

**SEWERAGE BOARD OF
LIMASSOL - AMATHUS**

ANNUAL REPORT

2014

JUNE 2016

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1.0 The Board

1.1 The Board consists of the following members:

| | |
|----------------------------|---|
| Andreas Christou | Chairman SBLA – Mayor of Limassol Municipality |
| Kyriakos Tsolakis | Member SBLA – District Officer |
| Savvas Stouppas | |
| Nicos Agapiou | |
| Panos Anastasiou | |
| Aristos Aristidou | |
| Mariella Aristidou | |
| Giannis Armeftis | |
| Michalis Vasiliou | |
| Costas Yiallourous | |
| Afxentis Zemenides | |
| Yiannakis Thoma | |
| Andreas Karekla | |
| Loizos Mavroude | |
| Andreas Neophytou | |
| Niki Pantelidou | |
| Miltos Papadopoulos | |
| Persa Papaioannou | |
| Loucas Spathari | |
| Nicos Sikas | |
| Michalis Socratous | |
| Haris Trikkis | |
| Evanthia Tsolaki | |
| Prodromos Ttoppouzis | |
| Athena Papadopoulou Spyrou | |
| Neophytos Charalambides | |
| Christos Homatas | |
| Apostolos Psaras | |
| Andreas Gavrielides | Member SBLA – Mayor of Germasoyia Municipality |
| Georgios Georgiou | Member SBLA – Mayor of Kato Polemidia Municipality |
| Doros Antoniou | Member SBLA – Mayor of Mesa Gitonia Municipality |
| Kyriakos Hadjittofis | Member SBLA - Mayor of Agios Athanasios Municipality |
| Andreas Spyrou | Member SBLA - President of Pyrgos Community Board |
| Georgios Evripidou | Member SBLA - President of Moni Community Board |
| Georgios Stylianou | Member SBLA - President of Ayios Tychonas Community Board |
| Kyriakos Papamichael | Member SBLA - President of Pano Polemidia Community Board |
| Socratis Pavlou | Member SBLA - President of Parekklesia Community Board |

1.2 General Manager
Iacovos Papaiacovou - FCCA

1.3 Auditors
DM Globus Auditors Joint Venture Limited

1.4 Location of premises

Head Offices: 76 Franklin Roosevelt, Block A, Limassol
Sewerage Treatment Plant: Moni
Emergency telephone number: Tel. 77772015

2.0 Establishment and objectives of the Board (SBLA).

2.1 The Sewerage Board of Limassol - Amathus is a Public Utility Organisation.

2.2 It was established and operates in accordance with the Sewerage Systems Law 1/1971. The Board of Management consists of the Municipal Councilors of the Limassol Municipality, all the Mayors of the Municipalities of the Greater Limassol Area together with the Presidents of the Community Boards of Agios Tychonas, Moni, Parekklistia, Pyrgos and Pano Polemidia and the District Officer.

Chairman of the Board is the Mayor of the Limassol Municipality.

2.3. The primary mission of SBLA is the construction and operation of the sewerage system in the Greater Limassol Area as well as the construction of stormwater drainage main collectors.

2.4 The objectives of the Board are attained by:

- (i) planning and constructing main infrastructure projects
- (ii) constructing, expanding, operating and maintaining the sewerage system within its boundaries.
- (iii) raising and servicing long - term loans
- (iv) imposing sewerage charges on the basis of property assessed valuation as at 1.1.1980 and sewerage service charges on the basis of water consumption on all properties connected to the sewerage system, in order to finance the construction of the project and the operation of the system.

3.0 Area of the Board

3.1. The SBLA area as shown on the map (page 7) includes areas within the boundaries of the Municipalities of Limassol and Mesa Gitonia, Kato Polemidia, Agios Athanasios and Germasoyia. It also includes the housing areas of the Community Boards of Pano Polemidia, Palodia, Mouttayaika, Agios Tychonas, Parekklistia, Pyrgos and Moni.

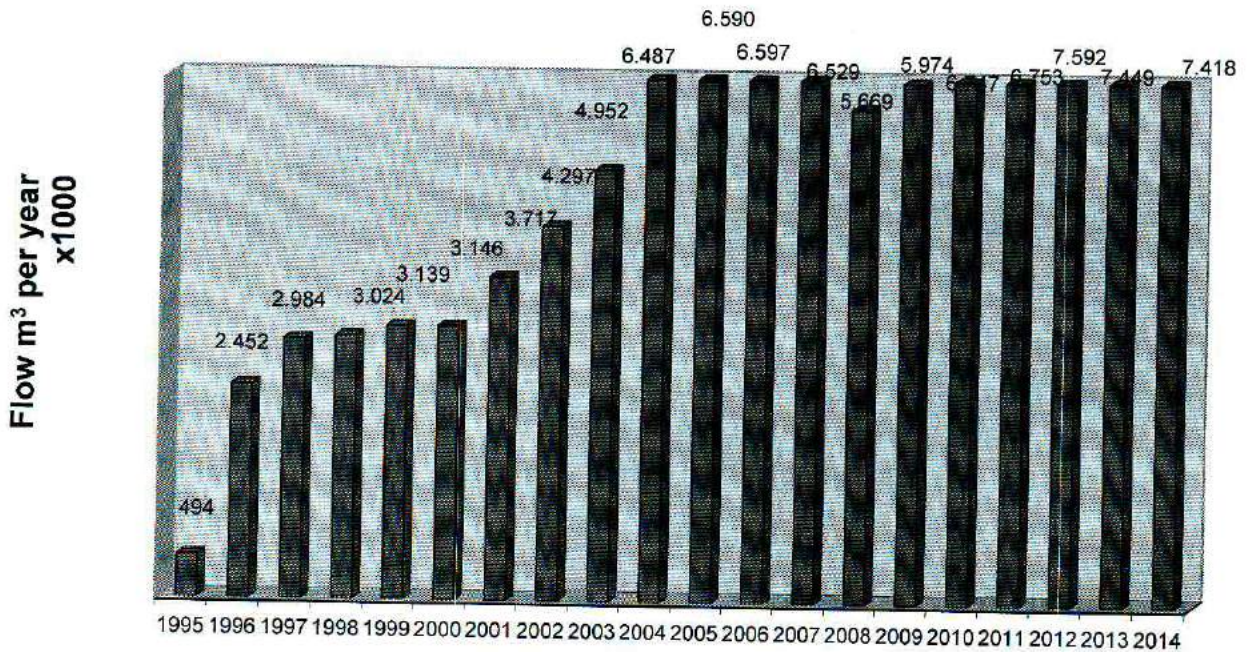
4.0 Sewage Treatment Plant (STP) and wastewater flow

4.1. The wastewater is collected through the public sewerage system and carried either by gravity or pumping, to the sewage treatment plant located in Moni area where it is treated through a biological process. Treatment of the wastewater is achieved through activated sludge treatment process.

- 4.2. The tertiary treated effluent is of a very high quality and it is reused for agricultural and other purpose. It also complies with the Ministry of Agriculture license No. 68/2012.
- 4.3. The flow of wastewater to the STP since its first year of operation in 1995 to 2014 in cubic meters is as follows:

| | x1000 m3 (cub.metres) |
|------|-----------------------|
| 1995 | 494 |
| 1996 | 2.452 |
| 1997 | 2.984 |
| 1998 | 3.024 |
| 1999 | 3.139 |
| 2000 | 3.146 |
| 2001 | 3.717 |
| 2002 | 4.297 |
| 2003 | 4.952 |
| 2004 | 6.487 |
| 2005 | 6.590 |
| 2006 | 6.597 |
| 2007 | 6.529 |
| 2008 | 5.669 |
| 2009 | 5.974 |
| 2010 | 6.747 |
| 2011 | 6.753 |
| 2012 | 7.592 |
| 2013 | 7.449 |
| 2014 | 7.418 |

ANNUAL SEWAGE FLOW AT TREATMENT PLANT



5.0 Pumping stations

- 5.1 The flow of wastewater to the STP is achieved by gravity and pumping with the operation of the eight pumping stations referred to below, which are located along-side the sea front (from west to east).

| <u>Name of pumping station</u> | <u>Location of pumping stations in operation</u> |
|--------------------------------|---|
| E | SODAP area |
| D | Limassol Marina |
| C | By Crowne Plaza Beach Hotel |
| B | On the sea front, by Poseidonia Beach Hotel |
| 4S | By Four Seasons Beach Hotel |
| H | On the sea front, in Agia Varvara area by the old Limassol/Nicosia road |
| I | Between Le Meridien and Saint Rafael Beach Hotels |
| F | Moni area by the old Limassol/Nicosia road |

6.0 Effluent quality control

- 6.1 Quality control procedures of the tertiary treated effluent at the sewage treatment plant, have been established with the commencement of operation of the system in July 1995.
- 6.2 Quality control procedures cover both the secondary and tertiary treatment stages.
- 6.3 Sewage samples are analysed mainly for the parameters BOD₅ (Biochemical Oxygen Demand), COD (Chemical Oxygen Demand), Total Nitrogen (Tot – N), NH₄-N (Ammonium Nitrogen), S.S. (Suspended Solids), Tot-P (Total Phosphorous), F.O.G. (Fat, Oil and Grease) and other parameters.
In accordance with the disposal permit (licence no 68/2012) the allowable tertiary treated sewage quality limits and the actual analysis results, are as follows:

Quality results of recycled water – Year 2014

| Parameter | Unit | Licence No. 68/2012 | Average Results YEAR 2014 |
|----------------------------------|------------|------------------------|------------------------------------|
| Biochemical Oxygen Demand (BOD5) | mg/l | 10 | 3 |
| Chemical Oxygen Demand (COD) | mg/l | 70 | 36 |
| Suspended Solids (SS) | mg/l | 10 | 3,5 |
| Total-Nitrogen (Tot-N) | mg/l | 15* | 9,9 |
| Total-Phosphorous (Tot-P) | mg/l | 10** | 1,4 |
| Chloride (Cl) | mg/l | 300 | 289 |
| Conductivity | µS/cm | 2500 | 1578 |
| Fat, Oil & Grease (FOG) | mg/l | 5 | 3 |
| Zinc (Zn) | mg/l | 1 *** | 0,0381 |
| Copper (Cu) | mg/l | 0,1 | 0,0052 |
| Lead (Pb) | mg/l | 0,15 | 0,0022 |
| Cadmium (Cd) | mg/l | 0,01 | 0,0001 |
| Mercury (Hg) | mg/l | 0,05 | 0,0021 |
| Chromium (Cr) | mg/l | 0,1 | 0,0027 |
| Nikel (Ni) | mg/l | 0,2 | 0,0114 |
| Boron (B) | mg/l | 0,75 | 0,37 |
| pH | - | 6,5-8,5 | 8,09 |
| Residual Chlorine | mg/l | 0,5-1**** | 0,69 |
| E. Coliforms | per 100ml | 5 | 0 |
| Parasites (Helminth) Eggs | per 1000ml | None | 0 |

* Discharge into the sea 10 mg/l

** Discharge into the sea 2 mg/l

*** Discharges into the sea 0,1 mg/l

**** Discharges into the sea 0,5 mg/l

Samples are also chemically analysed for a number of other parameters, in order to maintain a standard quality of the tertiary treated effluent used in agriculture in accordance with the disposal permit licence number 68/2012 of the Ministry of Agriculture, Environment and Natural Resources.

7.0 The Project

7.1 The sewerage and drainage project of Limassol-Amathus is constructed in phases and will cover the Greater Limassol area from Zakaki to Moni. All hotels and most of the industries in the area have been connected to the public sewerage system.

7.2 Phase A

The construction works for Phase A commenced in 1992 and were completed in 1995 at a cost of about €75m. The areas covered in Phase A of the project are shown in the area map with grey colour.

7.3 Phase B

In the year 2004, SBLA completed its investment plan in sewerage and drainage works, including other capital infrastructure for Phase B1 at a cost of about €34 million.

A new investment plan for Phase B2 of an initial budgeted cost of €407 million is currently being implemented. This cost is constantly updated in accordance with new developments and it is currently estimated to about €373 million following the cancellation or modification of certain components of the Project such as the drainage works, sludge drying facilities and the new office building.

Phase B1 and B2

Phase B2 - objectives

The Board prepared its investment plan for the expansion and completion of the sewerage and drainage system by the years 2014-2015. However, due to the economic crisis and the delay in the commencement of works for the construction of the new wastewater treatment plant in the West, it is expected that construction works will not be completed before the year 2018.

Sewerage works – Phase B2

The total budgeted cost for constructing sewerage works during the implementation period of Phase B2 up to 2018, is estimated to be €282 million.

The main components included in Phase B2 are as follows:

- Upgrading of the Sewerage Treatment Plant (STP) in Moni. The STP reached full capacity in 2005 and its expansion was considered as urgent.

Construction works for the expansion of the wastewater treatment plant began in August 2006 and were completed in September 2008 with a total investment cost of about €30m.

Following the upgrading, the plant's treatment capacity was increased both in terms of hydraulic load from 22.000 m³/day to 40.000 m³/day and in terms of biological load (BOD5) from 4.500 kgs/day to about 15.000 kgs/day.

- Expansion and upgrading of main collectors (Gravity mains and Force Mains).
- Expansion of the sewerage network in order to cover the entire Greater Limassol area (project area). This means expansion of laterals and main sewers in the entire project area where the network has not yet been developed and it shall include all the problematic areas in the west and north of the existing system, such as Ayia Phyla town centre, Ekali area, the residential areas of Pano Polemidia, Mouttayaika and Ayios Tychonas area.

It also includes the municipalities of Kato Polemidia, Mesa Gitonia, Ayios Athanasios and Germasoyia.

Six out of the nine contracts signed (E1, E2, E3, E4, E5 and E8) were completed and taken over and connection to the sewerage system is in progress. Contract E7 was also completed but works have not yet been taken over. Contracts E6 and E9 are currently in progress and it is expected that contract E6 will be completed in 2015 and E9 in 2016.

- Upgrading of the five existing pumping stations in order to accommodate the increased flow from the new service areas which will be connected to the system.

For the upgrading of the five existing pumping stations, contract E11 has been signed and works have already commenced.

- Construction of two new pumping stations in order to accommodate the new service areas which will be connected to the system. One of the two pumping stations, by the Garillis river was tendered out under Contract E18. Tenders have been submitted and it is expected that the contract will be awarded to the successful tenderer soon. For the construction of the second pumping station (Contract E10), it is expected that tenders will be invited by mid 2015.
- Construction of a new wastewater treatment plant to the west of Limassol, next to A' Industrial area, with a capacity of 13.000 m³/day (Contract E13). This contract was tendered out using the open procedure and tenders received are currently being evaluated.
- Rehabilitation and upgrading of both gravity and force main collectors (Contract E14). This contract was tendered out using the open procedure and tenders received are currently being evaluated.

Drainage works – Phase B2

Drainage works of about €92 million will also be constructed during the implementation period of Phase B2. These include:

- Construction of flood prevention works in the western part of Limassol in order to eliminate the flooding incidences occurring in the area. The works have already been completed.
- Construction of stormwater drainage network in the densely populated areas of Limassol.
- Construction of four water retention ponds as part of the flood prevention works in Limassol, based on the recommendations of the stormwater drainage Master Plan of 2004. One of the ponds, west of the Limassol new port has already been completed. Construction works for the second retention pond will begin in 2015 as part of the works for the construction of the vertical road by the Public Works Department.

The Board has also prepared detailed designs and studies for the stormwater drainage works of the new link road of Limassol new port (Vertical Road) which are expected to cost about €25 - €30m., the entire cost of which will be borne by the Government. Construction works are in progress and are expected to be completed in 2016.

Completed works to date

Sewerage system works

All sewerage works south of the motorway and more than 50% of the sewerage works north of the motorway (except the areas of Ekali, Laiki Lefkothea, Kalogyri and Mesovounia), have been completed.

Stormwater drainage system works

Works include the construction of stormwater drainage collectors in the following areas:

i. Phase B1

- Costi Palama street and Lanition Gymnasium
- Kolokotroni street and Meletiou Metaxaki – Mesa Gitonia area
- Bizaniou street – Ayios Athanasios/Germasoyia area
- Miltonos street – Omonias/Zakakiou

ii. Phase B2 Contracts E1 to E5

- Mesa Gitonia area (Costi Palama, Markou Drakou and Stella Soulioti street)
- Zakaki area (Parou street, Araouzou plots, Serifou street and south of Nemitsas factory).
- South of the main Limassol Fire Brigade Station.
- North of Makarios Avenue covering the entire length of Vasileos Constantinou street.
- Kato Polemidia Municipality area.
- 1st April street in Ayia Phyla area.
- West of Katsantoneon street and north of Spyrou Kyprianou area.
- Simon Bouvouar street in Kapsalos area.

Drainage systems works included in Contracts E6, E7 and E8 have been postponed due to the economic crisis with the exception part of a stormwater drainage collector in Ianou street, Ayia Fyla (Contract E7).

7.4 Areas covered by Phase A' and Phase B1 of the project are shown in grey colour in the area map on page 7 whereas areas covered under Phase B2 of the project, are shown separately on a contract by contract basis in the same map.

8.0 Financial results (Also see the attached financial statements)

8.1 The statement of total comprehensive income for the year 2014 shows a surplus of €11.216.513 before the adjustment for the fair value of shares of €73.404 and the loss on staff pension benefits of €741.338 in accordance with IAS19 (revised). After the adjustment for the fair value of shares and the deduction of the loss on staff pension benefits, the statement of total comprehensive income shows a surplus of €8.812.404.

During the year 2014, new investments in fixed assets amounted to €24.595.878 and the total investment cost in sewerage and drainage infrastructure as at 31 December 2014 amounted to €310.130.749.

There were no loan disbursements in 2014. The total long-term liabilities for the same year amounted to €176.206.096.

8.2 Following the decision of the Eurogroup of 25 March 2013, the Board suffered an impairment loss of €24.098.743. As a result, its investment programme has been adjusted in accordance with the Emergency Plan of Action prepared in order to secure the Board's financial viability. More details are stated in Notes 28 and 29 to the financial statements.

9.0 Table of various financial and technical parameters for the last five years

| | | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|------------------|-------------|-------------|-------------|-------------|-------------|
| SEWERAGE CHARGES - PHASE A | | | | | | |
| Hotels | o/oo | 9,7 | 9,4 | 9,1 | 8,9 | 8,65 |
| Industries | o/oo | 9,7 | 9,4 | 9,1 | 8,9 | 8,65 |
| Other properties Phase A' since 1991 | o/oo | 2,84 | 2,93 | 3,02 | 3,11 | 3,20 |
| Other properties Phase A' (extension) | o/oo | 3,1 | 3,19 | 3,29 | 3,39 | 3,49 |
| DRAINAGE CHARGES | | | | | | |
| All properties within SBLA Boundaries | o/oo | 0,6 | 0,62 | 0,75 | 0,75 | 0,80 |
| SEWERAGE SERVICE CHARGES | | | | | | |
| Imposed on connected properties | €/m ³ | 0,43 | 0,46 | 0,49 | 0,52 | 0,56 |
| FINANCIAL AND OTHER RECORDS | | | | | | |
| Total ownership within SBLA area | no. | 126.846 | 129.287 | 132.295 | 134.927 | 137.318 |
| Total assessed property value | €'000 | 3.801.080 | 3.958.244 | 4.052.546 | 4.171.129 | 4.242.971 |
| Total revenue | € | 25.850.840 | 26.776.397 | 30.156.768 | 28.448.006 | 29.041.681 |
| Total expenses | € | 15.007.432 | 17.456.583 | 18.679.879 | 18.454.681 | 17.825.168 |
| Total capital expenditure | € | 213.557.828 | 249.270.533 | 267.570.993 | 285.550.587 | 310.130.749 |
| Long term loans | € | 127.261.931 | 167.202.678 | 162.049.265 | 180.044.887 | 176.206.096 |
| Sewers length | km | 370 | 414 | 530 | 530 | 570 |
| Households connected to the system | no. | 13.500 | 15.000 | 16.130 | 17.620 | 19.100 |
| EMPLOYED PERSONNEL | | | | | | |
| Admin. Staff - Permanent | no. | 38 | 40 | 48 | 48 | 48 |
| Admin. Staff - Temporary | no. | 5 | 5 | 4 | 4 | 4 |
| Workers | no. | 14 | 14 | 15 | 15 | 15 |
| FINANCIAL INDICATORS (see note) | | | | | | |
| Total salaries/admin. and operation expenses | % | 32,76 | 31,76 | 28,67 | 28,81 | 32,12 |
| Operation salaries/operation expenses | % | 18,15 | 17,19 | 14,65 | 14,81 | 16,44 |
| Total salaries/total expenses | % | 11,11 | 11,08 | 9,76 | 9,00 | 9,00 |
| Total expenses/total income | % | 58,69 | 65,19 | 64,38 | 64,87 | 61,37 |
| Admin. & operational expenses*/cubic meter flow | €/m ³ | 1,29 | 1,38 | 1,35 | 1,19 | 1,10 |
| Operational expenses*/cubic meter flow | €/m ³ | 0,85 | 0,91 | 0,9 | 0,8 | 0,71 |

* Excluding interest and depreciation

10.0 Board Meetings

During the year 2014 the Board convened in 12 meetings and dealt with various matters, the most important of which were:

Budgets for the year 2015, financial statements for the year 2013, tenders and construction contracts of the sewerage system, sewerage rates, personnel and legislation matters.

In addition to Board meetings, various committees of the Board convened in 41 meetings

11.0 Employed personnel.

| A/A | NAME | POSITION |
|-----|----------------------------------|--|
| 1. | Iacovos Papaiacovou | General Manager |
| | REGISTRY | |
| 2. | Hara Theodorou Panera | Senior Administrative Officer |
| 3. | Maria Vasiliou Gedeon | Administrative Officer |
| 4. | Elli Mei | Administrative Officer |
| 5. | Ioanna Pavlou | Office Clerk |
| 6. | Reveka Trimikliniotti Stavrinou | Office Clerk |
| 7. | Yianna Ionidou | Office Clerk |
| 8. | Christina Krasia | Office Clerk |
| 9. | Chyso Chimonidou | Office Clerk |
| 10. | Maria Panayidou | Office Clerk |
| 11. | Pitsa Kontidou Karatzi | Office Clerk |
| 12. | Maria Evripidou | Office Clerk |
| 13. | Elisabeth Christofidou | Office Clerk |
| 14. | Fanos Drousiotis | Assistant Clerk |
| 15. | Litsa Yiannaki | Assistant Clerk |
| 16. | Evi Prokopiou | Assistant IT Officer |
| | ACCOUNTS DEPARTMENT | |
| 17. | Ioanna Christou Panayiotou | Financial Controller |
| 18. | Costas Lazarou | Senior Accounts Supervisor |
| 19. | Elena Kittou Christoforou | Accounting Officer 1 st Grade |
| 20. | Georgia Nearchou Hiratou | Accounting Officer 1 st Grade |
| 21. | Yiannis Stasis | Accounting Officer |
| 22. | Anna Eliadou | Accounting Officer |
| 23. | Kalia Christofi | Accounting Officer |
| 24. | Panayiota Georgiou | Accounting Officer |
| 25. | Olympia Apostolou | Accounting Officer |
| 26. | Froso Christofi | Accounting Officer |
| 27. | Georgios Georgiou | Office Clerk/Collector |
| 28. | Katerina Christodoulou | Office Clerk/Collector |
| 29. | Stella Zannetti | Office Clerk/Collector |
| 30. | Kalia Karri | Office Clerk/Collector |
| 31. | Marina Evripidou | Office Clerk/Collector |
| | INTERNAL AUDIT DEPARTMENT | |
| 32. | Theodora Christodoulou | Internal Auditor |

| TECHNICAL DEPARTMENT | | |
|-----------------------------|-----------------------------|--|
| 33. | Angelos Christou | Chief Engineer |
| 34. | Stavroula Afami | Senior Technician (Civil Engineering Section) |
| 35. | Eleni Skeparnidou | Technician (Civil Engineering Section) |
| 36. | Stavros Loizou | Senior Technician (Operation & Maintenance Section – Electrical) |
| 37. | Demetris Michaelides | Chemist |
| 38. | Michalis Vrionides | Civil Engineer |
| 39. | Victoras Konstantinides | Senior Technician (Operation & Maintenance Section) |
| 40. | Costas Totos | Technician (Civil Engineering Section) |
| 41. | Marinos Omirou | Technician (Operation & Maintenance Section) |
| 42. | Marios Charalambous | Technician (Civil Engineering Section) |
| 43. | Elisavet Constantinou | Technician (Civil Engineering Section) |
| 44. | Stelios Papastyliauou | Technician (Chemistry Section) |
| 45. | Timotheos Demetriades | Technician (Civil Engineering Section) |
| 46. | Vasiliki Christofi | Technician (Civil Engineering Section) |
| 47. | Andreas Papadopoulos | Technician (Civil Engineering Section) |
| 48. | Vasilia Filaniotou | Technician (Civil Engineering Section) |
| 49. | Georgia Priari | Technician (Civil Engineering Section) |
| 50. | Filippos Filippou | Technician (Operation & Maintenance Section) |
| 51. | Christina Papadopoulou | Technician (Civil Engineering Section) |
| 52. | Georgios Lekkous | Technician (Operation & Maintenance Section – Electrical)) |
| WORKERS | | |
| 53. | Andreas Aresti | Worker - Supervisor |
| 54. | Onisillos Onisillou | Worker |
| 55. | Paris Papastyliauou | Worker |
| 56. | Stelios Vrionides | Worker - Supervisor |
| 57. | Kyriakos Xirizos | Worker |
| 58. | Nikos Loizou | Worker |
| 59. | Michalis Georgiou | Worker |
| 60. | Andreas Selearis | Worker - Supervisor |
| 61. | Giorgos Constantinou | Worker |
| 62. | Georgios Demetriou | Worker |
| 63. | Giorgos Loizou | Worker |
| 64. | Michalakis Socratous | Worker |
| 65. | Thomas Georgiou | Worker |
| 66. | Christodoulos Christodoulou | Worker |
| 67. | Soulla Christoforou | Cleaner |

Sewerage Board of Limassol - Amathus

Statement of financial position as at 31 December 2014

| | Note | 2014 € | 2013 € |
|---------------------------------------|------|--------------------|--------------------|
| Assets | | | |
| Non current assets | | | |
| Fixed Assets | 3 | 215.342.896 | 198.915.007 |
| Investments | 5.1 | 990.958 | 917.555 |
| | | <u>216.333.854</u> | <u>199.832.562</u> |
| Current Assets | | | |
| Stocks | | 1.154.434 | 1.245.387 |
| Debtors and prepayments | 6 | 20.307.379 | 30.961.653 |
| Short term deposits | 7 | - | 3.628.546 |
| Cash in hand and at banks | 8 | 77.919.371 | 73.151.299 |
| | | <u>99.381.184</u> | <u>108.986.885</u> |
| Total assets | | <u>315.715.038</u> | <u>308.819.447</u> |
| Reserves and Liabilities | | | |
| Reserves | 11 | 94.449.502 | 85.637.098 |
| Non current liabilities | | | |
| Deferred income | 12 | 32.078.402 | 33.231.750 |
| Loans | 10 | 170.891.115 | 176.206.096 |
| Pension fund | 30 | 2.362.860 | 1.607.856 |
| | | <u>205.332.377</u> | <u>211.045.702</u> |
| Current Liabilities | | | |
| Deferred income - current portion | 12 | 1.412.471 | 1.405.138 |
| Creditors and accrued expenses | 9 | 9.205.186 | 6.892.572 |
| Bank overdraft | 8 | 521 | 146 |
| Loans - amount due within one year | 10 | 5.314.981 | 3.838.791 |
| | | <u>15.933.159</u> | <u>12.136.647</u> |
| Total Liabilities | | <u>221.265.536</u> | <u>223.182.349</u> |
| Total reserves and liabilities | | <u>315.715.038</u> | <u>308.819.447</u> |

On 22 June 2016, the Sewerage Board of Limassol-Amathus approved these financial statements.

Iacovos Papaioacovou (FCCA)
General Manager

Andreas Christou
Chairman

Ioanna Christou Panayiotou (FCCA)
Financial Controller

The notes on pages 20 to 51 form an integral part of these financial statements.

Sewerage Board of Limassol – Amathus

Statement of total comprehensive income for the year ended 31 December 2014

| | Note | 2014 € | 2013 € |
|---|------|-------------------|---------------------|
| Income | | | |
| Sewerage charges | 13 | 19.713.716 | 18.526.686 |
| Service charges | 14 | 4.221.261 | 3.570.823 |
| Interest receivable | 15 | 1.457.641 | 1.623.345 |
| House connection charges | 16 | 233.173 | 1.212.543 |
| Other income | 17 | 121.705 | 120.467 |
| | | <u>25.747.496</u> | <u>25.053.864</u> |
| Amortisation of grants | 12 | 1.390.437 | 1.390.437 |
| Expenses reimbursed by Government | 18 | 1.915.652 | 2.003.954 |
| Loss on sale of fixed assets | | (11.904) | (249) |
| | | <u>29.041.681</u> | <u>28.448.006</u> |
| Expenditure | | | |
| Operation and maintenance expenses | 19 | 5.295.324 | 5.953.203 |
| Administrative expenses | 20 | 2.866.278 | 2.940.942 |
| Interest payable | 21 | 1.508.660 | 1.412.803 |
| Depreciation | 3 | 8.154.906 | 8.147.733 |
| | | <u>17.825.168</u> | <u>18.454.681</u> |
| Surplus for the year from operations | | 11.216.513 | 9.993.325 |
| Impairment of bank deposits | 29 | - | (19.510.973) |
| Adjustment of fair value of shares | 5&29 | 73.404 | (3.670.216) |
| Adjustment of fair value of debtors | 6 | (1.736.175) | - |
| Other comprehensive income/(expenditure) | | | |
| (Loss)/gain on staff pension benefits | | (741.338) | (2.012.457) |
| Surplus/(Deficit) for the year | | 8.812.404 | (15.200.321) |
| Accumulated surplus brought forward | | 85.637.098 | 100.837.419 |
| Accumulated surplus carried forward | | 94.449.502 | 85.637.098 |

The notes on pages 20 to 51 form an integral part of these financial statements.

Sewerage Board of Limassol – Amathus

Statement of changes in equity for the year ended 31 December 2014

| | 2014 | 2013 |
|--|--------------------------|--------------------------|
| | € | € |
| Opening Balance as at 1st January 2014 | 85.637.098 | 100.837.419 |
| Surplus for the year | 9.553.742 | (13.187.864) |
| Other comprehensive income/(expenses) | (741.338) | (2.012.457) |
| Balance as at 31 December 2014 | <u>94.449.502</u> | <u>85.637.098</u> |

The notes on pages 20 to 51 form an integral part of these financial statements.

Sewerage Board of Limassol – Amathus

Cash flow statement for the year ended 31 December 2014

| | 2014 | 2013 |
|---|---------------------|---------------------|
| | € | € |
| Cash flow from operating activities | | |
| Surplus for the year | 11.216.513 | 9.993.325 |
| Adjustments for: | | |
| Depreciation | 8.154.906 | 8.147.733 |
| Investment income | (1.457.641) | (1.623.345) |
| Interest payable | 1.508.660 | 1.412.803 |
| Amortisation of grants | (1.390.437) | (1.390.437) |
| Loss on disposal of fixed assets | 11.904 | 249 |
| Amortisation of deferred expenditure | - | 43.701 |
| Staff pension benefits | 145.327 | 88.197 |
| Operating surplus before working capital changes | 18.189.232 | 16.672.226 |
| Decrease/(Increase) in stocks | 90.953 | 23.884 |
| Decrease/(Increase) in debtors and prepayments | 8.905.904 | (6.051.252) |
| (Decrease)/Increase in creditors | 2.343.883 | 557.334 |
| Net cash from operating activities | 29.529.972 | 11.202.192 |
| Cash flows from investing activities | | |
| Investments in fixed assets | (24.595.878) | (18.038.165) |
| Proceeds from sale of fixed assets | 1.180 | (21) |
| Investments in shares | - | (4.587.771) |
| Deposits to pension fund | (131.661) | (213.697) |
| Interest received | 1.469.836 | 1.980.224 |
| Net cash from investing activities | (23.256.523) | (20.859.430) |
| Cash flow from financing activities | | |
| Government grants | 244.422 | 4.265.461 |
| Repayment of long term loans | (3.838.791) | (7.004.378) |
| Proceeds from long term loans | - | 25.000.000 |
| Impairment of bank deposits | - | (19.510.973) |
| Interest paid | (1.539.929) | (1.417.783) |
| Net cash (to)/from financing activities | (5.134.298) | 1.332.327 |
| Increase/(Decrease) in cash and cash equivalents | 1.139.151 | (8.324.911) |
| Cash and cash equivalent at 1 January | 76.779.699 | 85.104.610 |
| Cash and cash equivalents at 31 December | 77.918.850 | 76.779.699 |

The notes on pages 20 to 51 form an integral part of these financial statements.

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

1. Incorporation and principal activities

The Sewerage Board of Limassol-Amathus was established by the Council of Ministers Order 248/80 published on 5 September 1980, in accordance with the provisions of the Sewerage Systems Laws of 1971 - 2014.

The main objective of the Board is the development, maintenance and operation of the sewerage system of Limassol Greater area as well as the construction of the main infrastructure of the stormwater drainage system.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

The financial statements which are expressed in euro, have been prepared in accordance with International Accounting Standards and the provisions of the Sewerage Systems Laws of 1971 to 2014. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Adoption of new and revised International Financial Reporting Standards

During the year 2014 the Board adopted all new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning 1st January 2014. This adoption did not have any significant effect on the financial statements of the Board, apart from the impact of the adoption of the revised IAS 19 as detailed in note 30.

At the date of approval of these financial statements, the International Accounting Standards Board has issued Standards and Interpretations that had not yet been applied. The Board expects that the adoption of such financial reporting standards in future periods, will not have any significant effect on the financial statements.

Recognition of Income

Sewerage and drainage charges calculated on property's assessed value, are recognised at the time of imposition and issue of bills to the customers and are shown net of overpayments, discounts and allowances granted in accordance with the Board's Decisions and/or By-Laws .

Other revenues earned by the Board such as sewerage service charges, interest earned and other income are recognised on an accruals basis.

As stated in Note 14 to the financial statements, a provision is made for the amount of service charges owed by consumers to the Water Board Authorities at the end of the year.

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

2. Accounting policies (continued)

Fixed Assets

Fixed assets are stated at cost or cost of construction. The construction cost of works executed by contractors, is based on the value of work certified by the consulting engineers plus any materials issued by the Board.

Expenditure for repairs and maintenance of fixed assets is charged to the income and expenditure account. Expenditure for significant improvements and renovations is capitalised if it is considered that it adds value to fixed assets.

Gains or losses on disposal of fixed assets are determined by comparing proceeds with the carrying amount and are included in the income and expenditure account.

Depreciation

Depreciation is calculated on the cost of fixed assets in use at the end of the year, using the straight line method, based on the useful economic life of the asset. For depreciation purposes the following rates were used:

| | % |
|---------------------------------|--------|
| Land | Nil |
| Sewerage System: | |
| Pipes and civil engin. Works | 3 |
| Electromechanical installations | 10 |
| Buildings | 3 |
| Machinery | 10 |
| Tools | 33 1/3 |
| Motor vehicle | 20 |
| Furniture and Office Equipment | 10 |
| Office Partitioning | 25 |
| Computer Hardware and other | |
| Electronic systems | 20 |
| Laboratory equipment | 10 |

Financial assets

a. Classification

The Board classifies its financial assets in the categories of receivables and financial assets available for sale.

The receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, they are not intended for trading and are included in current assets.

Financial assets available for sale are non-derivatives that are designated in this category and are included in non current assets in the statement of financial position.

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

2. Accounting policies (continued)

b. Recognition/Assessment

Purchases and sales of financial assets are recognized on the date the transaction is carried out, which is the date on which the Sewerage Board commits to purchase or sell the asset.

Financial assets available for sale are recognized initially at fair value plus transaction costs and are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Board has transferred substantially all risks and rewards of ownership.

Financial assets available for sale are measured at fair value. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the statement of total comprehensive income as gains and losses from "financial assets available for sale".

The fair value of investments that are traded in active markets is based on quoted bid prices. If the market for a financial asset is not active and for unlisted securities, the Board establishes fair value by using valuation techniques. Valuation techniques include the use of recent transactions at arm's length and make maximum use of market inputs and minimal use of internal data of the Board.

c. Impairment of financial assets

The Board assesses at each reporting date whether there is objective evidence that a financial asset is impaired.

A financial asset 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 and can be reliably estimated.

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

2. Accounting policies (continued)

Deferred income - Government grants

Government grants relate to capital expenditure paid or reimbursed by the Government and to the repayment of capital and interest on loans raised by the Board with the Government's undertaking to service the debt.

Government grants relating to capital expenditure are credited to the Government Grants Account when there is reasonable assurance that the Board has complied with the conditions attached to them and that the grants will be received. The grants relate to the following:

- (i) Additional costs for the relocation of Moni Sewerage Treatment Plant.
- (ii) Additional costs for the realignment of the main collector in the coastal area of Pyrgos, Parekklishia and Moni.
- (iii) The construction of sewerage system in various government housing estates.
- (iv) The construction of the tertiary treatment plant.
- (v) Servicing cost of a loan raised for the tunnel construction which was undertaken by the Government.
- (vi) One third of the capital expenditure for the construction of the storm drainage system in the Greater Limassol Area.
- (vii) Eighty per cent of the capital expenditure for the construction of flood protection works in the Greater Limassol area.

Government grants are written off to the statement of total comprehensive income at the rate of 3% per annum, which is approximately in line with the depreciation rate used for the fixed assets financed by government grants.

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

2. Accounting policies (continued)

Foreign currencies

Foreign currency transactions are accounted for at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro using the rate of exchange prevailing at the end of the year. Realized exchange differences resulting from the payment of administrative or operating expenses are transferred to the statement of total comprehensive income.

Exchange differences resulting from the retranslation of loans and from payments to contractors and consulting engineers relating directly to the development of the whole or part of the sewerage system up to the date of completion of each contract, are capitalized and transferred to the work in progress account.

Exchange differences arising approximately six months after the commissioning and operation of specific parts of the system, are written off to the statement of total comprehensive income.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business

Debtors of sewerage charges

Debtors of sewerage charges are carried at original invoice amount plus additional surcharges for late payment.

In cases where legal proceedings have commenced, debtors include also the legal expenses and interest associated with each case.

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

2. Accounting policies (continued)

Employee benefits

The Board operates a Pension Fund which is a Defined Benefit Plan mainly financed by the Board. As from 2012 the employees of the Board contribute to the Fund 3% of their monthly remuneration.

The present value of the liability and the retirement benefit costs relating to the defined benefit plan are assessed annually using the projected unit credit method.

In accordance with IAS 19 (revised), actuarial gains or losses arising from changes in the interest rate used for discounting projected future cash outflows concerning benefits and from differences between expected and actual return of the investments and other actuarial assumptions are charged to the statement of total comprehensive income.

The Board also operates a Provident Fund for its workers which is a Defined Contribution Plan. Contributions to the Fund are made by both the Board and the workers. The contributions of the Board to the defined contribution plan are charged to the statement of total comprehensive income they relate to.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank less bank overdrafts.

Borrowings and borrowings costs

Borrowings are recorded at the initial amount advanced.

Any differences between this amount and the amount to be repaid, are amortised in proportion to the instalments payable during the period of the loan as follows:

Borrowing costs relating directly to the development of the whole or part of the sewerage system up to the date of its completion are capitalized and treated as part of the cost of the project. The capitalized cost of borrowing is the actual cost after the deduction of any income arising from short-term investments using funds from borrowing.

Borrowing costs relating to the whole or part of the sewerage system which has been in use during the year, are written off to the statement of total comprehensive income.

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

2. Accounting policies (continued)

Provisions

Provisions are recognised when the Board has a present obligation as a result of past events, if it is probable that an outflow of funds will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Events after the reporting date

Assets and liabilities are adjusted for events occurring after the reporting date but before the date the financial statements are authorized for issue, when they provide additional evidence about conditions that existed at the reporting date.

Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year, and the adjustments for changes in accounting policies, correction of accounting assumptions and errors.

Sewerage Board of Limassol – Amathus

Notes to the financial statements

for the year ended 31 December 2014

3.1 Fixed Assets

| | Cost | | | Depreciation | | | Net Book Value | |
|--|--------------------|-------------------|-----------------|--------------------|------------------|----------------|--------------------|--------------------|
| | 01/01/2014 € | Additions € | Disposals € | 31/12/2014 € | For year € | Disposals € | 31/12/2014 € | 31/12/2013 € |
| Land | 7.733.862 | 88.441 | - 12.949 | 7.809.354 | - | - | 7.809.354 | 7.733.862 |
| Buildings | 7.136.740 | 18.159 | - | 7.154.899 | 391.024 | 3.651.000 | 3.503.899 | 3.876.764 |
| <u>Sewerage System</u> | | | | | | | | |
| Sewerage and Pumping Stations | 134.761.514 | 287.791 | - | 135.049.305 | 3.922.637 | 48.357.997 | 86.691.308 | 90.326.154 |
| Tertiary plants | | | | | | | | |
| --- Secondary treatment | 37.117.447 | 6.545 | - | 37.123.992 | 1.950.106 | 23.837.374 | 13.286.618 | 15.230.179 |
| --- Tertiary treatment | 5.677.020 | - | - | 5.677.020 | 273.867 | 4.446.975 | 1.230.045 | 1.503.912 |
| Drainage system | 43.851.000 | 817 | - | 43.851.817 | 1.315.554 | 9.526.869 | 34.324.948 | 35.639.685 |
| Machinery | 913.800 | 81.307 | - 188 | 994.919 | 68.165 | 188 | 409.157 | 396.015 |
| Tools | 45.128 | 11.894 | - | 57.022 | 6.637 | 47.282 | 9.740 | 4.483 |
| Motor Vehicle | 507.426 | 1.761 | - | 509.187 | 5.798 | 486.369 | 22.818 | 26.855 |
| Office equipment and partitioning | 1.416.070 | 10.181 | - 2.579 | 1.423.672 | 90.611 | 2.445 | 253.708 | 334.272 |
| Computerised System | 720.585 | 19.779 | - | 740.364 | 72.415 | 585.377 | 154.987 | 207.623 |
| Other computerised systems | 1.467.606 | 1.273 | - | 1.468.879 | 554 | 1.467.859 | 1.020 | 301 |
| Laboratory equipment | 797.641 | - | - | 797.641 | 57.538 | 625.025 | 172.616 | 230.154 |
| Total fixed assets in operation | 242.145.839 | 527.948 | (15.716) | 242.658.071 | 8.154.906 | - 2.633 | 147.870.218 | 155.510.259 |
| Works in progress (note 4) | 43.404.748 | 25.885.459 | - | 69.290.207 | - | - | 69.290.207 | 66.284.824 |
| Transfer of works completed to fixed assets in operation and other account | - | (1.817.529) | - | (1,817,529) | - | - | (1,817,529) | (22,880,076) |
| Total fixed assets | 43,404,748 | 24,067,930 | - | 67,472,678 | - | - | 67,472,678 | 43,404,748 |
| | 285,550,587 | 24,595,878 | (15,716) | 310,130,749 | 8,154,906 | - 2,633 | 215,342,896 | 198,915,007 |

At 31/12/2014, a sewerage network of approximately 72 km and cost €7m has been constructed from third parties and it is not included in the fixed assets in operation or in work in progress shown above.

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

| | 2014 € | 2013 € |
|---|--------------------|--------------------|
| 4. Work in progress analysis | | |
| Designs and studies | | |
| Development of computerized system | - | 2.360 |
| Energy efficiency upgrade at SBLA offices | 1.488 | - |
| Studies and construction designs for the drainage system | 116.443 | 119.194 |
| Studies and construction designs for the sewerage system: | | |
| - Sewerage network extension | <u>5.597.453</u> | <u>4.426.496</u> |
| | <u>5.715.384</u> | <u>4.548.050</u> |
| Construction works | | |
| Sewerage system network | <u>51.320.521</u> | <u>31.957.657</u> |
| Other sewerage system costs | | |
| Borrowing costs capitalised | 2.557.438 | 2.125.603 |
| Interest earned from loan tranches not yet used to finance construction works | <u>(1.419.525)</u> | <u>(1.288.645)</u> |
| | <u>1.137.913</u> | <u>836.958</u> |
| VAT paid on construction and supervision works | | |
| - Phase B2 | 9.211.091 | 5.994.062 |
| Exchange differences capitalised | <u>87.769</u> | <u>68.021</u> |
| | <u>9.298.860</u> | <u>6.062.083</u> |
| | <u>67.472.678</u> | <u>43.404.748</u> |

5. Financial Assets

On 26 March 2013, the Sewerage Board held deposits in Bank of Cyprus amounting to €9.658.465. After the decision of the Eurogroup on 25 March 2013, 47,5% of the Board's bank deposits were converted into ordinary shares of the Bank of Cyprus, with nominal value €1 each. The impairment loss was estimated at € 3.670.216 which is the difference between the balance of the deposit of € 4.587.771 converted into 4.587.770 ordinary shares of the Bank of Cyprus and the fair value of these shares, calculated at 31st December 2013 to € 0,20 per share.

In the absence of a market price for the shares of the Bank of Cyprus, and in view of the drastic changes in the activities, tasks and structure of the Bank of Cyprus as a result of decisions of the Eurogroup in March 2013, the Board estimated the fair value of the shares on 31st December 2013 using a valuation based on non under consideration data. Therefore the balance of the financial assets of the Sewerage Board on 31st December 2013 amounted to €917.555.

On 31/12/2014 Bank of Cyprus shares were traded on the Cyprus Stock Exchange and the closing price on the same day was €0,216 per share.

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

5.1 Investments

| | 2014 | 2013 |
|-------------------------------------|----------------|----------------|
| | € | € |
| New shares in Bank of Cyprus | | |
| Balance at 1 January | 917.555 | - |
| Cost (Note 29) | - | 4.587.771 |
| Adjustment of fair value | 73.403 | (3.670.216) |
| Balance at 31 December | <u>990.958</u> | <u>917.555</u> |

| | 2014 | 2013 |
|--|--------------------|-------------------|
| | € | € |
| 6. Debtors and prepayments | | |
| Sewerage charges | 13.704.529 | 11.937.834 |
| Fair value adjustment on sewerage charges receivable | <u>(1.736.175)</u> | - |
| | 11.968.354 | 11.937.834 |
| Service charges | 1.944.061 | 1.400.467 |
| House connection charges due | 1.570.613 | 1.741.953 |
| Republic of Cyprus - other debts (Note 27) | 2.909.416 | 12.929.810 |
| Limassol Municipality | 23.272 | 93.012 |
| Kato Polemidia Municipality | 4.862 | 4.660 |
| Mesa Gitonia Municipality | 22.062 | 22.062 |
| Agios Athanasios Municipality | - | 44.703 |
| Sundry debtors and prepayments | 248.177 | 256.110 |
| Retention money | (52.000) | (22.000) |
| Interest receivable | 733.336 | 745.531 |
| Damages to the system debited to third parties | 367.711 | 366.646 |
| Contract advances | 567.515 | 1.440.865 |
| | <u>20.307.379</u> | <u>30.961.653</u> |

The fair value adjustment on sewerage charges receivable of €1.736.175, represents the difference between the carrying amount of sewerage charges receivable as at 31 December 2014 and the present value of their expected future cash receipts, discounted with the cost of capital of the Sewerage Board of Limassol-Amathus. In carrying out this exercise, the full amount of sewerage charges receivable as at 31 December 2014 was considered as fully recoverable.

7. Short Term Deposits

Based on the decree of the Central Bank of Cyprus and the final measures for the recapitalization of Bank of Cyprus, the amount of an affected bank deposit with Bank of Cyprus has been converted and recognized as follows:

- a) 15% of the affected deposit has been released and continues to be cash in the Bank and it has been recognized under the provisions of International Accounting Standard (IAS) 1 "Presentation of Financial Statements" and IAS 7 "Cash Flows".

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

7. Short Term Deposits (continued)

b) 37,5% of the affected deposits has been converted into deposits maturing after six, nine and twelve months with a renewal option by the Bank of Cyprus for an additional period of the same duration. Given the length of deposits (more than three months from the start date), these deposits do not meet the criteria for classification as cash and cash equivalent and for this reason are shown in the financial statements of 2013 as short-term deposits. The Board considers that the Bank of Cyprus will not exercise the right of renewal of the above deposits. It is noted that the term deposit with maturity date 31 January 2014 was renewed with a mandate of the Board.

c) 47,5% of the affected deposit has been converted into shares of the Bank of Cyprus. These shares have been identified, classified and measured according to the relevant provisions of the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and International Financial Reporting Standard (IFRS) 13 "Measurement of Fair Value."

| | 2014 | 2013 |
|------------------------------------|-------------------|-------------------|
| | € | € |
| 8. Cash at bank and in hand | | |
| Cash at bank | 77.892.646 | 73.122.784 |
| Cash in hand | 26.725 | 28.515 |
| | <u>77.919.371</u> | <u>73.151.299</u> |
| Bank overdraft | (521) | (146) |

9. Creditors and accrued expenses

| | | |
|--|------------------|------------------|
| Operation and maintenance of the STP | 552.495 | 331.918 |
| Amount due to contractors | 284.092 | 244.411 |
| Amount due to consultants for the construction supervision | 204.438 | 356.286 |
| Sundry creditors | 3.129.430 | 3.618.688 |
| Sewerage charges (overpayments) | 177.365 | 189.602 |
| Accrued expenses | (6.251) | 116.784 |
| Retention money | 1.863.850 | 1.773.337 |
| Amount due to Republic of Cyprus | 2.889.633 | 120.143 |
| Accrued interest | 110.134 | 141.403 |
| | <u>9.205.186</u> | <u>6.892.572</u> |

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

| | 2014 € | 2013 € |
|-------------------------------------|--------------------|--------------------|
| 10. | | |
| Current | | |
| Bank loans | 5.314.981 | 3.838.791 |
| Non current | | |
| Bank loans | <u>170.891.115</u> | <u>176.206.096</u> |
| Total borrowings | <u>176.206.096</u> | <u>180.044.887</u> |
| Maturity of non current borrowings: | | |
| Between 1 & 2 | 5.814.981 | 5.314.981 |
| Between 2 & 5 | 27.311.936 | 22.665.107 |
| Over 5 years | <u>137.764.198</u> | <u>148.226.008</u> |
| | <u>170.891.115</u> | <u>176.206.096</u> |

Total borrowings are analyzed as follows:

| | Council of Europe Development Bank € | European Investment Bank € | Total € |
|----------------------|--|----------------------------------|--------------------|
| At 1/1/2014 | <u>80.044.887</u> | <u>100.000.000</u> | <u>180.044.887</u> |
| Repayments | (3.578.791) | (260.000) | (3.838.791) |
| At 31/12/2014 | <u>76.466.096</u> | <u>99.740.000</u> | <u>176.206.096</u> |
| At 31/12/2013 | <u>80.044.887</u> | <u>100.000.000</u> | <u>180.044.887</u> |

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

10. Borrowings (continued)

- (i) A new loan of €100.000.000 was approved in 2011 from the Council of Europe Development Bank in order to finance part of the capital expenditure required for the expansion of the sewerage system which is currently being constructed and will be completed in the next few years. Furthermore, a loan of €30.000.000 was also approved in order to finance part of the capital expenditure for the construction of the sewerage system in 16 communities north, west and east of Limassol.
As at today an amount of €46.000.000 was disbursed from the above loan.
- (ii) A new loan of €68.000.000 was approved in 2012 from the European Investment Bank to finance part of the capital expenditure required for the expansion of the sewerage system which is currently being constructed and will be completed in the next few years. As at today there has been no disbursement from the approved loan.
- (iii) The above loans are guaranteed by the Government of the Republic of Cyprus.

Interest rates and repayments terms

Currently all loans are denominated in Euro. The method of payment, repayment dates as well as the interest rate of each loan are shown below:

| Financial Body | Initial loan amount | Balance 31/12/2014 | Method payment | Repayment date | Interest rate |
|---|---------------------|--------------------|----------------|----------------|---------------------------|
| Council of Europe Development Bank | | | | | |
| FP335(98)3 | € 7.983.000 | € 2.394.900 | Annually | 19/12/2017 | Euribor 6 month +0,40% |
| FP335AddIII(82)4 | € 3.400.000 | € 1.700.000 | Annually | 29/07/2019 | Euribor 3 month +0,11% |
| FP335AddIII(82)5 | € 3.400.000 | € 1.700.000 | Annually | 20/12/2024 | Euribor 3 month +0,11% |
| FP335AddIII(82)6 | € 5.200.000 | € 4.506.667 | Annually | 28/06/2027 | Euribor 3 month +0,09% |
| FP335ADIII(2004)7 | € 5.000.000 | € 4.666.667 | Annually | 21/02/2028 | Euribor 3 month +0,10% |
| FP335ADIII(2004)8 | € 10.000.000 | € 10.000.000 | Annually | 30/09/2024 | Euribor 3 month +0,78% |
| FP335ADIII(2004)9 | € 10.809.828 | € 8.647.862 | Annually | 23/04/2030 | Euribor 3 month +0,43% |
| FP 1702(2010)1 | € 21.000.000 | € 17.850.000 | Annually | 19/12/2031 | 3,4% fixed |
| FP 1702(2010)2 | € 25.000.000 | € 25.000.000 | Annually | 20/12/2033 | Euribor 6 month +0,81% |
| | | € 76.466.096 | | | |

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

10. Loans (continued)

European Investment Bank

| | | | | | |
|-----------|--------------|--------------------|-------------|------------|----------------------------|
| Ln23640/1 | € 5.200.000 | € 4.940.000 | Six monthly | 15/12/2033 | Euribor 6 month -0,008% |
| Ln23640/2 | € 10.000.000 | €10.000.000 | Annually | 15/06/2035 | Euribor 3 month +0,010% |
| Ln23640/3 | € 10.000.000 | €10.000.000 | Annually | 25/06/2035 | Euribor 3 month +0,645% |
| Ln23640/4 | € 44.800.000 | €44.800.000 | Annually | 06/05/2036 | Euribor 3 month +0,463% |
| Ln 25.599 | € 30.000.000 | €30.000.000 | Annually | 18/04/2037 | Euribor 3 month +0,404% |
| | | <u>€99.740.000</u> | | | |

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

| | 2014 | 2013 |
|---|-------------------|-------------------|
| | € | € |
| 11. Reserves | | |
| Accumulated surplus | | |
| At 1 January | 85.637.098 | 100.837.419 |
| Surplus/(Deficit) for the year | 8.812.404 | (15.200.321) |
| At 31 December | <u>94.449.502</u> | <u>85.637.098</u> |
| 12. Deferred income | | |
| Government grants | | |
| Tertiary treatment plant | 10.239.324 | 9.749.324 |
| Relocation of Sewerage Treatment Plant | 12.570.602 | 8.795.574 |
| Government housing estates | 820.535 | 820.535 |
| Repayment of loan of the Amathus tunnel | 3.352.888 | 3.352.888 |
| Additional costs for the construction of the tunnel | 456.642 | 456.642 |
| Drainage system | 10.028.046 | 7.447.134 |
| Pumping station I & other works | 487.350 | 487.350 |
| Flood protection works | 8.564.078 | 5.851.911 |
| Renewable energy sources | 318.483 | 318.483 |
| Deferred government grants | 244.423 | 9.558.108 |
| Total grants | <u>47.082.371</u> | <u>46.837.949</u> |
| Amortisation of grants | | |
| At 1 January | 12.201.061 | 10.810.624 |
| Amortisation for the year | 1.390.437 | 1.390.437 |
| At 31 December | <u>13.591.498</u> | <u>12.201.061</u> |
| Net Government grants | <u>33.490.873</u> | <u>34.636.888</u> |
| The total amount of grants is analysed as follows: | | |
| Deferred income - Non current portion | 32.078.402 | 33.231.750 |
| Deferred income - Current portion | 1.412.471 | 1.405.138 |
| Total | <u>33.490.873</u> | <u>34.636.888</u> |

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

13. Sewerage charges

The following sewerage charges have been imposed on the assessed value of the immovable property within the SBLA boundaries.

| | 2014 € | 2013 € |
|---|--------------------------|--------------------------|
| Phase A | 6.418.753 | 6.300.618 |
| Phase A - Expansion | <u>9.211.082</u> | <u>8.773.497</u> |
| | 15.629.835 | 15.074.115 |
| Drainage charges | <u>3.325.507</u> | <u>3.075.623</u> |
| | 18.955.342 | 18.149.738 |
| Adjustments to sewerage rates | 302.728 | (47.194) |
| Allowances and discounts | (174.199) | (157.800) |
| Amount written off according to clause 5 of the Law 15/78 | <u>(7.911)</u> | <u>(8.081)</u> |
| | 19.075.960 | 17.936.663 |
| Surcharges on overdue sewerage charges (20% on outstanding annual sewerage rates) | <u>637.756</u> | <u>590.023</u> |
| | <u>19.713.716</u> | <u>18.526.686</u> |

14. Service charges

Sewerage service charges are based on the water consumption of all properties connected to the sewerage system. A provision is made for the amount of service charges due by consumers to the Water Board Authorities at the end of the year.

| | | |
|----------------------------------|-------------------------|-------------------------|
| Limassol Water Board | 3.355.680 | 2.698.537 |
| Ayios Tychonas Improvement Board | 494.199 | 436.292 |
| Other consumers | <u>371.382</u> | <u>435.994</u> |
| | <u>4.221.261</u> | <u>3.570.823</u> |

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

| | 2014 | 2013 |
|--|-------------------------|-------------------------|
| | € | € |
| 15. Interest receivable | | |
| Bank interest | 1.923.358 | 2.150.998 |
| Other interest (Lawsuits) | <u>111.380</u> | <u>88.062</u> |
| | 2.034.738 | 2.239.060 |
| Less contribution to defence fund | <u>(577.097)</u> | <u>(615.715)</u> |
| | <u><u>1.457.641</u></u> | <u><u>1.623.345</u></u> |
| 16. House connection charges | | |
| Additional house connections | | |
| Reimbursement of charges for the construction of additional house connection outlets | 134.064 | 1.152.996 |
| Charges for the construction of additional house connection outlets | <u>(45.970)</u> | <u>(83.175)</u> |
| | 88.094 | 1.069.821 |
| Construction permits | | |
| Represent permit fees for approving the designs of the private sewers | 106.629 | 105.321 |
| Connection fees | | |
| Represent fees for the connection of properties to the system | <u>38.450</u> | <u>37.401</u> |
| | <u><u>233.173</u></u> | <u><u>1.212.543</u></u> |
| 17. Other Income | | |
| Income from damages debited to third parties | 34.267 | 77.417 |
| Departmental expenses receivable | 29.976 | 18.022 |
| Income from fines and other income | 2.406 | 1.801 |
| Tender fees | - | 4.950 |
| Other income | <u>55.056</u> | <u>18.277</u> |
| | <u><u>121.705</u></u> | <u><u>120.467</u></u> |

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

| | 2014 | 2013 |
|---|-------------------------|-------------------------|
| | € | € |
| 18. Reimbursed expenses | | |
| Operation costs of the tertiary treatment plant | 1.243.581 | 1.279.026 |
| Operation costs of the sewerage treatment plant and pumping stations "F", "H" and "I" | <u>672.071</u> | <u>724.928</u> |
| | <u>1.915.652</u> | <u>2.003.954</u> |

In accordance with the relevant decision of the Council of Ministers, the Government is responsible to meet these expenses.

20. Operation and maintenance expenses

| | | |
|---|-------------------------|-------------------------|
| Staff costs (Note 23) | 870.718 | 881.662 |
| Fuel and electricity | 802.329 | 833.851 |
| Chemicals and other consumables | 532.131 | 617.296 |
| Repairs, maintenance and operation of electromechanical equipment, of sewerage system and other operating costs (Note 22) | <u>3.090.146</u> | <u>3.620.394</u> |
| | <u>5.295.324</u> | <u>5.953.203</u> |

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

| | 2014 € | 2013 € |
|---|------------------|------------------|
| 20. Administrative costs | | |
| Chairman's and members' stipend | 34.485 | 37.941 |
| Staff cost (Note 23) | 1.750.950 | 1.680.514 |
| Travelling | 4.379 | 5.234 |
| Motor vehicle and maintenance expenses | 30.560 | 30.737 |
| Hospitality expenses | 4.277 | 9.402 |
| Representation expenses | 8.160 | 8.670 |
| Insurances | 234.643 | 233.380 |
| Department of Land and Survey expenses | 11.738 | 4.981 |
| Legal fees | 51.429 | 40.764 |
| Audit fees | 9.000 | 19.384 |
| Audit fees - previous years | - | 9.000 |
| Training of personnel | 4.488 | 22.678 |
| Printing and stationery | 37.353 | 31.194 |
| Telephones, faxes and postages | 52.279 | 53.495 |
| Electricity and water supply | 37.617 | 46.239 |
| Consultancy fees | 168.155 | 320.057 |
| Computer software expenses | 61.931 | 74.551 |
| Bank charges | 4.013 | 3.830 |
| Publications and public relation expenses | 25.491 | 14.485 |
| Public briefing expenses | 16.763 | 1.712 |
| Subscriptions and books | 3.710 | 4.490 |
| Cleaning and maintenance of office buildings | 20.738 | 29.925 |
| Office machines repairs and maintenance | 7.255 | 6.144 |
| Common use expenses | 6.985 | 12.142 |
| Warehouse rent | 7.980 | 8.925 |
| Sundry office expenses | 7.238 | 6.381 |
| Municipality charges | 20.478 | 20.782 |
| Computer maintenance expenses | 8.295 | 9.168 |
| Commission on the collection of service charges | 107.895 | 101.375 |
| Commission of credit cards | 48.613 | 40.497 |
| Compensation to third parties | 2.750 | 20.462 |
| Call center expenses | 16.228 | 15.316 |
| Collection agency fee | 60.402 | 17.087 |
| | <u>2.866.278</u> | <u>2.940.942</u> |

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

| | 2014 | 2013 |
|--|------------------|------------------|
| | € | € |
| 21. Interest payable and other bank charges | | |
| Interest written off to statement of total comprehensive income | | |
| Council of Europe Development Bank | 1.100.994 | 879.715 |
| European Investment Bank | 404.325 | 499.495 |
| Bank of Cyprus (ex Laiki Bank) | - | 8.322 |
| Interest on bank overdraft | 657 | 2.553 |
| Intention easement wights | 2.684 | 22.718 |
| Interest written off to the statement of total comprehensive income | <u>1.508.660</u> | <u>1.412.803</u> |
| Interest capitalised | | |
| European Investment Bank | 238.327 | 124.102 |
| Council of Europe Development Bank | 62.629 | 42.935 |
| | <u>300.956</u> | <u>167.037</u> |
| 23. Repairs, maintenance and operation of electromechanical equipment of the sewerage system and other expenses | | |
| STP operation costs | 2.216.751 | 2.600.994 |
| Telephones, water supply and other expenses | 30.949 | 28.679 |
| Repairs and maintenance | 346.129 | 572.432 |
| Repairs and maintenance of storm water pipes | 32.373 | 44.608 |
| Laboratory tests and expenses | 21.566 | 31.407 |
| Cost of damages debited to third parties | 8.591 | 13.059 |
| Security expenses | 32.996 | 12.958 |
| Sludge management expenses | 249.320 | 162.399 |
| General expenses | 9.184 | 10.075 |
| Fuel and motor vehicle expenses | 30.405 | 29.755 |
| Warehouse expenses | 6.663 | 13.412 |
| Rent and long term leases | 55.698 | 58.855 |
| Pest and rodent control | 48.987 | 40.872 |
| Gardening and landscaping | 531 | 342 |
| Stock written-off | 3 | 547 |
| | <u>3.090.146</u> | <u>3.620.394</u> |

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

23. Staff Costs

| | Staff € | Workers € | Total 2014 € | Total 2013 € |
|--|------------------|----------------|------------------|------------------|
| Basic salary | 1.264.462 | 95.234 | 1.359.696 | 1.361.509 |
| Cost of living allowance | 357.491 | 294.807 | 652.298 | 652.226 |
| Retropective overtime | - | - | - | 446 |
| Overtime | 4.690 | 14.274 | 18.964 | 38.416 |
| Stand by allowance | 6.972 | 2.639 | 9.611 | 9.662 |
| Social insurance | 169.214 | 31.742 | 200.956 | 175.888 |
| Defence fund | 33.044 | 8.139 | 41.183 | 41.569 |
| Redundancy fund | 18.523 | 4.883 | 23.406 | 23.627 |
| Industrial training fund | 7.719 | 2.035 | 9.754 | 9.846 |
| Medical fund | 83.553 | 16.277 | 99.830 | 100.604 |
| Welfare fund | 11.275 | 7.200 | 18.475 | 17.141 |
| Staff welfare | 4.540 | - | 4.540 | 6.412 |
| Trade union welfare fund | - | 1.620 | 1.620 | 1.479 |
| Sundry benefits | 3.622 | 5.385 | 9.007 | 7.612 |
| Pension benefit payment to resigned employees | - | - | - | 1.617 |
| | 1.965.105 | 484.235 | 2.449.340 | 2.448.054 |
| Staff pension benefits (Note 30) | 145.327 | 27.001 | 172.328 | 114.122 |
| | 2.110.432 | 511.236 | 2.621.668 | 2.562.176 |

| | 2014 € | 2013 € |
|--|------------------|------------------|
| Staff cost is as follows: | | |
| Operation & maintenance | 870.718 | 881.662 |
| Administrative costs | 1.750.950 | 1.680.514 |
| | 2.621.668 | 2.562.176 |
| Number of staff at 31 December: | | |
| Permanent staff | 48 | 48 |
| Temporary staff | 4 | 4 |
| | 52 | 52 |
| Workers | 15 | 15 |
| | 67 | 67 |

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

24. Capital commitments

Capital expenditure contracted but not executed in the current year, for which no provision has been made in the financial statements, amounts to approximately €30.1 m. and relates to the construction costs as well as the design and supervision of construction costs for the extension of the sewerage and drainage network.

25. Taxation

In accordance with a decision of the Office of the Attorney General of the Republic, the income of the Board from sewerage charges does not constitute a taxable income and therefore it is not subject to corporation tax, special contribution and special contribution for defence.

26. Contingent liabilities

During the year 2014, no new lawsuits were filed against the Board.

The lawsuits filed against the Board in previous years amount to about €530.000 and relate mainly to damages suffered by property owners/tenants due to flooding on their properties as a result of heavy rain incidents.

At the balance sheet date, no provision was made in the financial statements for the above claims, as the outcome of these lawsuits cannot yet be determined and therefore a reliable estimate of the amount of the obligation, if any, cannot be made. These lawsuits are dealt with by the Board's insurance company. The insurance company will pay the claimants for any agreed damages over and above the excess amount of €3.000 for each claim.

27. Outstanding issues with Government Departments and other Organizations

The amount due from various Government Departments is €2.909.416 compared to €12.929.810 for 2013. During the year 2014, Government paid to SBLA the amount of €10.378.461 against the outstanding amount. This amount relates to relocation expenses of €4.325.730, drainage works of €5.318.399 and the cost to purchase the land for the construction of the Sewerage Treatment Plant west of Limassol of €734.332.

The outstanding amount as at 31/12/2014 is analyzed as follows:

Construction works

The outstanding government dues relate mainly to STP relocation expenses of €62.848 and stormwater and drainage works of €244.423 due from the Water Development Department as at 31/12/2014. Furthermore an amount of €540.500 is due from the Public Works Department for the construction of the drainage system in 1st April street in Ayia Fyla area.

Operation cost of the Tertiary Treatment Plant

At 31 December 2014, the Board was claiming from the Cyprus Government the amount of €1.951.540 relating to expenses incurred for the operation of the tertiary treatment plant.

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

27. Outstanding issues with Government Departments and other Organizations (continued)

The Board has submitted to the Water Development Department the relevant debit notes for the reimbursement of operation and maintenance costs of the tertiary treatment plant.

These debit notes are based on the unit cost of treated water as calculated from the actual costs incurred in accordance with the audited financial statements of the previous year.

Although the Water Development Department made certain payments on account of the said debit notes, the full amount has not yet been settled. In 2014 the total debit notes issued by the Board amounted to €1.243.581 and the actual payments made by the Water Development Department against those debit notes amounted to €742.402.

The debit notes issued for the year 2014 were based on the actual costs of 2012 and should be adjusted in accordance with the unit cost of 2013. It is estimated that an amount of €126.000 will be credited to the Water Development Department. A credit note to that effect will be issued in 2015.

As at today, no agreement has been reached between the two parties regarding the method of reimbursement despite the fact that the Board has submitted to the Water Development Department all relevant information to that effect.

Operation of the Sewerage Treatment Plant and Pumping Stations "F", "H" and "I"

The Board submits to the Water Development Department debit notes relating to the operation costs of the Sewerage Treatment Plant and Pumping Stations "F", "H" and "I". In 2014 the total debit notes issued by the Board amounted to €672.071 and the actual payments made by WDD against those debit notes amounted to €610.222.

28. Operating environment of the Board

The Cyprus economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. During 2013 there was a considerable tightening of financing availability from Cypriot financial institutions, mainly resulting from financial instability in relation to the Greek sovereign debt crisis, including the impairment of Greek Government Bonds, and its impact on the Cyprus economy. In addition, following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly affected.

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

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

28. Operating environment of the Board (continued)

The Eurogroup decision on Cyprus includes plans for the restructuring of the financial sector and safeguards deposits below €100.000 in accordance with European Union legislation. In addition, the Cypriot authorities have reaffirmed their commitment to step up efforts in the areas of fiscal consolidation, structural reforms and privatizations. The Eurogroup requested the Cypriot authorities and the European Commission, in liaison with the European Central Bank, and the International Monetary Fund, to finalise the relevant Memorandum of Understanding in April 2013 which will then be followed by the formal approval of the Board of Directors of the European Stability Mechanism as well as by the ratification by Eurozone member states through national parliamentary (or equivalent) approval.

On 12 April 2013 the Eurogroup welcomed the agreement that has been reached between Cyprus and the Troika institutions regarding the macroeconomic adjustment programme for Cyprus, and stated that the necessary elements were in place to launch the relevant national procedures required for the formal approval of the European Stability Mechanism financial assistance facility agreement.

On 22 March 2013 legislation was enacted by the House of Representatives of the Republic of Cyprus concerning restrictive measures in respect of transactions executed through the banking institutions operating in Cyprus. The extent and duration of the restrictive measures are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and they were enforced on 28 March 2013. The Management Board of SBLA is monitoring the developments in relation to these capital controls and is assessing the implications on the Board's operations.

The uncertain economic situation in Cyprus, the unavailability of financing, the impairment loss incurred on bank deposits and the imposition of the above mentioned restrictive measures together with the current instability of the banking system and the anticipated overall economic recession, could affect (1) the ability of the Board 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 Board's debtors to repay the amounts due to the Board, and (3) the cash flow forecasts of the Board's Management in relation to the impairment assessment for financial and non-financial assets.

The economic conditions described above, together with the impact of the Eurogroup decision of 25 March 2013 on Cyprus, may have an adverse impact on the Board's debtors (inability to meet their obligations towards the Board), suppliers (inability to continue trading), real estate valuation and bankers (inability to provide adequate finance).

The Board's Management has assessed:

(1) whether any impairment allowances are deemed necessary for the Board'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) the ability of the Board to continue as a going concern.

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

28. Operating environment of the Board (continued)

The Board'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 Board.

On the basis of the evaluation performed, the Board's Management has concluded that no provisions or impairment charges are necessary, apart from these accounted for as shown in Note 29 below.

The Board's Management has prepared an Action Plan and believes that all the necessary measures are taken to maintain the financial viability of the Board and the development of its business in the current economic environment.

29. Impairment of bank deposits

Details regarding the operating environment of the Board are stated in Note 28.

The Board's cash held with the banks affected from the above measures amounted to €32.936.680 as at the relevant date for implementation of the decisions. Based on information available until the date of issue of the financial statements, an impairment loss of up to €19.510.973, was recognized in the year ending 31 December 2013, on the basis of the assumption that deposits in Laiki Bank suffered an impairment of 100% after setting off a loan of €3.767.242. Furthermore, an impairment loss of up to €4.587.770 was recognized on the basis of the assumption that 47,5% of the deposits in Bank of Cyprus have been converted into €4.587.770 shares of a nominal value of €1,00 each. The Board estimates that the fair value of the shares as at 31/12/2013 is €0,20 per share. The adjustment of the fair value of shares €3.670.216 has been debited to the Statement of Total Comprehensive Income.

30. Pension benefits

I) Defined Benefit Plan

The Board operates a pension scheme for its employees who are not members of the provident fund .

The scheme benefits are stipulated in the By-Laws of the Board which have been approved and published in the Official Gazette of the Republic on 19 July 2002 under the reference "ΚΔΠ 348/2002 Regulations relating to the pension scheme of the employees of the Sewerage Board of Limassol - Amathus".

The Board started contributing to the pension fund as from 1 January 1998. Contributions are also being made by the employees to the "Widows and Orphans Fund" at the rate of 0,75% on their pensionable earnings, in order to have their pension transferable to their widows and orphans. This contribution rate increased to 2% as from October 2011 in accordance with the Pension Benefits of Government Employees Law of 2011 (N113(I)/2011). Based on the same legislation, a contribution rate of 3% is also deducted from the monthly remuneration of all employees as a contribution to the Pension Fund.

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

30. Pension benefits (continued)

I) Defined Benefit Plan (continued)

The actuarial valuation for funding purposes is carried out every 3 years in order to cover future fund obligations and to establish the annual pension fund contribution as a percentage of the employees' pensionable earnings.

The latest actuarial valuation was carried out by Muhanna & Co Actuarial Services as at 31 December 2012. The actuaries assessed that in the event of a reduction in interest rates on deposits, the return on the plan assets will be affected and the Fund will have an increased service cost and actuarial obligation. As a result, the actuaries suggested that the Board's contribution to the Fund should increase to 10% on the pensionable earnings in order to cover future obligations.

Based on the revised IAS19 the Board recognizes the actuarial gain or loss in the year in which it is incurred. The amounts recognized in the Statement of the Financial Position as at 31 December 2014 are based on the actuarial valuation carried out for IAS19 purposes as at 31 December 2014 by Cronje & Yiannas Actuaries for the Pension Fund of SBLA employees, which is a defined benefit scheme. The actuarial obligation of the Board identified as at 31 December 2014 is €2.362.860.

Notes in accordance with IAS19 (revised)

| | 2014 | 2013 |
|--|-------------------------|-------------------------|
| | € | € |
| Statement of financial position as at 31st December | | |
| Present value of obligations | 7.242.547 | 5.531.802 |
| Fair value of plan assets | <u>(4.879.687)</u> | <u>(3.923.946)</u> |
| Net liability as at 31st December | <u><u>2.362.860</u></u> | <u><u>1.607.856</u></u> |

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

30. Pension benefits (continued)

| | 2014 | 2013 |
|---|------------------|--------------------|
| | € | € |
| Statement of total comprehensive income | | |
| Current service cost | 89.052 | 98.301 |
| Interest cost | 56.275 | (10.104) |
| Expenses recognized in staff costs | <u>145.327</u> | <u>88.197</u> |
| Statement of other comprehensive income | | |
| Actuarial Gain/(loss) from change in demographic assumptions | (93.772) | (97.389) |
| Actuarial Gain/(loss) from change in financial assumptions | (1.399.086) | 524.118 |
| Actuarial Gain/(loss) from change in Experience Adjustments | 99.857 | (17.521) |
| Difference between interest income and return on plan assets | 651.663 | (2.421.665) |
| Total charge to other comprehensive income | <u>(741.338)</u> | <u>(2.012.457)</u> |
| Movements in net obligation in the statement of financial position | | |
| Net liability at start of year | 1.607.856 | (279.101) |
| Total charge to the statement of total comprehensive income | 145.327 | 88.197 |
| Total charge to other comprehensive income | 741.338 | 2.012.457 |
| Employer's contributions/benefits paid | (131.661) | (213.697) |
| Net Liability at the end of year | <u>2.362.860</u> | <u>1.607.856</u> |
| Change in benefit obligation during the year | | |
| Benefit obligation at start of year | 5.531.801 | 5.637.421 |
| Current service cost | 89.052 | 98.301 |
| Member's contribution | 66.236 | 65.333 |
| Interest cost | 193.613 | 171.110 |
| Benefits paid | (31.156) | (31.156) |
| Actuarial (Gain)/loss from change in demographic assumptions | 93.772 | 97.389 |
| Actuarial (Gain)/loss from change in financial assumptions | 1.399.086 | (524.118) |
| Actuarial (Gain)/loss from change in experience adjustments | (99.857) | 17.521 |
| Actuarial obligation at the end of year | <u>7.242.547</u> | <u>5.531.801</u> |

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

30. Pension benefits (continued)

| | 2014 € | 2013 € |
|---|-------------------------|-------------------------|
| Change in plan assets during the year | | |
| Fair value of plan assets at start of year | 3.923.946 | 5.916.523 |
| Expected return on plan assets | 137.338 | 181.214 |
| Employer contributions | 131.661 | 213.697 |
| Member's contributions | 66.236 | 65.333 |
| Benefits paid | (31.156) | (31.156) |
| Actuarial gain/(loss) on plan assets | 651.662 | (2.421.665) |
| Fair value of plan assets at end of year | <u><u>4.879.687</u></u> | <u><u>3.923.946</u></u> |

Statement of total comprehensive income

| | € |
|--|---------|
| Current service cost | 258.006 |
| Net Interest cost | 48.816 |
| Net actuarial (gain)/loss recognized in the year | - |

Charge to total comprehensive income

306.822

Actuarial assumptions

| | Assumptions at actuarial valuation date: 31/12/2014 | Assumptions as at: 31/12/2013 |
|--------------------------------------|---|--|
| Discount rate | 2,00% | 3,50% |
| Price inflation | 2,00% | 2,50% |
| General salary increases | 2013-2016: 2017 + : 0,00% 3,25% | 0,00% 1,50% (1,25%+0,25%) + scale for promotions and annual increments |
| Pension increases | 1,50% | 1,25% |
| Increase in basic insurable earnings | 3,00% | 2,00% |
| Mortality | 90% for EVK2000 | 75% for PA90 |

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

30. Pension benefits (continued)

Change in actuarial liability

| | Change in assumption | Increase in assumption | Decrease in assumption |
|-----------------|-------------------------|---------------------------|---------------------------|
| Inflation rate | 0,50% | Decrease 10,1% | Increase 11,7% |
| Salary increase | 0,50% | Increase 12,5% | Decrease 12,7% |

II) Provident Fund

A provident fund scheme for SBLA workers has been established on the basis of the By-Laws of the Board which have been approved and published in the Official Gazette of the Republic on 5 December 1997 under the reference "ΚΑΠ 364/97 – Regulations relating to Provident Fund".

As from 1 January 1998, contributions to the scheme are being made by both the employer and the employees (workers). This fund is separately funded and is not reflected in the financial statements of the Board.

As from 1 January 2009 a guaranteed provident fund is being operated with a guarantee percentage of 16%. In accordance with this arrangement, the SBLA workers will receive on their retirement date, the greater of the guaranteed provident fund amount and the amount credited on their name in the Fund.

Based on the actuarial valuation carried out in accordance with IAS19 (revised) by Cronje & Yiannas as at 31 December 2014, an actuarial obligation of €553 was identified. No provision was made in the financial statements of the Board for this amount.

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

31. Financial Risk Management

1. Financial Risk Factors

The activities of the Board expose it to a variety of financial risks: market risk (including interest rate risk on cash flows), credit risk and liquidity risk.

The risk management program of the Board focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Board. Risk management is carried out by the management in accordance with policies approved by the Board. The management identifies, evaluates and hedges financial risks in close cooperation with the operating units of the Sewerage Board.

- **Market risk – Interest rate risk on cash flows**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Income and cash flow from operations of the Board is dependent on changes in market interest rates.

The interest rate risk of the Board comes from long term borrowings. Borrowings issued at variable rates expose the Board to interest rate risk on its cash flows. Borrowings issued at fixed rates expose the Board to interest rate risk on the fair value.

The Sewerage Board monitors the interest rate fluctuations on a continuous basis and acts accordingly.

- **Credit risk**

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

The Board does not expect any losses from non-performance by these parties.

- **Liquidity Risk**

The table below analyzes the financial liabilities of the Sewerage Board into relevant maturity groupings based on the remaining period at the balance sheet 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.

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2014

31. Financial Risk Management (continued)

| | Less than 1 year € | From 1-2 years € | From 2-5 years € | Over than 5 years € |
|---|--------------------------|------------------------|------------------------|---------------------------|
| Balance as at 31 December 2013 | | | | |
| Loans (Capital plus Interest) | 3.980.194 | 5.314.981 | 22.665.107 | 148.226.008 |
| Trade and other creditors | <u>6.751.169</u> | - | - | <u>1.607.856</u> |
| | <u>10.731.363</u> | <u>5.314.981</u> | <u>22.665.107</u> | <u>149.833.864</u> |
| Balance as at 31 December 2014 | | | | |
| Loans (Capital plus Interest) | 5.425.115 | 5.814.981 | 27.311.936 | 137.764.198 |
| Trade and other creditors | <u>9.095.052</u> | - | - | <u>2.362.860</u> |
| | <u>14.520.167</u> | <u>5.814.981</u> | <u>27.311.936</u> | <u>140.127.058</u> |

2. Capital risk management

The goals of the Board when managing funds is to ensure the capacity of the Council to continue as a going concern and to maintain an appropriate capital structure to reduce the cost of capital.

The Board monitors capital on the basis of the relationship of debt to total capital employed. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing (including current and non-current borrowings as shown in the Balance Sheet) less short-term bank deposits as well as cash and cash equivalents available. Total capital is calculated as 'equity' (Reserves and Deferred income as presented in the statement of financial position) plus net debt.

The relationship of debt to total capital employed at 31 December 2014 and 2013 was as follows:

| | 2014 € | 2013 € |
|---|---------------------|---------------------|
| Total of Loans (Note 10) | 176.206.096 | 180.044.887 |
| Less: Short term deposits (Note7) | - | (3.628.546) |
| Cash and Cash equivalents (Note8) | <u>(77.919.371)</u> | <u>(73.151.299)</u> |
| Net Debt | 98.286.725 | 103.265.042 |
| Total Capital | 127.940.375 | 120.273.986 |
| Total Capital under the consideration of Board | <u>226.227.100</u> | <u>223.539.028</u> |
| | | |
| Value of net debt to total capital employed | <u>43%</u> | <u>46%</u> |

Notes to the financial statements for the year ended 31 December 2014

31. Financial Risk Management (continued)

3. Estimated fair values

The table below analyses financial instruments that are measured in the statement of financial position at fair value, based on the estimation methods.

- The input data for the assets are not based on observable market data (ie unobservable input data).

The following table presents the financial assets of the Board, which are measured at fair value at 31 December 2014.

| 31 December 2014 | € |
|---|-----------------------|
| Assets | |
| Financial Assets at fair value through the statement of total comprehensive income: | |
| - Sales value titles | <u>990.956</u> |
| Total of Financial Assets measured at fair values | <u>990.956</u> |

During 2013, following the decisions of the Eurogroup in March, the Board acquired 4.587.770 shares in Bank of Cyprus.

32. Events after the reporting date

In 2015, the Board submitted to the Government a debit note of €3.562.086 which relates to the Government's contribution for the main infrastructure of the sewerage system already constructed, which will serve the communities of Pyrgos, Parekklisia, Mouttayaika and Agios Tychonas. The sum of €3.350.749 has already been paid by the Government on account of the amount invoiced.

Apart from the above, there were no other material events after the reporting date which have a bearing on the understanding of the financial statements.