)
Net profit for the year	65.784	9.438
Sales of electricity (million kWh)	4.358,5	322,4

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, totaled to €515.622.000 showing a decrease of €58.416.000 or 10,2%. The total operating costs were €491.183.000 showing a decrease of €62.426.000 or 11,3%. After accounting for finance costs amounting to €6.585.000, there was a profit before tax of €77.105.000 compared to a profit of €66.310.000 in the previous year. After the deduction of tax amounting to €11.321.000, the net profit was €65.784.000 (2015: €56.346.000).

ANALYSIS OF OPERATING COSTS

Table 4 (page 58) 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 21,9% to €238,1 per metric tonne. The consumption increased by 9,0% to 1 032,6 thousand metric tonnes. As a result of the above the fuel oil bill decreased by €42.696.000 to €245.936.000.

The purchase of electricity from third parties €20.059.000 decreased by 23,4% due to the decrease in fuel oil price.

The total salaries and related costs amounted to €86.770.000 out of which €7.825.000 was capitalised in fixed assets and work in progress. The amounts capitalised relate to expenditure for development projects executed by the Authority's employees during the year. An amount of €78.945.000 or 91,0% was charged to the income statement. The decrease of €7.023.000 or 7,5% to the total salaries and related costs charge is mainly due to the decrease in pension fund contribution.

Materials services and other expenditure were €30.964.000 (decrease of €5.447.000 or 21,3%).

The depreciation charge was €96.401.000 (decrease of €1.092.000 or 1,1%).

Figure 9

Income, operating costs & profit from operations (euro thousand)

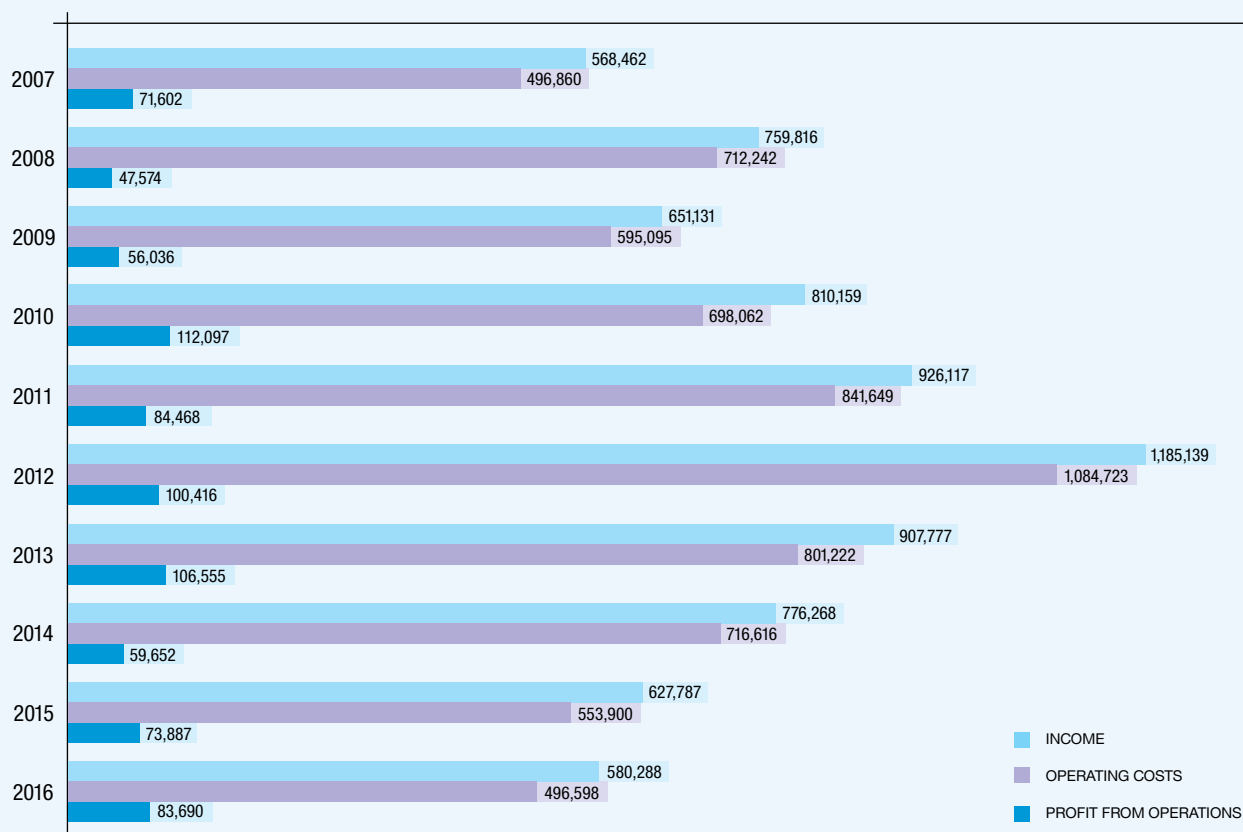


Table 4

Analysis of Operating costs

	2016		Increase/(Decrease) over 2015	
	€000	%	€000	%
Fuel	245.936	50,0	(42.696)	(14,8)
Purchase of Electricity from third parties	20.059	4,1	(6.137)	(23,4)
Staff costs	78.945	16,1	(10.757)	(12,0)
Repairs and maintenance	13.205	2,7	2.080	18,7
Compensation for early retirement	-	-	(8.754)	(100,0)
Transmission System Operator Cyprus fee	3.930	0,8	(541)	(12,1)
Cyprus Energy Regulatory Authority fees	1.743	0,4	24	1,4
Materials, services and other expenditure	30.964	6,3	5.447	21,3
Depreciation	96.401	19,6	(1.092)	(1,1)
TOTAL	491.183	100,0	(62.426)	(11,3)

CAPITAL REQUIREMENTS AND SOURCES OF FINANCE

Capital expenditure during the year amounted to €36.923.000 compared with €17.952.000 in 2015 (increase of €18.971.000).

The amount paid for taxation during the year 2016 amounted to €5.169.000 (2015: €1.243.000).

Loan and bank overdraft repayments amounted to €55.441.000 (2015: €29.480.000).

The total financing requirements of €97.533.000 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

	2016		2015	
	€000	%	€000	%
FINANCING REQUIREMENTS				
Tax	5.169	5,3	1.243	2,5
Capital expenditure	36.923	37,9	17.952	36,9
Loan repayments/bank overdraft	55.441	56,8	29.480	60,6
	97.533	100,0	48.675	100,0
SOURCES OF FINANCE				
Profit before tax	77.105	79,1	66.310	136,2
Depreciation less consumers' contributions	74.685	76,6	76.046	156,2
Impairment of property, plant and equipment	5.516	5,7	-	-
Proceeds from disposal of fixed assets	153	0,2	85	0,2
Consumers' contributions	17.633	18,1	14.139	29,0
Working Capital changes	(77.559)	(79,7)	(107.905)	(221,6)
	97.533	100,0	48.675	100,0

FINANCIAL POSITION AT END OF YEAR

The historical cost of the assets employed at 31 December 2016 was €3.073.381.000 and the accumulated depreciation was €1.344.421.000 or 56,3% of the historic cost. The total net assets at 31 December 2016 were €1.918.356.000. Finance derived from loans (€386.183.000 or 20,1%), other long term liabilities (€500.681.000 or 26,1%), and the balance (€1.031.492.000 or 53,8%) from own sources.

A. MARANGOS

CHAIRMAN

Figure 10

**EXPENDITURE
(Euro Thousand)**

AS PERCENTAGE OF TOTAL EXPENDITURE

- FINANCE COST €6 585 (1,31%)
- REPAIRS AND MAINTENANCE €13 205 (2,62%)
- PURCHASE OF ELECTRICITY FROM THIRD PARTIES €20 059 (3,98%)
- MATERIALS, SERVICES AND OTHER EXPENDITURE €42 052 (8,36%)
- SALARIES AND RELATED EXPENSES €78 945 (15,69%)
- DEPRECIATION €96 401 (19,16%)
- FUEL OIL €245 936 (48,88%)

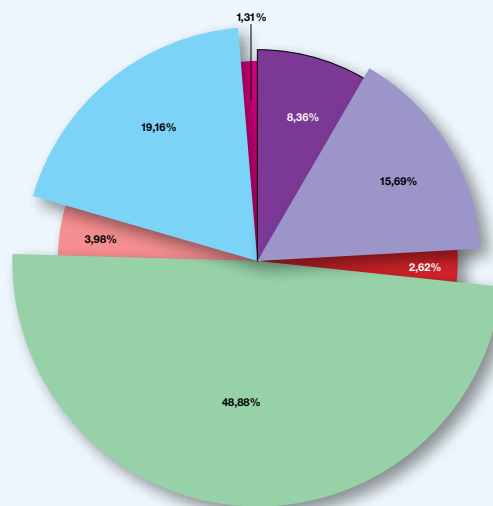


Table 6

PRINCIPAL FINANCIAL STATISTICS 2007-2016

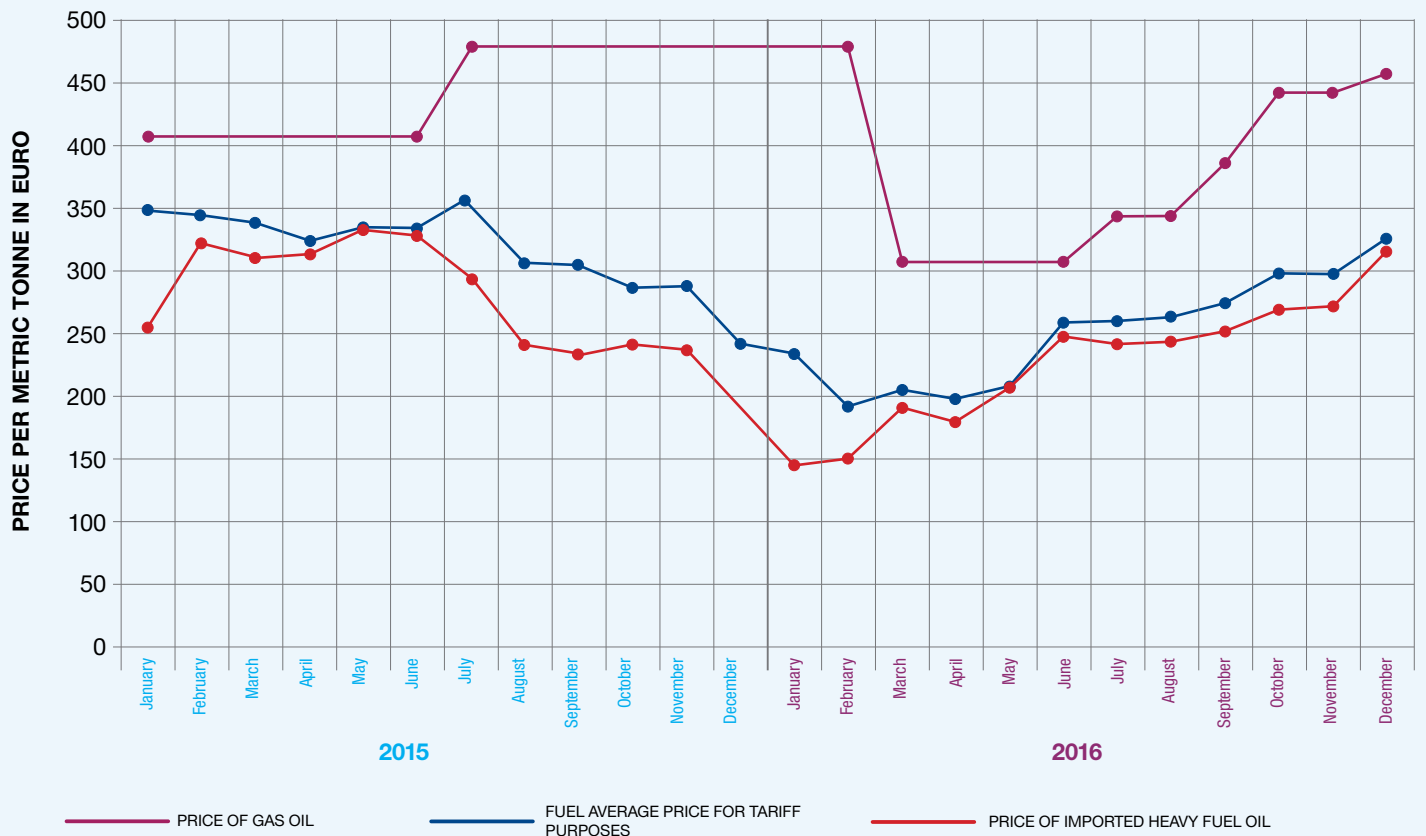
DURING THE FINANCIAL YEAR TO 31 DECEMBER	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Units sold (million kWh)	4 298	4 556	4 656	4 782	4 595	4 356	3 890	3 915	4 036	4 358
Consumption in the turkish occupied area (million kWh)	8	9	8	8	7	7	6	6	2	3
Total units (million kWh)	4 306	4 565	4 664	4 790	4 602	4 363	3 896	3 921	4 038	4 361
Installed capacity (MW)	1 118	1 168	1 388	1 438	965	1 493	1 598	1 478	1 478	1 478
INCOME (€ THOUSAND)										
Sales of electricity	546.737	736.215	627.253	776.390	857.776	966.552	796.930	721.137	574.038	515.622
Consumers capital contributions	14.241	15.389	16.655	17.855	19.047	19.973	20.698	21.119	21.447	21.716
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	-	-	-
Other operating income	4.869	5.575	5.846	15.174	10.628	14.129	18.298	30.972	26.592	37.248
Finance income	2.615	2.637	1.377	740	1.579	1.802	2.014	2.040	5.710	5.702
Total Income	568.462	759.816	651.131	810.159	926.117	1.185.139	907.777	776.268	627.787	580.288
OPERATING COSTS (€ THOUSAND)										
Other losses net	-	-	-	-	-	76	3.324	21	291	5.415
Operating costs	438.661	652.539	523.569	622.669	747.364	830.561	659.626	620.328	455.885	394.782
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	231	-
Depreciation	58.199	59.703	71.526	75.393	77.056	89.811	94.405	95.244	97.493	96.401
Total operating costs	496.860	712.242	595.095	698.062	841.649	1.084.723	801.222	716.616	553.900	496.598
Operating profit	71.602	47.574	56.036	112.097	84.468	100.416	106.555	59.652	73.887	83.690
Finance costs	(14.779)	(19.310)	(10.757)	(10.243)	(8.991)	(13.960)	(12.594)	(11.199)	(7.577)	(6.585)
Profit before tax	56.823	28.264	45.279	101.854	75.477	86.456	93.961	48.453	66.310	77.105
Tax	(16.802)	(7.933)	58.305	(10.440)	(7.788)	(8.935)	(20.970)	(6.477)	(9.964)	(11.321)
Provision as a result of the Tax Council Decision	-	-	-	(18.239)	1.896	-	-	-	-	-
Net profit for the year	40.021	20.331	103.584	73.175	69.585	77.521	72.991	41.976	56.346	65.784
RATIOS TO TOTAL INCOME										
Profit from operations (%)	12,6	6,3	8,6	13,8	9,1	8,5	11,7	7,7	11,8	14,4
Profit before tax (%)	10,0	3,7	7,0	12,6	8,1	7,3	10,4	6,2	10,6	13,3

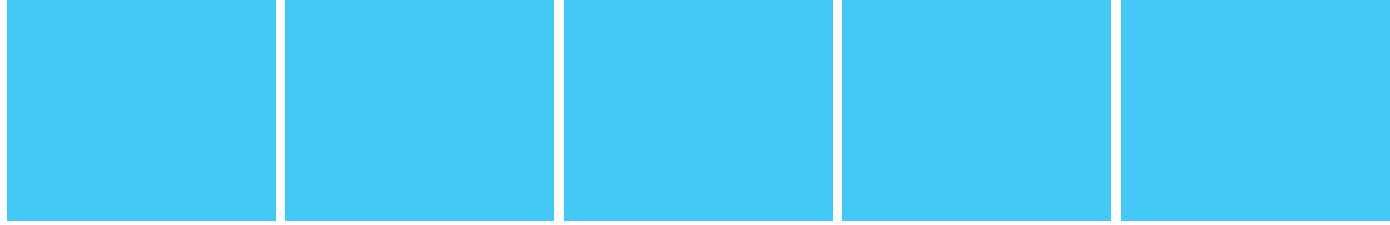
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS (€THOUSAND)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Non current assets										
Property, plant and equipment	1.285.124	1.387.312	1.583.500	1.789.271	1.926.871	1.936.747	1.898.029	1.875.146	1.795.536	1.728.960
Trade and other receivables	1.898	1.800	1.845	2.302	2.028	2.242	1.702	631	322	239
	1.287.022	1.389.112	1.585.345	1.791.573	1.928.899	1.938.989	1.899.731	1.875.777	1.795.858	1.729.199
Current assets	280.641	325.719	259.762	329.501	372.388	518.233	460.411	406.043	506.460	594.582
Total assets	1.567.663	1.714.831	1.845.107	2.121.074	2.301.287	2.457.222	2.360.142	2.281.820	2.302.318	2.323.781
RESERVES AND LIABILITIES (€THOUSAND)										
Reserves										
Revenue reserve	682.478	702.809	806.393	879.568	943.913	1.021.516	1.084.727	1.160.933	1.213.561	1.279.345
Actuarial loss reserve	-	-	-	-	-	22.063	4.763	(239.554)	(155.071)	(263.408)
Capital reserve	15.555	15.555	15.555	15.555	15.555	15.555	15.555	15.555	15.555	15.555
	698.033	718.364	821.948	895.123	959.468	1.059.134	1.105.045	936.934	1.074.045	1.031.492
Non current liabilities										
Borrowings	265.372	334.773	300.750	451.597	403.608	432.447	564.002	472.648	441.596	386.183
Deferred tax liabilities	91.042	98.056	38.402	24.479	27.762	36.103	51.596	57.066	65.804	75.673
Deferred income	356.580	382.973	406.250	428.704	441.808	447.544	443.403	437.020	429.443	425.008
	712.994	815.802	745.402	904.780	873.178	916.094	1.059.001	966.734	936.843	886.864
Current liabilities	156.636	180.665	277.757	321.171	468.641	481.994	196.096	378.152	291.430	405.425
Total liabilities	869.630	996.467	1.023.159	1.225.951	1.341.819	1.398.088	1.255.097	1.344.886	1.228.273	1.292.289
Total reserves and liabilities	1.567.663	1.714.831	1.845.107	2.121.074	2.301.287	2.457.222	2.360.142	2.281.820	2.302.318	2.323.781

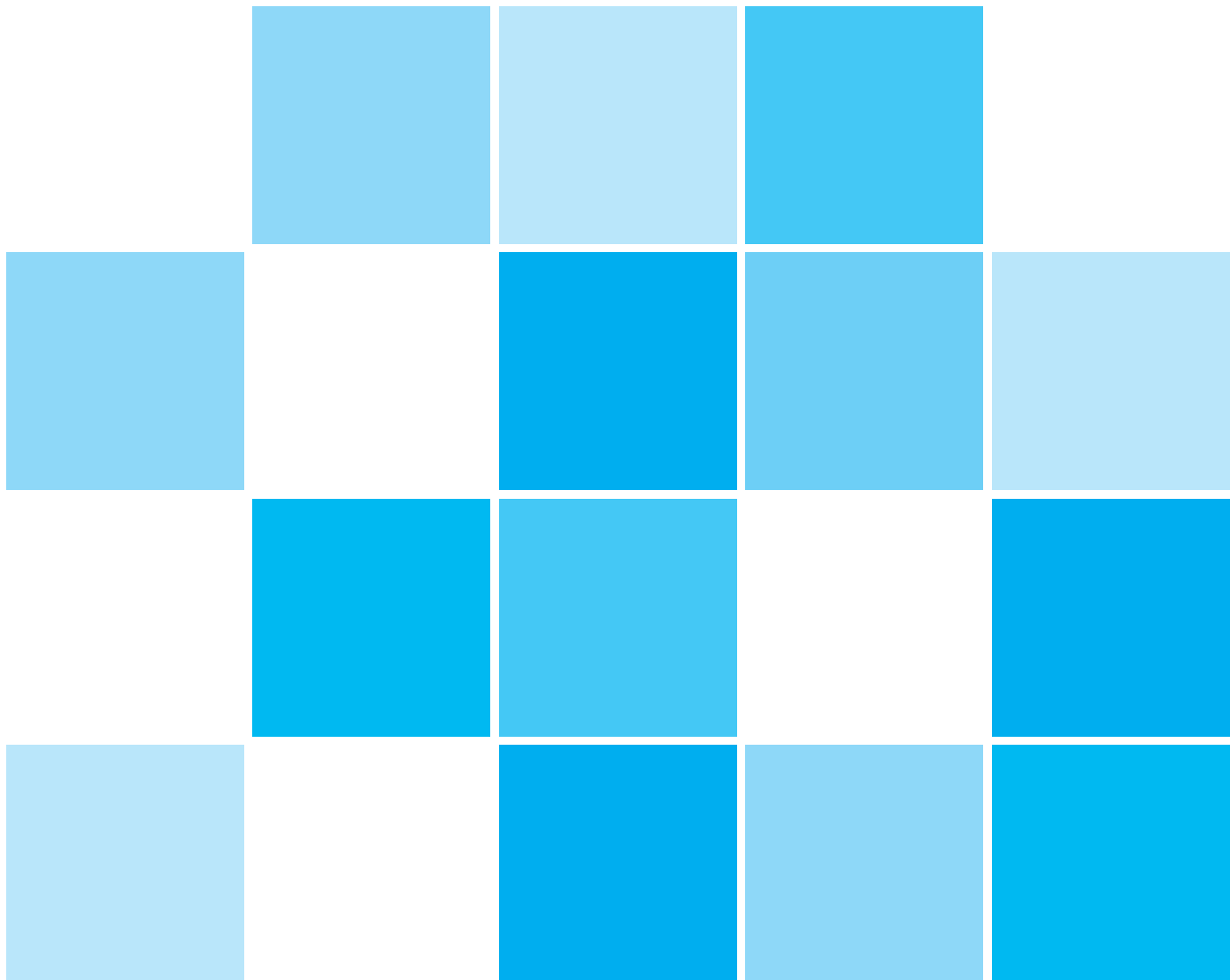
Figure 11

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 2016

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Board of directors and other officers

Board of directors

Chairman: **Andreas Marangos** (from 18.7.2016)
Othonas Theodoulou (until 30.6.2016)

Vice Chairman: **Michalis Hadjipantela** (from 18.7.2016)
Demetra Karantoki (until 30.6.2016)

Members: **Elena Tsolakis** (from 18.7.2016)
Agni Shialarou (from 18.7.2016)
Charalambos Artemi (until 30.6.2016 and from 18.7.2016)
Christina Zikkou (from 18.7.2016)
Yiannis Constantinides (from 18.7.2016)
Constantinos Costi (until 30.6.2016 and from 18.7.2016)
Michael Komodromos (from 18.7.2016)
Alexandra Pelagia-Christodoulou (until 30.6.2016)
Michalis Hadjipantela (until 30.6.2016)
Nikolas Nikolaou (until 30.6.2016)
Loizos Loizou (until 30.6.2016)
Giannos Athienitis (until 30.6.2016)

Legal Advisers:
Ioannides Demetriou, Nicosia

Auditors:
Auditor General of the Republic
PricewaterhouseCoopers Limited

Consolidated Management Report

1. The Board of Directors presents its report together with the audited consolidated financial statements of the Electricity Authority of Cyprus (the "Authority") and its subsidiaries Elektriki Ltd, EAC LNG Investments Company Ltd, EAC Solar Thermal Power Ltd and ESCO AHK Ltd (together the "Group") for the year ended 31 December 2016.

Principal activities

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

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

3. The profit of the Group for the year ended 31 December 2016 was €65.784 thousand (2015: €56.346 thousand). On 31 December 2016 the total assets of the Group were €2.323.781 thousand (2015: €2.302.318 thousand) and the net assets were €1.031.492 thousand (2015: €1.074.045 thousand). The financial position of the Group as presented in the consolidated financial statements is considered satisfactory. The Board of Directors does not anticipate any significant changes in the activities of the Group in the near future.

Principal risks and uncertainties

4. The principal risks and uncertainties faced by the Group are disclosed in notes 1, 3, 4 and 26 of the consolidated financial statements.
5. Following a long and relatively deep economic recession, the Cyprus economy began to record positive growth in 2015 which accelerated during 2016. The restrictive measures and capital controls which were in place since March 2013 were lifted in April 2015 and on the back of the strength of the economy's performance and the strong implementation of required measures and reforms, Cyprus exited its economic adjustment programme in March 2016. In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have proceeded with a number of upgrades of the credit ratings for the Cypriot sovereign, and although the rating continues to be "non investment grade", the Cyprus government has regained access to the capital markets. The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating from the high levels of non performing exposures, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus, including continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty regarding the result of the Brexit referendum; and political uncertainty in Europe in view of Brexit and the refugee crisis.
6. This operating environment could affect (1) the ability of the Group to obtain new borrowings or re finance its existing borrowings at terms and conditions similar to those applied to earlier transactions, (2) the ability of the Group's trade and other debtors to repay the amounts due to the Group, (3) the ability of the Group to generate sufficient turnover and/or offer its services to customers, and (4) the cash flow forecasts of the Group's management in relation to the impairment assessment for financial and non financial assets.

7. The Company's management has assessed:

- (1) Whether any impairment allowances are deemed necessary for the Group'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 Group's inventory exceeds cost.



Consolidated Management Report (cont')

8. The Group's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Group.

Financial risk management

9. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk.
10. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by a central treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co operation with the Group's operating units..

Market Risk

11. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.
12. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign exchange risk

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

Cash flow interest rate risk

14. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are dependent on changes in market interest rates.
The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. See Note 3 for further disclosures on cash flow interest rate risk.

Credit risk

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

Credit risk arises from cash and cash 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 Notes 14 and 16 for further disclosures on credit risk.

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

Liquidity risk

16. Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. See Note 3 for further disclosures on liquidity risk.

Future developments of the Group

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

Results

18. The results of the Group for the year are presented on page 72. The net profit for the year is transferred to reserves

Board of Directors

19. The members of the Board of Directors as at 31 December 2016 and at the date of this report, as well as changes during the year, are presented on page 64.
20. There were no changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period

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

Branches

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

Independent Auditors

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

By order of the Board of Directors

Andreas Marangos

Chairman

30 May 2017

Nicosia



Independent Auditor's report

To Electricity Authority of Cyprus

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Electricity Authority of Cyprus (the "Authority"), and its subsidiaries (the "Group"), which are presented in pages 11 to 59 and comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement and the consolidated statements of other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, the requirements of the Electricity Development Law, Cap. 171, the requirements of the Public Corporate Bodies (Audit of Accounts) Laws of 1983-2007, the requirements of the Laws Regulating the Electricity Market of 2003-2017 and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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

Other information

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

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

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

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of the Electricity Development Law, Cap. 171, the requirements of the Public Corporate Bodies (Audit of Accounts) Laws of 1983-2007, the requirements of the Laws Regulating the Electricity Market of 2003-2017 and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



Independent Auditor's report (cont')

To the Electricity Authority of Cyprus

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Authority, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

Other Matters

Auditor's responsibility

This report, including the opinion, has been prepared for and only for the Board of Directors of the Authority as a body, the Minister of Energy, Commerce, Industry and Tourism, the House of Representatives and the Auditor General of the Republic, in accordance with the Electricity Development Law, Cap. 171, the Public Corporate Bodies (Audit of Accounts) Laws of 1983-2007, the Laws Regulating the Electricity Market of 2003-2017, in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016 and the Cyprus Companies Law, Cap. 113, 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 information

The consolidated financial statements of the Authority for the year ended 31 December 2015 were audited by another auditor, who expressed a modified opinion on those consolidated financial statements, on 31 May 2016.

Loizos A. Markides

Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountant and Registered Auditor

Nicosia

30 May 2017

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 72 to 119, of the Electricity Authority of Cyprus for the year ended 31 December 2016, 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 Ph. Michaelides

Auditor General of the Republic

Nicosia

15 June 2017

Consolidated income statement for the year ended 31 December 2016

	Note	2016 €000	2015 €000
Revenue	5	515.622	574.038
Other operating income - net	6	64.666	53.749
Other losses - net	7	(5.415)	(291)
Operating costs	8	(491.183)	(553.609)
Operating profit		83.690	73.887
Finance costs	10	(6.585)	(7.577)
Profit before tax		77.105	66.310
Tax charge	11	(11.321)	(9.964)
Profit for the year		65.784	56.346

Consolidated statement of comprehensive income for the year ended 31 December 2016

	Note	2016 €000	2015 €000
Profit for the year		65.784	56.346
Other comprehensive (loss)/ income for the year, net of tax			
Items that will not be reclassified to income statement in future periods:			
Remeasurements of post employment benefit obligations	9	(108.337)	84.483
Total comprehensive (loss)/ income for the year		(42.553)	140.829

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

Electricity Authority of Cyprus

Consolidated statement of financial position at 31 December 2016

	Note	2016 €000	2015 As restated €000	01/01/2015 As restated €000
Assets				
Non current assets				
Property, plant and equipment	15	1.728.960	1.795.536	1.875.146
Trade and other receivables	16	239	322	631
		1.729.199	1.795.858	1.875.777
Current assets				
Inventories	17	104.410	91.398	108.370
Trade and other receivables	16	113.560	89.057	113.081
Greenhouse gasses emission allowances		-	-	966
Financial assets at fair value through profit or loss	12	635	671	978
Tax refundable	18	4.287	4.287	4.270
Short term deposits	19	358.233	301.772	145.336
Cash and cash at bank	20	13.457	19.275	33.042
		594.582	506.460	406.043
Total assets		2.323.781	2.302.318	2.281.820
Reserves and liabilities				
Reserves		1.031.492	1.074.045	936.934
Total equity		1.031.492	1.074.045	936.934
Non current liabilities				
Borrowings	21	386.183	441.596	472.648
Deferred tax liabilities	22	75.673	65.804	57.066
Deferred income	23	425.008	429.443	437.020
		886.864	936.843	966.734
Current liabilities				
Trade and other payables	24	118.865	102.015	109.231
Net defined benefit obligation	9	233.469	132.930	217.995
Tax liability	18	-	3.718	-
Borrowings	21	31.023	31.051	29.479
Deferred income	23	22.068	21.716	21.447
		405.425	291.430	378.152
Total liabilities		1.292.289	1.228.273	1.344.886
Total reserves and liabilities		2.323.781	2.302.318	2.281.820

These consolidated financial statements are signed today, 30 May 2017, as a result of the approval and decision of the Board of Directors.

A. MARANGOS
Chairman

A. KONTOS
Deputy General Manager

M. CHARALAMBOUS
Acting Executive
Manager Finance

The notes on pages 76 to 119 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2016

	Note	Capital reserve €000	Actuarial losses reserve €000	Revenue reserve €000	Total €000
Balance at 1 January 2015 as previously reported		15.555	(239.554)	1.126.703	902.704
Prior year adjustment		-	-	34.230	34.230
Balance at 1 January 2015 as restated		15.555	(239.554)	1.160.933	936.934
Comprehensive income					
Profit for the year		-	-	56.346	56.346
Other comprehensive income					
Remeasurement of post-employment benefit obligation	9	-	84.483	-	84.483
Total other comprehensive income		-	84.483	-	84.483
Total comprehensive income for the year		-	84.483	56.346	140.829
Transactions with owners					
Contributions and distributions					
Defence contribution on deemed dividend distribution		-	-	(3.718)	(3.718)
Balance at 31 December 2015		15.555	(155.071)	1.213.561	1.074.045
Balance at 1 January 2016		15.555	(155.071)	1.213.561	1.074.045
Comprehensive income					
Profit for the year		-	-	65.784	65.784
Other comprehensive loss					
Remeasurement of post-employment benefit obligation	9	-	(108.337)	-	(108.337)
Total other comprehensive loss		-	(108.337)	-	(108.337)
Total comprehensive loss for the year		-	(108.337)	65.784	(42.553)
Balance at 31 December 2016		15.555	(263.408)	1.279.345	1.031.492

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

Electricity Authority of Cyprus

Consolidated statement of cash flows for the year ended 31 December 2016

	Note	2016 €000	2015 €000
Cash flows from operating activities			
Profit before tax		77.105	66.310
Adjustments for:			
Depreciation of property, plant and equipment	15	96.401	97.493
Amortization of consumers' capital contributions	23	(21.716)	(21.447)
Profit from the sale of property, plant and equipment	7	(137)	(16)
Impairment charge - property, plant and equipment	15	5.516	-
Interest expense	10	5.794	6.353
Interest income	6	(5.702)	(5.710)
		157.261	142.983
Changes in working capital:			
Inventories		(11.447)	16.972
Trade and other receivables		(24.380)	25.168
Greenhouse gasses emission allowances		-	966
Financial assets at fair value through profit or loss	7	36	307
Trade and other payables		16.893	(7.184)
Defined benefit obligation		(7.798)	(582)
Cash generated from operations		130.565	178.630
Tax paid		(5.169)	(1.243)
Net cash from operating activities		125.396	177.387
Cash flows from investing activities			
Acquisition of property, plant and equipment	15	(36.923)	(17.952)
Short term deposits		(56.461)	(156.436)
Proceeds from sale of property, plant and equipment		153	85
Additions to consumers' capital contributions	23	17.633	14.139
Interest received		5.662	4.875
Net cash used in investing activities		(69.936)	(155.289)
Cash flows from financing activities			
Repayments of long term borrowings		(55.441)	(29.480)
Interest paid		(5.837)	(6.385)
Net cash used in financing activities		(61.278)	(35.865)
Net decrease in cash and cash equivalents		(5.818)	(13.767)
Cash and cash equivalents at beginning of the year		19.275	33.042
Cash and cash equivalents at end of the year	20	13.457	19.275

The notes on pages 76 to 119 form an integral part of these consolidated financial statements.



Notes to the consolidated financial statements for the year ended 31 December 2016

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, 1399 Nicosia, Cyprus.

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

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

The Group prepares separate financial statements for the activities of generation, transmission, distribution and supply of electricity and other activities in accordance to the Laws regulating the Electricity Market of 2003 2016 and the relevant resolutions of the Cyprus Energy Regulatory Authority (CERA) regarding the functional and accounts unbundling.

Prior year adjustment

On the 11th of July, 2011 an explosion occurred at the "Evangelos Florakis" naval base 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.

A total amount of €142,606 million spent during the years 2011 until 2015 for the restoration of the property, plant and equipment of Vasilikos Power Station (out of which €231 thousand in year 2015), has been included in the consolidated income statement as operating expenses.

In addition the Authority received as compensation from the insurance companies an amount of €152,1 million which was recognised in the consolidated income statement.

To comply with the requirements of IAS 16 "Property, plant and equipment" and IAS 36 "Impairment of Assets" the Authority on 1 January 2016 recorded a prior year adjustment to recognise the difference in net book value of the repairs of the assets that were damaged, as compared to the impairment of their value. As a result at 1 January 2015 the Authority's Property, plant and equipment was increased by €34,230 million with a corresponding increase in Reserves. The depreciation for the year 2015 was increased by €4,263 million, repairs and maintenance expenses were decreased by €231,000 and the net book value of Property, plant and equipment as at 31 December 2015 decreased/ increased with the corresponding amounts.

Operating environment of the Group

Following a long and relatively deep economic recession, the Cyprus economy began to record positive growth in 2015 which accelerated during 2016. The restrictive measures and capital controls which were in place since March 2013 were lifted in April 2015 and on the back of the strength of the economy's performance and the strong implementation of required measures and reforms, Cyprus exited its economic adjustment programme in March 2016. In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have proceeded with a number of upgrades of the credit ratings for the Cypriot sovereign, and although the rating continues to be "non investment grade", the Cyprus

government has regained access to the capital markets. The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating from the high levels of non performing exposures, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus, including continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty regarding the result of the Brexit referendum; and political uncertainty in Europe in view of Brexit and the refugee crisis.

This operating environment could affect (1) the ability of the Group to obtain new borrowings or re finance its existing borrowings at terms and conditions similar to those applied to earlier transactions, (2) the ability of the Group's trade and other debtors to repay the amounts due to the Group, (3) the ability of the Group to generate sufficient turnover and/or offer its services to customers, and (4) the cash flow forecasts of the Group's management in relation to the impairment assessment for financial and non financial assets.

The Group's management has assessed:

- (1) Whether any impairment allowances are deemed necessary for the Group'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 Group's inventory exceeds cost.

The Group's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Group.

2. Summary of significant accounting policies

The principal accounting policies adopted 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 (IFRSs), 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 2016.

As of the date of the authorisation of the consolidated financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2016 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

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

The methods used for determining fair values are explained in detail in Note 3. Financial assets and liabilities and non financial assets and liabilities which are valued at historic cost are stated at amortized cost or historic cost, as appropriate, net of any relevant impairment.

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

2. Summary of significant accounting policies (cont')

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Adoption of new and revised International Financial Reporting Standards (IFRS)

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 Ιανουαρίου 2016. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except the below:

- IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:
 - i) Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
 - ii) Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
 - iii) Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
 - iv) Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
 - v) IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12 month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12 month ECL. The model includes operational simplifications for lease and trade receivables.

- vi) Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.
- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.
 - IFRS 16 “Leases” (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019) *. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
 - Disclosure Initiative Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017)*. The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

Subsidiary undertakings

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

2. Summary of significant accounting policies (cont')

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 Group's activities. Revenue is shown net of value added tax.

The Group 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 consolidated statement of financial position.

(b) Interest Income

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

(c) Consumers' capital contributions

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

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

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

Subsidies from the Group in respect of such capital contributions are deducted from the amounts receivable when there is objective evidence that the Group will not be able to collect these amounts and charged in the consolidated income statement at the time granted.

(d) Revenue from Desalination

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

Government grants

Government grants are recognized at their fair value when there is a reasonable assurance that the grant will be received and the Group 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.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Employee benefits

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

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

2. Summary of significant accounting policies (cont')

Current and deferred income tax

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

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

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

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

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

Property, plant and equipment

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

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

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

	Years
Power station buildings	30
Other buildings	35
Power station plant and machinery	25
Other plant and machinery	25 30
Lines and cables	35 40
Meters	15

	Years
Motor vehicles	7
Furniture, fixtures and office equipment	10
Tools and instruments	10
Computer hardware	5
Computer software	3

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

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

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

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

Greenhouse Gas Emission Allowances

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

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

Granted CO₂ emission allowances are initially recognized at nominal value (nil value) when the Group is able to exercise control over these rights. Purchased 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 or loss.

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

Impairment of non financial assets

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

Impairment loss is recognized in the profit or loss.

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

2. Summary of significant accounting policies (cont')

Financial assets

(i) Classification

The Group classifies its financial assets as financial assets at fair value through profit or loss and 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 at bank in the consolidated statement of financial position.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade date which is the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized 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 recognized at 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 Group has transferred substantially all risks and rewards of ownership.

Loans and receivables are carried at amortized 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 gains/(losses) net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized 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 Group assesses at each reporting date whether there is objective evidence that a financial asset, other than financial assets at fair value through profit or loss, or a group of financial assets, other than financial assets at fair value through profit or loss, is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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 reorganization, 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 the 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.

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 amortized 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 Group 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.



Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

2. Summary of significant accounting policies (cont')

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 to 12 months are 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 recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

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

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

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any gain or loss on extinguishment is recognised in profit or loss except to the extent that it arises as a result of transactions with shareholders acting in their capacity as shareholders when it is recognised directly in equity. The terms are considered to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the

arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

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

Trade and other payables

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

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

Comparatives

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

3. Financial risk management

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.

(i) Financial risks management

Market Risk

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

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

Foreign exchange risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Group's

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

3. Financial risk management (cont')

functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures with respect to the US Dollar but believes that any change in foreign exchange rates will not have a material effect on its results.

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

The net foreign exchange difference debited/credited to the consolidated income statement amounts to €791.000 (2015: €1.224.000) and relates to normal operating and financing activities (Note 10).

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

31 December 2016	United States Dollars €000
Assets	
Short term deposits	13.165
	13.165
Liabilities	
Suppliers	(20.756)
Amount available for interpleader proceedings	(14.277)
	(35.033)
Net foreign currency exposure	(21.868)

31 December 2015	United States Dollars €000
Assets	
Short term deposits	12.553
	12.553
Liabilities	
Suppliers	(23.561)
Amount available for interpleader proceedings	(13.631)
	(37.192)
Net foreign currency exposure	(24.639)

Electricity Authority of Cyprus

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2016 and 2015 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant foreign currency at 31 December 2016 and 2015, there would be an equal and opposite impact on the equity and profit or loss.

	Equity		Profit or loss	
	2016 €000	2015 €000	2016 €000	2015 €000
United States Dollars	2.187	2.464	2.187	2.464
	2.187	2.464	2.187	2.464

Cash flow interest rate risk

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

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

At 31 December 2016, if interest rates on Euro denominated borrowings had been 0,1% higher/lower with all other variables held constant, post tax profit for the year would have been €416.764 (2015: €472.167) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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

	2016 €000	2015 €000
Fixed rate instruments		
Financial assets	358.233	301.772
Financial liabilities	(442)	(480)
Variable rate instruments		
Financial liabilities	(416.764)	(472.167)
	(58.973)	(170.875)

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

3. Financial risk management (cont')

Sensitivity analysis

A decrease of 100 basis points in interest rates at 31 December 2016 and 2015 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the equity and profit or loss.

	Equity		Profit or loss	
	2016 €000	2015 €000	2016 €000	2015 €000
Variable rate instruments	4.168	4.722	4.168	4.722
	4.168	4.722	4.168	4.722

- Credit risk**

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

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk arises from cash and cash 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 disclosures on credit risk.

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

- Liquidity risk**

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

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

Electricity Authority of Cyprus

	Less than 1 year €000	Between 1 and 2 years €000	Between 2 to 5 years €000	More than 5 years €000
At 31 December 2015				
Borrowings (Capital and interest)	38.466	39.784	143.506	322.491
Trade and other payables*	95.224	-	-	-
	133.690	39.784	143.506	322.491
At 31 December 2016				
Borrowings (Capital and interest)	36.239	56.937	143.503	278.278
Trade and other payables*	107.671	-	-	-
	143.910	56.937	143.503	278.278

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

(ii) Capital risk management

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

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

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain the gearing ratio within 0% to 10%. The gearing ratio at 31 December 2016 and 2015 was as follows:

	2016 €000	2015 €000
Total borrowings (Note 21)	417.206	472.647
Less: Short term deposits (Note 19)	(358.233)	(301.772)
Cash and cash equivalents (Note 20)	(13.457)	(19.275)
Net debt	45.516	151.600
Total equity	1.478.568	1.525.204
Total Capital as defined by Management	1.524.084	1.676.804
Gearing ratio	3%	9%

*Excluding statutory liabilities and deferred income.

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

3. Financial risk management (cont')

(iii) Fair value estimation

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

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

	Level 1 €000	Level 1 €000
Assets		
Financial assets at fair value through profit or loss:		
Equity securities	635	671
Total financial assets measured at fair value	635	671

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

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

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

Specific valuation techniques used to value financial instruments include:

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. Critical accounting estimates and judgements

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

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

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

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

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

(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.

If the actual final outcome differed by 10% from Management's estimates then the Group would need to increase its current tax liabilities by €171.100 (2015: €51.400) if the final outcome was not in the Group's favour.

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

4. Critical accounting estimates and judgements (cont')

(iii) Defined Benefit Plan

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

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 €310.000 (2015: €240.000).

6. Other operating income - net

	2016 €000	2015 €000
Income from reconnection	1.683	1.880
Employees contribution to the defined benefit plan (Footnote 1)	1.680	1.733
Income from fees for telecommunication usage of optical fibres	1.508	1.432
Income from Desalination	12.707	9.098
Consumers' capital contributions	21.716	21.447
Greenhouse gas emission allowances cost recovered	13.218	6.009
Income from TSO	2.714	2.875
Sundry income	3.738	3.565
Interest income from:		
Bank balances	4.855	4.193
Other	847	1.517
	64.666	53.749

Footnote 1:

The amount represents deduction from the employees' salaries at the rate of 3% and is paid to the Group for maintaining the viability of the Defined benefit plan per Law 216 (I) 2012, paragraph 4 and is included in employer's contributions.

Electricity Authority of Cyprus

7. Other losses - net

	2016 €000	2015 €000
Property, plant and equipment (Note 15):		
Profit on sale	137	16
Impairment charge of property, plant and equipment	(5.516)	-
Fair value losses on financial assets at fair value through profit or loss	(36)	(307)
	(5.415)	(291)

8. Operating costs

	2016 €000	2015 €000
Fuel	245.936	288.632
Purchase of Electricity from third parties	20.059	26.196
Salaries and employer's contributions (Note 9)	78.945	89.702
Depreciation (Note 15)	96.401	97.493
Repairs and maintenance	13.205	11.125
Compensation for early retirement	-	8.754
Independent auditor's fees for the compulsory audit of the annual financial statements	50	62
Auditor General's remuneration	33	34
Audit of the Funds	16	24
Audit fees prior years	(1)	(3)
Rental expenses	648	661
Provision for impairment of inventories	975	-
Reversal of provision for bad debts	(607)	(137)
Immovable property tax	103	327
Cyprus Energy Regulatory Authority fees	1.743	1.719
Cyprus Transmission System Operator fee	3.930	4.471
Transport	2.208	2.234
Insurance	2.937	3.678
Telephones and postages	1.577	1.516
Electricity, cleaning and water	1.061	1.185
Greenhouse gas emission allowances cost	9.010	2.379
Other expenses	12.954	13.557
Total expenses	491.183	553.609

Other expenses disclosed above include fees amounting to €23.300 (2015: €6.000) for other non audit services charged by the Authority's statutory auditor.

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

9. Staff costs

	2016 €000	2015 €000
Salaries	64.257	65.905
Social insurance and other costs	8.042	8.219
Social cohesion fund	1.292	1.325
Defined benefit cost - current year cost	9.828	14.895
Other defined contribution plans	3.351	3.449
	86.770	93.793
Average number of staff employed during the year	1.993	2.068

	2016 €000	2015 €000
The staff costs were allocated as follows:		
Income statement (Note 8):		
- Staff costs	78.945	89.702
- Restoration of the Vasilikos P/S	-	10
Capitalised in fixed assets and work in progress	7.825	4.081
	86.770	93.793

Defined Benefit Plan

The amounts recognised in the consolidated statement of financial position and the consolidated statement of other comprehensive income of the Group as at 31 December 2016 are in accordance with the actuarial valuation as at 31 December 2016 for the defined benefit plan. The assets used for the purposes of the actuarial valuation were extracted from the unaudited financial statements of the Electricity Authority's employees defined benefit plan (the "Plan") for the year ended 31 December 2016.

	2016 €000	2015 €000
Present value of defined benefit obligation	771.662	662.902
Fair value of plan assets	(538.193)	(529.972)
Net obligation on the consolidated statement of financial position	233.469	132.930
Funding level	70%	80%

Electricity Authority of Cyprus

	2016 €000	2015 €000
Current service cost	6.944	10.286
Net interest expense	2.884	4.609
Total expense recognized in 'staff costs'	9.828	14.895

Movement in net obligation included in the consolidated statement of financial position	2016 €000	2015 €000
Net obligation in the statement of financial position at the beginning of the year	132.930	217.995
Contributions by the employer	(17.626)	(15.477)
Total expense recognised in the consolidated income statement	9.828	14.895
Total amount recognised in other comprehensive (income)/ loss	108.337	(84.483)
Net obligation at the end of the year	233.469	132.930

Changes to the present value of the defined benefit obligation during the year	2016 €000	2015 €000
Present value of the defined benefit obligation at beginning of the year	662.902	757.296
Current service cost	6.944	10.286
Interest cost	14.785	15.931
Contributions by participants	1.059	1.122
Benefits paid out	(25.422)	(37.093)
Adjustments:		
- Actuarial loss/ (gain) - (financial assumptions)	110.004	(86.794)
- Actuarial gain - (demographic assumptions)	-	(500)
- Actuarial loss - (experience)	1.390	2.654
Present value of the defined benefit obligation at the end of the year	771.662	662.902

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

9. Staff costs (cont')

Changes to the fair value of plan assets during the year	2016 €000	2015 €000
Fair value of plan assets at the beginning of year	529.972	539.301
Expected return on plan assets	11.901	11.322
Contributions by the employer (Note)	17.626	15.477
Contributions by participants	1.059	1.122
Benefits paid out	(25.422)	(37.093)
Adjustments:		
Actuarial gain/(loss)	3.057	(157)
Fair value of plan assets at the end of the year	538.193	529.972

Note:

Employer's contributions include an amount of €1.680.000 (2015: €1.733.000), that was deducted at the rate of 3% from the employees' salaries for maintaining the viability of the Defined benefit plan per Law 216 (ii) 2012, paragraph 4 and is presented in other operating income of the Group.

Remeasurements	2016 €000	2015 €000
(Loss)/ gain from the remeasurement of the defined benefit obligation	(111.394)	84.640
Difference between the expected and actual return on plan assets	3.057	(157)
Total actuarial (Loss)/ gain recognized in other comprehensive income/(expense)	(108.337)	84.483

The cumulative actuarial amount recognised in the statement of other comprehensive income until 31 December 2016 was a deficit of €263.408.000 (2015: €155.071.000).

The principal actuarial assumptions used for the actuarial valuation were:

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	2016 %	2015 %
Discount rate	1,60	2,26
Average expected return on plan assets	1,60	2,26
Total salary increases	1,25% (0,75%+0,50%) + promotional and merit increases	2016: 0,00 2017+: 1,25 + promotional and merit increases
General salary increases	0,50%	2016:0,00 2017:0,25
Social Insurance Scheme supplementary pension increases	1,50	2,0
Pension increases	1,0	1,0
Increase on maximum insurable earnings limit	2,5	2,5
Price inflation	1,50	2,0
Mortality table	60% of PA90	60% of PA90
Plan duration	19,41 years	18,55 years

In accordance with the amended IAS19, the discount rate should reflect the rate at which the liabilities could effectively be settled. Accordingly, the discount rate has been extracted from annual yield of the iBoxx Euro Corporates AA 10+ Bond Index with maturity of 19,41 years (2015: 18,55 years) which corresponds to the average maturity life of the Plan's liabilities.

Assumptions regarding current year's future mortality rates are according to the published general mortality table PA90 (2015: PA90). The underlying table reduced by 40% represents the expected mortality of the Plan's members after retirement. According to the underlying mortality rate table, the expected life for a male and female aged 65 (normal retirement age) is 18,4 years and 22,2 years respectively.

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

	2016		2015	
	Change	Impact	Change	Impact
Discount rate	+0,50%	-8,50%	+0,50%	-7,70%
Discount rate	-0,50%	9,80%	-0,50%	8,80%
Salaries	+0,50%	6,40%	+0,50%	6,00%
Salaries	-0,50%	-5,80%	-0,50%	-5,60%
Pensions	+0,50%	10,00%	+0,50%	9,20%
Pensions	-0,50%	-9,10%	-0,50%	-8,80%
Life expectancy	+1 έτος	4,20%	+1 έτος	3,50%
Life expectancy	-1 έτος	-4,20%	-1 έτος	-3,50%

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

9. Staff costs (cont')

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

	2016		2015	
	€000	%	€000	%
Immovable property	27.197.837	5,02	26.639.334	5,00
Shares	80.325.439	14,83	65.293.267	12,26
Debentures - (Government)	54.612.875	10,09	55.487.697	10,42
Debentures - (Other)	3.659.487	0,68	2.555.770	0,48
Receivables	7.684.454	1,42	1.360.516	0,24
Loans	21.134.169	3,90	23.313.954	4,38
Hedge Funds	4.065.413	0,75	6.209.263	1,17
Mutual debenture funds	190.329.025	35,15	166.873.040	31,33
Cash and cash equivalents	152.463.298	28,16	184.931.275	34,72
	541.471.997	100,00	532.664.116	100,00

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

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

The estimated regular statement of profit or loss charge for the financial year 2017 based on the amended IAS 19 is as follows:

	2017 €000	2016 €000
Current service cost	12.137	7.764
Net interest charge	3.735	3
Total	15.872	7.767

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

Expected benefits to be paid from the defined benefit plan for the next year are €24.819.608 (2015: €22.173.000).

The expected contributions to be paid to the defined benefit plan for the financial year 2017 are €13.263.580 (2016: €20.491.000).

10. Finance costs

	2016 €000	2015 €000
Interest expense:		
Borrowings	5.148	6.158
Interest on taxes	2	1
Other	644	194
	5.794	6.353
Net foreign exchange transaction losses	791	1.224
	6.585	7.577

The finance cost is allocated as follows:

	2016 €000	2015 €000
Consolidated income statement	6.585	7.577
	6.585	7.577

11. Tax

	2016 €000	2015 €000
Current tax:		
Corporation tax - previous years	-	(18)
Defence contribution	1.451	1.244
Total current tax	1.451	1.226
Deferred tax (Note 22):		
Origination and reversal of temporary differences	9.870	8.738
Total deferred tax	9.870	8.738
Tax charge	11.321	9.964

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

11. Tax (cont')

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

	2016 €000	2015 €000
Profit before tax	77.105	66.310
Tax calculated at the applicable tax rates on income	9.638	8.289
Tax effect of expenses not deductible for tax purposes	836	875
Tax effect of income not subject to tax	(604)	(517)
Tax charge previous years	-	71
Defence contribution	1.451	1.246
Tax charge	11.321	9.964

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

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

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

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

Tax effects of components of other comprehensive income

	Year ended 31 December 2016			Year ended 31 December 2015		
	Before tax €000	Tax (charge)/ credit €000	After tax €000	Before tax €000	Tax (charge)/ credit €000	After tax €000
Defined benefit obligation:						
Remeasurements of post employment benefit obligation	(108.337)	-	(108.337)	84.483	-	84.483
Other comprehensive income	(108.337)	-	(108.337)	84.483	-	84.483

12. Financial assets at fair value through profit or loss

	2016 €000	2015 €000
Equity securities (Note 3(iii))	635	671

Financial assets at fair value through profit or loss are recorded in the consolidated statement of cash flow 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 - 2016

	Assets measured at fair value €000	Loans and receivables €000	Total €000
Non current receivables	-	239	239
Trade and other receivables (Note)	-	108.108	108.108
Financial assets at fair value through profit or loss	635	-	635
Short term deposits	-	358.233	358.233
Cash and cash equivalents	-	13.457	13.457
Total	635	480.037	480.672

Note

The rest of the statement of financial position item "trade and other receivables" is deposits and prepayments.

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

13. Financial instruments by category (cont')

Assets as per consolidated statement of financial position - 2015

	Assets measured at fair value €000	Loans and receivables €000	Total €000
Non current receivables	-	322	322
Trade and other receivables (Note)	-	83.128	83.128
Financial assets at fair value through profit or loss	671	-	671
Short term deposits	-	301.772	301.772
Cash and cash equivalents	-	19.275	19.275
Total	671	404.497	405.168

Note:

The rest of the statement of financial position item "trade and other receivables" is deposits and prepayments.

Liabilities as per consolidated statement of financial position

	Other financial liabilities	
	2016 €000	2015 €000
Borrowings	417.206	472.647
Net defined benefit obligation	233.469	132.930
Trade and other payables (Note)	107.671	95.224
Total	758.346	700.801

Note:

The rest of the statement of financial position item 'trade and other payables' is statutory liabilities and deferred income.

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):

	2016 €000	2015 €000
Fully performing trade receivables - net		
Group 1	1.435	1.956
Group 2	7.977	7.104
Group 3	51.559	43.010
	60.971	52.070
Past due trade receivables - net		
Group 4	12.781	12.313
Group 5	3.025	6.732
Group 6	74	117
Group 7	1.424	393
Group 8	5.171	1.712
	22.475	21.267
Other receivables		
Group 9	9.641	10.113
Group 10	15.260	-
	24.901	10.113
Short term bank deposits		
Caa1	70.313	-
Caa2	69.848	34.135
Caa3	96.375	124.376
Without external credit rating ⁽¹⁾	121.697	143.261
	358.233	301.772

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

14. Credit quality of financial assets (cont')

	2016 €000	2015 €000
Cash and cash equivalents⁽²⁾		
BB	563	-
Caa1	1.115	-
Caa2	6.624	505
Caa3	711	15.632
	9.013	16.137

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.

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.

Group 10: Past due receivables

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

(2) The rest of the consolidated statement of financial position 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 €4.444.000 (2015: €3.138.000).

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

15. Property, plant and equipment

	Freehold land	Buildings	Plant and machinery	Lines, cables and meters	Motor vehicles	Furniture, fixtures and office equipment	Tools and instruments	Computer hardware and software	Work in progress	Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
At 1 January 2015										
Cost	40.984	354.923	1.519.567	1.030.819	20.912	7.267	7.250	34.807	16.317	3.032.846
Accumulated depreciation	-	(122.787)	(613.310)	(358.577)	(18.899)	(6.138)	(6.508)	(31.481)	-	(1.157.700)
Net book value	40.984	232.136	906.257	672.242	2.013	1.129	742	3.326	16.317	1.875.146
Year ended 31 December 2015										
Opening net book value	40.984	232.136	906.257	672.242	2.013	1.129	742	3.326	16.317	1.875.146
Additions	462	70	645	124	-	20	85	676	15.870	17.952
Disposals	(1)	(64)	-	(4)	-	-	-	-	-	(69)
Depreciation charge	-	(11.896)	(55.758)	(26.838)	(996)	(263)	(206)	(1.536)	-	(97.493)
Transfers	147	1.075	5.994	12.431	-	-	-	269	(19.916)	-
Closing net book value	41.592	221.321	857.138	657.955	1.017	886	621	2.735	12.271	1.795.536
At 31 December 2015										
Cost	41.592	355.993	1.524.158	1.043.369	20.663	7.286	7.335	35.628	12.271	3.048.295
Accumulated depreciation	-	(134.672)	(667.020)	(385.414)	(19.646)	(6.400)	(6.714)	(32.893)	-	(1.252.759)
Net book value	41.592	221.321	857.138	657.955	1.017	886	621	2.735	12.271	1.795.536
Year ended 31 December 2016										
Opening net book value	41.592	221.321	857.138	657.955	1.017	886	621	2.735	12.271	1.795.536
Additions	483	35	533	186	311	123	53	489	34.710	36.923
Disposals	(7)	(8)	-	-	-	(1)	-	-	-	(16)
Transfer to inventory	-	-	(1.566)	-	-	-	-	-	-	(1.566)
Impairment charge	-	-	(5.516)	-	-	-	-	-	-	(5.516)
Depreciation charge	-	(11.879)	(55.214)	(27.142)	(614)	(223)	(191)	(1.138)	-	(96.401)
Transfers	103	1.131	2.758	13.460	-	-	-	2	(17.454)	-
Closing net book value	42.171	210.600	798.133	644.459	714	785	483	2.088	29.527	1.728.960
At 31 December 2016										
Cost	42.171	357.149	1.515.897	1.057.015	20.974	7.408	7.389	35.851	29.527	3.073.381
Accumulated depreciation	-	(146.549)	(717.764)	(412.556)	(20.260)	(6.623)	(6.906)	(33.763)	-	(1.344.421)
Net book value	42.171	210.600	798.133	644.459	714	785	483	2.088	29.527	1.728.960

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

15. Property, plant and equipment (cont')

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

	2016 €000	2015 €000
Net book value	16	69
Profit from the sale of property, plant and equipment (Note 7)	137	16
Proceeds from disposal of property, plant and equipment	153	85

Depreciation amounting to €96.401.000 (2015: €97.493.000) has been charged to operating costs.

Land and equipment located in Turkish occupied area

The total fixed assets shown in the consolidated statement of financial position include land and equipment located in the area occupied by the Turkish invasion force, whose cost approximates €12.978.000. The depreciation provision for the year in respect of these assets was NIL (2015: NIL) bringing the accumulated provision at 31 December 2016 to €12.440.000 (2015: €12.440.000) and leaving a written down value of €538.000 (2015: €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

	2016 €000	2015 €000
Trade receivables	101.184	92.634
Less: Provision for impairment of receivables	(17.738)	(19.297)
Trade receivables - net	83.446	73.337
Capital contributions receivable by instalments	678	632
Advance payments to subcontractors	4.369	4.764
Receivable from RES fund	15.260	-
Other receivables	8.963	9.481
Deposits and prepayments	1.083	1.165
	113.799	89.379
Less non current receivables	(239)	(322)
Current receivables	113.560	89.057

The amount of €15.260.000 relates to past due receivable from the RES fund. On 16/5/2017, the Board of Directors of the Authority decided to deduct from the total receipts of the RES fee charged on electricity bills every month, the amount payable to RES producers as subsidy and then deduct the amount of €450.000, which is the minimum amount required to settle the amount due to the Authority within a period of 3 years.

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The maturity of non current receivables and prepayments is as follows:

	2016 €000	2015 €000
Between 1 and 2 years	144	173
Between 2 and 5 years	95	149
	239	322

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

At 31 December 2016, trade receivables of €65.455.000 (2015: €51.978.000) were neither due or impaired.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2016, trade receivables of €14.892.000 (2015: €14.510.000) 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:

	2016 €000	2015 €000
Up to 3 months	13.080	13.570
3 to 6 months	682	872
Over 6 months	1.130	68
	14.892	14.510

As at 31 December 2016, trade receivables of €20.837.000 (2015: €26.146.000) were impaired and provided for. As at 31 December 2016 the amount of the provision was €17.738.000 (2015: €19.297.000). 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:

	2016 €000	2015 €000
Up to 3 months	1.660	2.155
3 to 6 months	1.423	2.189
Over 6 months	17.754	21.802
	20.837	26.146

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

16. Trade and other receivables (cont')

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:

	2016 €000	2015 €000
At 1 January	19.297	19.309
Provision for impairment of receivables	(1.559)	(12)
At 31 December	17.738	19.297

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.

Other groups within trade and other receivables contain impaired assets or past due amounting to €75.000 (2015: €75.000).

The maximum exposure to credit risk at the reporting date is the carrying value of each group 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:

	2016 €000	2015 €000
Euro - functional and presentation currency	113.799	89.379
	113.799	89.379

17. Inventories

	2016 €000	2015 €000
Fuel	42.497	37.519
Spare parts and other consumables	61.913	53.879
	104.410	91.398

The cost of inventories recognized as expense and included in operating costs amounted to €252.990.000 (2015: €295.934.000).

Inventories are stated at cost.

18. Tax refundable / Tax (liability)

	2016 €000	2015 €000
Corporation tax	4.287	4.287
Special contribution for defence	-	(3.718)
	4.287	569

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

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

19. Short term deposits

	2016 €000	2015 €000
Short term bank deposits	358.233	301.772

The effective interest rate on short term bank deposits was 0,70% - 2,20% (2015: 0,75% - 3,25%) and these deposits had a maturity of 3 - 12 months (2015: 3 - 12 months). Deposits of €13,2 million (2015: €12,6 million) are used as guarantees for fuel deliveries.

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

	2016 €000	2015 €000
Euro - functional and presentation currency	345.068	289.219
United States Dollars	13.165	12.553
	358.233	301.772

20. Cash and cash at bank

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 analysed as follows:

	2016 €000	2015 €000
Cash at bank and in hand	13.094	19.025
Short term bank deposits	363	250
	13.457	19.275

The effective interest rate on short term bank deposits was 1,25% - 1,75% (2015: 0,75% - 2,50%) and these deposits had a maturity of 56 days (2015: 67 days).

Cash and bank balances are denominated in the following currencies:

	2016 €000	2015 €000
Euro - functional and presentation currency	13.457	19.275
	13.457	19.275

21. Borrowings

	2016 €000	2015 €000
Current		
Bank borrowings	31.023	31.051
Non current		
Bank borrowings	386.183	441.596
	386.183	441.596
Total borrowings	417.206	472.647

Maturity of non current borrowings is as follows:

	2016 €000	2015 €000
Between 1 and 2 years	44.032	32.242
Between 2 and 5 years	112.300	123.583
Over 5 years	229.851	285.771
	386.183	441.596

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

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

	2016 %	2015 %
Bank overdrafts and loans	1,0	1,1

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

	2016 €000	2015 €000
Floating rate		
6 months or less	416.764	472.167
Fixed rate on maturity	442	480
	417.206	472.647

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

21. Borrowings (cont')

The Group has the following unutilized borrowing facilities:

	2016 €000	2015 €000
Floating rate		
Expiring within one year	85.000	82.500
Expiring beyond one year	2.500	10.000
	87.500	92.500

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

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

	2016 €000	2015 €000
Euro - functional and presentation currency	417.206	472.647
	417.206	472.647

22. Deferred tax liabilities

Deferred tax liabilities are analysed as follows:

	2016 €000	2015 €000
Deferred tax liabilities to be settled after twelve months	75.673	65.804

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

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 Group where there is an intention to settle the balances on a net basis. The gross movement of the deferred taxation account is as follows:

	2016 €000	2015 €000
At 1 January	65.804	57.066
Charge to income statement (Note 11)	9.870	8.738
Charge to other comprehensive income	-	-
At 31 December	75.674	65.804

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

	Accelerated tax depreciation €000	Deferred income €000	Tax loss €000	Other €000	Total €000
At 1 January 2015	120.379	(57.308)	(4.110)	(1.895)	57.066
Charged/ (credited):					
Income statement	7.807	913	(173)	191	8.738
Balance at 1 January 2016	128.186	(56.395)	(4.283)	(1.704)	65.804
Charged/ (credited):					
Income statement	6.951	510	2.059	350	9.870
Balance at 31 December 2016	135.137	(55.885)	(2.224)	(1.354)	75.674

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

23. Deferred income

	2016 €000	2015 €000
Balance at 1 January	451.159	458.467
Additions	17.633	14.139
Transferred to the consolidated income statement	(21.716)	(21.447)
Balance at 31 December	447.076	451.159
Deferred income more than one year	(425.008)	(429.443)
Deferred income within one year	22.068	21.716

24. Trade and other payables

	2016 €000	2015 €000
Fuel oil suppliers	20.756	23.561
Other Suppliers	12.964	9.203
Value Added Tax payable	10.692	6.286
Pay As You Earn tax payable	502	505
Retention from contractors on capital contracts	2.054	1.654
Consumers' deposits	27.839	24.420
Interest payable	123	166
Other contribution to defined benefit plan	6.000	-
Accrued expenses	2.378	1.862
Creditors for purchase of land and substations	8.660	8.938
Amount available for interpleader proceedings	14.277 ⁽¹⁾	13.631 ⁽¹⁾
Other creditors	12.620	11.789
	118.865	102.015

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

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

25. Subsidiary undertakings

	2016 % Holding	2015 % Holding	Country of incorporation	Principal activities
Electriki Limited	100	100	Cyprus	Dormant
EAC LNG Investments Company Ltd	100	100	Cyprus	Dormant
EAC Solar Thermal Power Ltd	100	100	Cyprus	Dormant
ESCO AHK Ltd	100	100	Cyprus	Dormant

The results of Subsidiary undertakings, which during 2016 remained dormant were consolidated in the Group accounts of Electricity Authority of Cyprus.

26. Contingent liabilities

- (a) As at 31 December 2016 the Group had a contingent liability in respect of possible tax for various expenses, amounting to €1.711.000 (2015: €514.000) and possible refund for defence contribution amounting to €3.939.000.
- (b) On 2 December 2015, Income Tax authorities sent a notification letter to the Authority regarding Tax Enforcement for non withholding tax from employees emoluments for the year 2009, which amounted to €3.925.000 plus interests and penalties. The Authority filed an objection on 26 January 2016 for the above mentioned case. The Group believes that there is an adequate defence against all claims and therefore no provision has been made in the financial statements.
- (c) As at 31 December 2016 the Group had contingent liabilities in respect of pending litigations amounting to €5.123.000 (2015: €3.561.000) and contingent asset of €259.000 (2015: €259.000)
The Group believes that adequate defence exists against all claims and does not expect to suffer significant loss. Accordingly no provision has been made in these financial statements in respect of this matter.
- (d) On 31 December 2016 the Group had the following guarantee documents:
- (i) An amount of €2.792.000 for the benefit of Senior Customs Officer regarding the authorization granted to the Group for exemption from payment of excise duty on energy products used for electricity generation, including fuel oil (diesel).

Notes to the consolidated financial statements for the year ended 31 December 2016 (cont')

27. Commitments

Capital commitments

	2016 €000	2015 €000
Commitments in respect of contracts or with work in progress	9.933	10.221
Approved commitments but not contracted or without any work in progress	80.974	65.970
Approved commitments with expenditure outstanding	90.907	76.191

Operating lease commitments - where the Authority is the lessee

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

	2016 €000	2015 €000
Not later than one year	349	388
Later than one year and not later than 5 years	660	841
Over 5 years	13	13
	1.022	1.242

28. Related party transactions

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

(i) Sales

	2016 €000	2015 €000
Sales of electricity to related parties of the Group	36.038	37.733

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

Electricity Authority of Cyprus

(ii) Year end balances - net

	2016 €000	2015 €000
Receivable from related parties from sales of electricity	1,498	510

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:

	2016 €000	2015 €000
Salaries and other benefits	277	264

(iv) Directors' remuneration

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

	2016 €000	2015 €000
Emoluments in their executive capacity	23	26

29. Events after the reporting period

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

Reports of the Independent Auditor and Auditor General of the Republic on pages 66 to 69

Appendices

Appendix 1

CONSUMERS, SALES AND AVERAGE PRICES

AS AT 31st DECEMBER	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
NUMBER OF CONSUMERS										
DOMESTIC										
Domestic	366 799	386 489	402 671	415 150	422 655	427 184	428 616	433 072	437 577	442 293
Commercial	78 294	80 913	83 160	84 800	85 325	85 198	84 695	85 188	85 525	86 494
Industrial	11 299	11 792	11 618	11 391	11 255	10 805	10 222	9 836	9 712	9 596
Agricultural	12 117	12 796	13 546	14 209	14 692	14 978	15 280	15 536	15 748	15 886
Public lighting	7 991	8 499	9 035	9 500	9 983	10 333	10 635	10 942	11 138	11 287
TOTALS	476 500	500 489	520 030	535 050	543 910	548 498	549 448	554 574	559 700	565 556
SALES TO CONSUMERS (kWh thousands)										
Domestic	1 607 048	1 682 327	1 720 777	1 737 474	1 721 663	1 671 095	1 435 231	1 407 656	1 475 972	1 567 312
Commercial	1 783 885	1 881 173	1 918 932	1 990 994	1 854 782	1 836 756	1 655 761	1 630 789	1 659 588	1 728 200
Industrial	699 746	757 803	791 640	816 074	796 187	631 829	581 860	656 097	685 864	819 693
Agricultural	137 339	156 930	143 971	152 642	136 747	128 590	129 129	135 680	129 447	155 638
Public lighting	70 301	77 596	80 426	84 788	85 502	87 330	87 807	85 257	85 211	87 648
TOTALS	4 298 319	4 555 829	4 655 746	4 781 972	4 594 881	4 355 600	3 889 788	3 915 479	4 036 082	4 358 491
AVERAGE SALES PER CONSUMER (kWh)										
Domestic	4 381	4 353	4 273	4 185	4 073	3 912	3 349	3 250	3 373	3 544
Commercial	22 784	23 249	23 075	23 479	21 738	21 559	19 550	19 143	19 405	19 981
Industrial	61 930	64 264	68 139	71 642	70 741	58 476	56 922	66 704	70 620	85 420
Agricultural	11 334	12 264	10 628	10 743	9 308	8 585	8 451	8 733	8 220	9 797
Public lighting	8 798	9 130	8 902	8 925	8 565	8 452	8 256	7 792	7 650	7 765
AVERAGE PRICE PER UNIT BILLED (cent)										
Domestic	12,746	15,988	13,321	16,192	18,695	22,271	20,743	18,663	14,654	12,417
Commercial	13,328	16,982	14,196	16,905	19,377	22,645	20,84	18,923	14,731	12,498
Industrial	11,458	14,955	12,325	14,982	17,148	20,868	19,127	16,824	12,531	10,079
Agricultural	11,675	15,296	12,697	15,440	18,293	21,929	20,013	18,168	14,127	11,996
Public lighting	11,233	14,554	12,129	14,711	17,481	20,909	19,393	17,353	13,366	10,558
AVERAGE PRICE	12,719	16,178	13,473	16,232	18,668	22,188	20,488	18,418	14,281	11,957

GENERATION, TRANSMISSION & DISTRIBUTION EQUIPMENT

Description	Unit	In Commission 2015	Commissioned in 2016	Taken out of Commission in 2016	In Commission 2016
POWER STATIONS					
Dhekelia "B" Power Station					
Steam Turbines	No.	6	-	-	6
Capacity	MW	360	-	-	360
Internal Combustion Engines	No.	6	-	-	6
Capacity	MW	100	-	-	100
Moni Power Station:					
Steam Turbines	No.	-	-	-	-
Capacity	MW	-	-	-	-
Gas Turbines	No.	4	-	-	4
Capacity	MW	150	-	-	150
Vasilikos Power Station:					
Gas Turbines	No.	1	-	-	1
Capacity	MW	38	-	-	38
Steam Turbines	No.	3	-	-	3
Capacity	MW	390	-	-	390
Combined Cycle Gas Turbine Units	No.	2	-	-	2
Capacity	MW	440	-	-	440
TRANSMISSION EQUIPMENT					
220kV Transmission Lines operated at 132kV					
Route Length	km	43,89	-	-	43,89
Circuit Length	km	87,77	-	-	87,77
132kV Transmission Lines					
Route Length	km	447,40	-	-	447,40
Circuit Length	km	894,79	-	-	894,79
132kV Underground Cables					
Route Length	km	211,43	0,31	-	211,74
Circuit Length	km	211,43	0,31	-	211,74
132kV Underground Cables-Operated at 66kV					
Route Length	km	-	-	-	-
Circuit Length	km	-	-	-	-
66kV Underground Cables					
Route Length	km	0,66	-	0,16	0,49
Circuit Length	km	0,66	-	0,16	0,49

Appendices

Appendix

2

GENERATION, TRANSMISSION & DISTRIBUTION EQUIPMENT (cont')

Description	Unit	In Commission 2015	Commissioned in 2016	Taken out of Commission in 2016	In Commission 2016
TRANSMISSION EQUIPMENT (cont')					
132kV Transmission Lines operated at 66kV					
Route Length	km	42,58	-	-	42,57
Circuit Length	km	85,15	-	-	85,15
66kV Transmission Lines					
Route Length	km	40,13	-	-	40,13
Circuit Length	km	40,13	-	-	40,13
132/66kV Interbus Transformers	No.	13	-	-	13
	MVA	648	-	-	648
132/11kV Step Down Transformers	No.	106	2	1	107
	MVA	3 575,5	47,5	31,5	3 591,5
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.	21	1	-	22
	MVA	271	10	-	281
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
75 mVAr Shunt Reactor	No.	2	-	-	2
	MVAr	150	-	-	150
Substations	No.	63	-	-	63
DISTRIBUTION EQUIPMENT:					
MV Overhead Lines	km	5 860,55	37,21	11,98	5 885,78
MV Underground Cables	km	3 785,39	38,48	11,83	3 812,05
LV Overhead Lines	km	9 844,32	97,93	20,85	9 921,41
LV Underground Cables	km	5 971,78	66,43	-	6 038,21
22000-11000/433/250V P.M. Transformers	No.	10 239	123	35	10 327
	kVA	953 892	8 957	3 341	959 508
22000-11000/433V G.M. Transformers	No.	6 251	39	40	6 250
	kVA	3 500 790	25 930	3 130	3 523 590

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