

**SEWERAGE BOARD OF
LIMASSOL - AMATHUS**

ANNUAL REPORT

2015

OCTOBER 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	
Eleftheria Moustaka	
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 Spyrou	
Neophytos Charalambides	
Christos Homatas	
Apostolos Psaras	
Andreas Gavrielides	Member SBLA – Mayor of Germasoyia Municipality
Nikos Anastasiou	Member SBLA – Deputy 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 Papaiaovou - 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, Parekkliasia, 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, 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, Parekkliasia, Pyrgos and Moni.

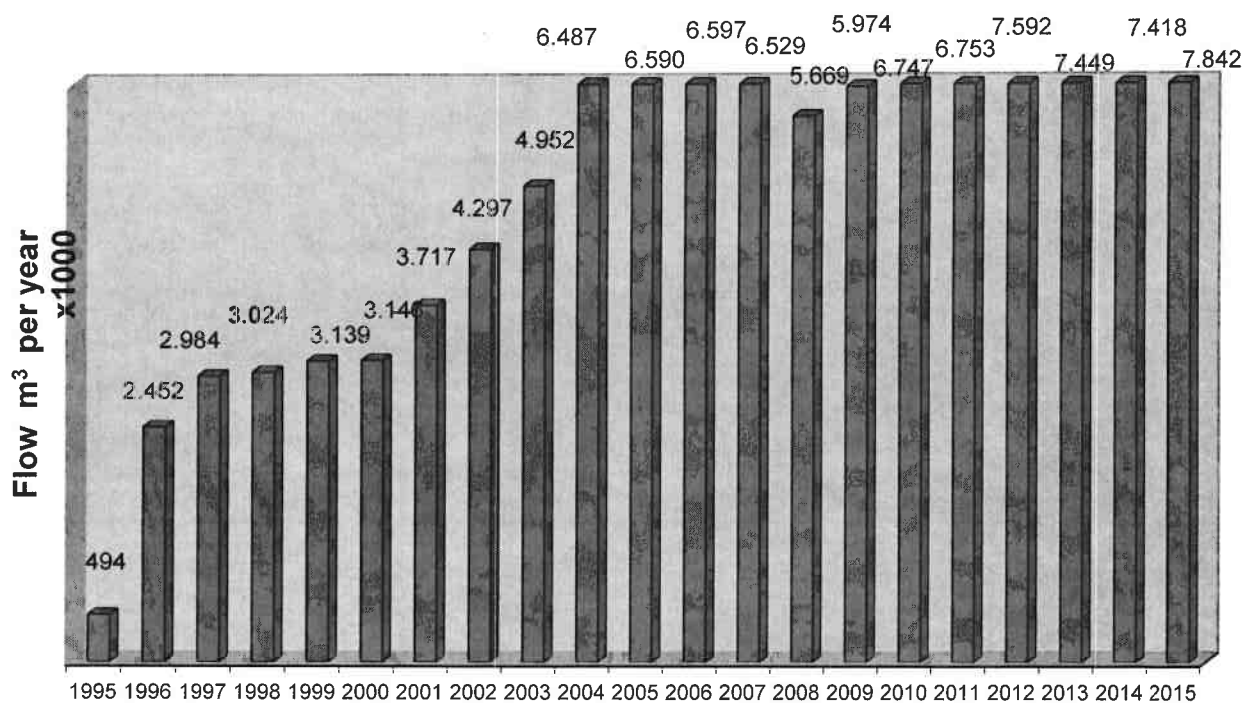
4.0 Sewage Treatment Plant (STP) and wastewater flow

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 2015 in cubic meters is as follows:

	x1000 m ³ (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
2015	7.842

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	On the sea front, 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 2015

Parameter	Unit	Licence No. 68/2012	Average Results YEAR 2015
Biochemical Oxygen Demand (BOD5)	mg/l	10	4
Chemical Oxygen Demand (COD)	mg/l	70	27
Suspended Solids (SS)	mg/l	10	4,3
Total-Nitrogen (Tot-N)	mg/l	15*	15,9
Total-Phosphorous (Tot-P)	mg/l	10**	1,6
Chloride (Cl)	mg/l	300	277
Conductivity	μS/cm	2500	1668
Fat, Oil & Grease (FOG)	mg/l	5	3
Zinc (Zn)	mg/l	1 ***	0,044
Copper (Cu)	mg/l	0,1	0,0102
Lead (Pb)	mg/l	0,15	0,0032
Cadmium (Cd)	mg/l	0,01	0,0011
Mercury (Hg)	mg/l	0,05	0,0012
Chromium (Cr)	mg/l	0,1	0,0040
Nikel (Ni)	mg/l	0,2	0,0087
Boron (B)	mg/l	0,75	0,31
p H	-	6,5-8,5	8,01
Residual Chlorine	mg/l	0,5-1****	0,70
E. Coliforms	ανά 100ml	5	0
Parasites (Helminth) Eggs	ανά 1000ml	Τίποτε	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.

SBLA AREA MAP

Planning works of SBLA for Sewerage and Drainage system (2008 - 2020) Phase B2



Starting date of contracts B2

June 2006	CONTRACT 18/04 - Extension of WWTP Mont East
July 2008	CONTRACT E1 - Kapsalos
December 2008	CONTRACT E2 - Agia Phyla / Polemidia / Agios Athanasios
March 2009	CONTRACT E3 - Agios Ioannis / Omonoia
December 2009	CONTRACT E4 - Omonoia / Zakaki / Agios Spyridonas
May 2010	CONTRACT E5 - Mesa Geitonia
October 2011	CONTRACT E6 - Tsirion Area / Ekali
July 2012	CONTRACT E7 - West Limassol Area / Polemidia
May 2012	CONTRACT E8 - Agia Phyla / Agios Athanasios
September 2013	CONTRACT E9 - Remaining Areas
December 2016	CONTRACT E10 - Pumping Station Z
October 2014	CONTRACT E11 - Upgrade of existing Pumping Stations
December 2010	CONTRACT E12 - Force Main of Pumping Station F to East WWTP
December 2016	CONTRACT E13 - West WWTP
Beginning 2017	CONTRACT E14 - Rehabilitation of Pipes
2018	CONTRACT E16 - Pumping Station E' and Mains
December 2016	CONTRACT E17 - Pirogoss / Parekklissha / Palodia Centers
October 2015	CONTRACT E18 - Garillis Pumping Station

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 €360 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 2020.

Sewerage works – Phase B2

The total budgeted cost for constructing sewerage works during the implementation period of Phase B2 up to 2020, is estimated to be €269 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.

Eight out of the nine contracts signed (E1, E2, E3, E4, E5, E6, E7 and E8) were completed and taken over and connection to the sewerage system is in progress. Contract E9 is expected to be completed by the end of 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 had been signed and works were completed in August 2016.

- 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. Works are currently in progress and the contract is expected to be taken over by the end of 2016. For the construction of the second pumping station (Contract E10), it is expected that tenders will be invited by the end of 2016.
- 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). Tenders will be invited beginning of 2017.

Drainage works – Phase B2

Drainage works of about €91 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. Substantial part of 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 retention ponds, west of the Limassol new port has already been completed. Construction works for the second retention pond in the area of Kato Polemidia have also been completed as part of the works for the construction of the vertical road by the Public Works Department and were taken over by SBLA.

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 including the retention pond have already been completed.

Completed works to date

Sewerage system works

Sewerage works have been completed in almost all the residential built up areas within the boundaries of the Board, except the areas of Pyrgos, Parekklesia and Palodia. In the center of Ayios Tychonas, works are expected to complete by the end of the year.

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 2015 shows a surplus of €11.648.207 before the adjustment for the fair value of shares of €311.968 (loss), the fair value of debtors of €221.914 and the profit on staff pension benefits of €633.443 in accordance with IAS19 (revised). After the adjustment for the fair value of shares, the fair value of debtors and the profit on staff pension benefits, the statement of total comprehensive income shows a surplus of €12.191.596.

During the year 2015, new investments in fixed assets amounted to €10.804.889 and the total investment cost in sewerage and drainage infrastructure as at 31 December 2015 amounted to €320.903.097.

There were no loan disbursements in 2015. The total long-term liabilities for the same year amounted to €170.891.114.

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

		2011	2012	2013	2014	2015
SEWERAGE CHARGES - PHASE A						
Hotels	o/oo	9,4	9,1	8,9	8,65	8,65
Industries	o/oo	9,4	9,1	8,9	8,65	8,65
Other properties Phase A' since 1991	o/oo	2,93	3,02	3,11	3,20	3,20
Other properties Phase A' (extension)	o/oo	3,19	3,29	3,39	3,49	3,49
DRAINAGE CHARGES						
All properties within SBLA Boundaries	o/oo	0,62	0,75	0,75	0,80	0,80
SEWERAGE SERVICE CHARGES						
Imposed on connected properties	€/m ³	0,46	0,49	0,52	0,56	0,60
FINANCIAL AND OTHER RECORDS						
Total ownership within SBLA area	no.	129.287	132.295	134.927	137.318	140.959
Total assessed property value	€'000	3.958.244	4.052.546	4.171.129	4.242.971	4.299.955
Total revenue	€	26.776.397	30.156.768	28.448.006	29.041.681	29.373.102
Total expenses	€	17.456.583	18.679.879	18.454.681	17.825.168	17.724.895
Total capital expenditure	€	249.270.533	267.570.993	285.550.587	310.130.749	320.903.097
Long term loans	€	167.202.678	162.049.265	180.044.887	176.206.096	170.891.114
Sewers length	km	414	530	530	570	635
Households connected to the system	no.	15.000	16.130	17.620	19.100	20.530
EMPLOYED PERSONNEL						
Admin. Staff - Permanent	no.	40	48	48	48	47
Admin. Staff - Temporary	no.	5	4	4	4	4
Workers	no.	14	15	15	15	15
FINANCIAL INDICATORS (see note)						
Total salaries/admin. and operation expenses	%	31,76	28,67	28,81	32,12	34,12
Operation salaries/operation expenses	%	17,19	14,65	14,81	16,44	17,56
Total salaries/total income	%	11,08	9,76	9,00	9,00	9,40
Total expenses/total income	%	65,19	64,38	64,87	61,37	60,34
Admin. & operational expenses*/cubic meter flow	€/m ³	1,38	1,35	1,19	1,10	1,03
Operational expenses*/cubic meter flow	€/m ³	0,91	0,9	0,8	0,71	0,64

* Excluding interest and depreciation

10.0 Board Meetings

During the year 2015 the Board convened in 13 meetings and dealt with various matters, the most important of which were:

Budgets for the year 2016, financial statements for the year 2014, 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 55 meetings.

11.0 Employed personnel.

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

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

Independent auditor's report

To the Members of the Sewerage Board of Limassol - Amathus

Report on the financial statements

We have audited the financial statements of the Sewerage Board of Limassol - Amathus (the "Board") on pages 16 to 50 which comprise the statement of financial position as at 31 December 2015, and the statements of total comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Sewerage Systems Law 1971 until 2015 and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Sewerage Board of Limassol - Amathus as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Sewerage Systems Law 1971 until 2015.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Board, so far as appears from our examination of these books.
- The Board's 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 financial statements give the information required by the Sewerage Systems Law 1971 until 2015, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Board's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 with notification to the Auditor General of the Republic 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, except for the Auditor General of the Republic.

DM GLOBUS AUDITORS
JOINT VENTURE LIMITED

Maria Papademetris
Certified Public Accountant and Registered Auditor
for and on behalf of
DM Globus Auditors Joint Venture Limited
Certified Public Accountants and Registered Auditors

Larnaca, 26 October 2016

Sewerage Board of Limassol – Amathus


Statement of financial position as at 31 December 2015

	Note	2015 €	2014 €
Assets			
Non current assets			
Fixed assets	3	217.571.331	215.342.896
Investments	5	678.990	990.958
		<u>218.250.321</u>	<u>216.333.854</u>
Current assets			
Stocks		1.286.744	1.154.434
Debtors and prepayments	6	20.813.340	20.307.379
Cash in hand and at banks	7	82.091.716	77.919.371
		<u>104.191.800</u>	<u>99.381.184</u>
Total assets		<u><u>322.442.121</u></u>	<u><u>315.715.038</u></u>
Reserves and liabilities			
Reserves	11	<u>106.641.098</u>	<u>94.449.502</u>
Non current liabilities			
Deferred income	12	34.315.408	32.078.402
Loans	10	165.076.132	170.891.115
Pension fund	28	1.879.271	2.362.860
		<u>201.270.811</u>	<u>205.332.377</u>
Current liabilities			
Deferred income - current portion	12	1.530.498	1.412.471
Creditors and accrued expenses	9	7.184.544	9.205.186
Bank overdraft	8	188	521
Loans - amount due within one year	10	5.814.982	5.314.981
		<u>14.530.212</u>	<u>15.933.159</u>
Total liabilities		<u><u>215.801.023</u></u>	<u><u>221.265.536</u></u>
Total reserves and liabilities		<u><u>322.442.121</u></u>	<u><u>315.715.038</u></u>

On 26 October 2016, the Sewerage Board of Limassol-Amathus approved these financial statements.


Iacovos Papaiaconou (FCCA)
General Manager


Andreas Christou
Chairman


Ioanna Christou Panayiotou (FCCA)
Financial Controller

The notes on pages 20 to 50 form an integral part of these financial statements.

Sewerage Board of Limassol - Amathus

Statement of total comprehensive income for the year ended 31 December 2015

	Note	2015 €	2014 €
Income			
Sewerage charges	13	19.602.928	19.713.716
Service charges	14	5.199.712	4.221.261
Interest receivable	15	1.180.119	1.457.641
House connection charges	16	130.306	233.173
Other income	17	148.368	121.705
		<u>26.261.433</u>	<u>25.747.496</u>
Amortisation of grants	12	1.579.201	1.390.437
Expenses reimbursed by Government	18	1.543.671	1.915.652
Loss on sale of fixed assets		(11.203)	(11.904)
		<u>29.373.102</u>	<u>29.041.681</u>
Expenditure			
Operation and maintenance expenses	19	5.016.010	5.295.324
Administrative expenses	20	3.067.218	2.866.278
Interest payable	21	1.076.416	1.508.660
Depreciation	3	8.565.251	8.154.906
		<u>17.724.895</u>	<u>17.825.168</u>
Surplus for the year from operations		11.648.207	11.216.513
Adjustment of fair value of shares	5	(311.968)	73.404
Adjustment of fair value of debtors	6	221.914	(1.736.175)
		<u>11.558.153</u>	<u>9.553.742</u>
Other comprehensive income/(expenditure)			
Gain/(Loss) on staff pension benefits		633.443	(741.338)
Surplus for the year		12.191.596	8.812.404
Accumulated surplus brought forward		94.449.502	85.637.098
Accumulated surplus carried forward		106.641.098	94.449.502

The notes on pages 20 to 50 form an integral part of these financial statements.

Sewerage Board of Limassol - Amathus

Statement of changes in equity for the year ended 31 December 2015

	Note	2015 €	2014 €
Opening balance as at 1st January		94.449.502	85.637.098
Surplus for the year		11.558.153	9.553.742
Other comprehensive income/(expenditure)		633.443	(741.338)
Balance as at 31 December		<u>106.641.098</u>	<u>94.449.502</u>

The notes on pages 20 to 50 form an integral part of these financial statements.

Sewerage Board of Limassol – Amathus

Statement of cash flows for the year ended 31 December 2015

	2015 €	2014 €
Cash flow from operating activities		
Surplus for the year	11.648.207	11.216.513
Adjustments for:		
Depreciation	8.565.251	8.154.906
Investment income	(1.180.119)	(1.457.641)
Interest payable	1.076.416	1.508.660
Amortisation of grants	(1.579.201)	(1.390.437)
Loss on disposal of fixed assets	11.203	11.904
Staff pension benefits	306.930	145.327
Operating surplus before working capital changes	18.848.687	18.189.232
(Increase)/Decrease in stocks	(132.310)	90.953
(Increase)/Decrease in debtors and prepayments	(298.236)	8.905.904
(Decrease)/Increase in creditors	(1.993.902)	2.343.883
Net cash from operating activities	16.424.239	29.529.972
Cash flows from investing activities		
Investments in fixed assets	(10.804.889)	(24.595.878)
Proceeds from sale of fixed assets	-	1.180
Deposits to pension fund	(157.076)	(131.661)
Interest received	1.194.308	1.469.836
Net cash to investing activities	(9.767.657)	(23.256.523)
Cash flow from financing activities		
Proceeds from government grants	3.934.234	244.422
Repayment of long term loans	(5.314.982)	(3.838.791)
Interest paid	(1.103.156)	(1.539.929)
Net cash to financing activities	(2.483.904)	(5.134.298)
Increase in cash and cash equivalents	4.172.678	1.139.151
Cash and cash equivalent at 1 January	77.918.850	76.779.699
Cash and cash equivalents at 31 December	82.091.528	77.918.850

The notes on pages 20 to 50 form an integral part of these financial statements.

Sewerage Board of Limassol – Amathus

Notes to the financial statements for the year ended 31 December 2015

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 - 2015.

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 2015. 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 2015 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 2015. 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 28.

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. Some of them were adopted by the European Union and others not yet. 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 2015

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 statement of total comprehensive income. 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 statement of total comprehensive income.

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
Computerized systems 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 2015

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 2015

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, Parekklisia 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, once the fixed assets that relate to these grants are put to operation. This rate 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 2015

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 2015

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.

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 2015

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 2015

3. Fixed Assets

	01/01/2015		Additions		Cost		Disposals		31/12/2015		01/01/2015		For year		Depreciation		Disposals		31/12/2015		Net Book Value			
	€		€		€		€		€		€		€		€		€		€		€		€	
Land	7.809.354		21.920		7.823.305																		7.823.305	
Buildings	7.154.899		-		7.154.899									391.024									3.112.875	
<u>Sewerage System</u>																								
Sewerage and Pumping Stations	135.049.305		14.713.757		149.762.780									4.367.003									97.037.950	
Tertiary plants																								
--- Secondary treatment	37.123.992		52.690		37.176.682									1.951.603									11.387.705	
--- Tertiary treatment	5.677.020				5.677.020									273.867									956.178	
Drainage system	43.851.817		324.943		44.176.760									1.325.303									33.324.588	
Machinery	994.919		27.809		1.017.829									69.940									364.991	
Tools	57.022		952		57.974									6.091									4.601	
Motor Vehicle	509.187		-		509.187									5.648									17.170	
Office equipment and partitioning	1.423.672		8.336		1.417.056									58.788									202.169	
Computerised System	740.364		10.626		746.551									58.038									107.575	
Other computerised systems	1.468.879		767		1.469.646									408									1.379	
Laboratory equipment	797.641				797.641									57.538									115.078	
Total fixed assets in operation	242.658.071		15.161.800		257.787.330									8.565.251									154.455.564	
Works in progress (note 4)	67.472.678		11.829.113		79.301.791																		79.301.791	
Transfer of works completed to fixed assets in operation and other accounts	-		(16.186.024)		(16.186.024)																		(16.186.024)	
Total fixed assets	310.130.749		10.804.889		320.903.097									8.565.251									217.571.331	

At 31/12/2015, a sewerage network of approximately 75 km and estimated cost of €7.3 m 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 2015

3. Fixed Assets (continued)

	Cost			Depreciation			Net Book Value 31/12/2014 €
	01/01/2014 €	Additions €	Disposals €	31/12/2014 €	For year €	Disposals €	
Land	7.733.862	88.441	(12.949)	7.809.354	-	-	7.809.354
Buildings	7.136.740	18.159	-	7.154.899	391.024	3.651.000	3.503.899
<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
Tertiary plants	-	-	-	-	-	-	-
--- Secondary treatment	37.117.447	6.545	37.123.992	37.123.992	1.950.106	23.837.374	13.286.618
--- Tertiary treatment	5.677.020	-	5.677.020	5.677.020	273.867	4.446.975	1.230.045
Drainage system	43.851.000	817	-	43.851.817	1.315.554	9.526.869	34.324.948
Machinery	913.800	81.307	(188)	994.919	68.165	(188)	409.157
Tools	45.128	11.894	-	57.022	6.637	47.282	9.740
Motor Vehicle	507.426	1.761	-	509.187	5.798	486.369	22.818
Office equipment and partitioning	1.416.070	10.181	(2.579)	1,423,672	90,611	(2,445)	253,708
Computerised System	720,585	19,779	-	740,364	72,415	585,377	154,987
Other computerised systems	1,467,606	1,273	-	1,468,879	554	1,467,859	1,020
Laboratory equipment	797,641	-	-	797,641	57,538	625,025	172,616
Total fixed assets in operation	242.145.839	527.948	(15.716)	242.658.071	8.154.906	(2.633)	147.870.218
Works in progress (note 4)	43.404.748	25.885.459	-	69.290.207	-	-	69.290.207
Transfer of works completed to fixed assets in operation and other accounts	-	(1.817.529)	-	(1.817.529)	-	-	(1.817.529)
Total fixed assets	285.550.587	24.595.878	(15.716)	310.130.749	8.154.906	(2.633)	215.342.896

At 31/12/2014, a sewerage network of approximately 72 km and estimated cost of €7 m 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 2015

	2015 €	2014 €
4. Work in progress analysis		
Designs and studies		
Renovation of property in Panteli Katelari street	1.240	-
Energy efficiency upgrade at SBLA offices	2.975	1.488
Studies and construction designs for the drainage system	116.443	116.443
Studies and construction designs for the sewerage system:		
- Sewerage network extension	<u>5.413.439</u>	<u>5.597.453</u>
	<u>5.534.097</u>	<u>5.715.384</u>
Construction works		
Sewerage and drainage system network	<u>47.790.712</u>	<u>51.320.521</u>
Other sewerage system costs		
Borrowing costs capitalised	2.496.081	2.557.438
Interest recognised in the statement of other comprehensive income or capitalised	<u>(1.310.355)</u>	<u>(1.419.525)</u>
	<u>1.185.726</u>	<u>1.137.913</u>
VAT paid on construction and supervision works		
- Phase B2	8.520.680	9.211.091
Exchange differences capitalised	<u>84.552</u>	<u>87.769</u>
	<u>8.605.232</u>	<u>9.298.860</u>
	<u><u>63.115.767</u></u>	<u><u>67.472.678</u></u>

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

5. Investments	2015	2014
	€	€
Balance at 1 January	990.958	917.555
Adjustment of fair value	(311.968)	73.403
Balance at 31 December	<u>678.990</u>	<u>990.958</u>

	2015	2014
	€	€

6. Debtors and prepayments

Sewerage charges	15.022.179	13.704.529
Fair value adjustment on sewerage charges receivable	(1.514.261)	(1.736.175)
	13.507.918	11.968.354
Service charges	2.107.347	1.944.061
House connection charges due	1.458.880	1.570.613
Republic of Cyprus - other debts (Note 27)	2.428.894	2.909.416
Limassol Municipality	21.673	23.272
Kato Polemidia Municipality	4.989	4.862
Mesa Gitonia Municipality	17.205	22.062
Germasoyia Municipality	107	-
Agios Athanasios Municipality	628	-
Ayios Tychonas Improvement Board	75	-
Sundry debtors and prepayments	215.498	248.177
Retention money	-	(52.000)
Interest receivable	719.147	733.336
Damages to the system debited to third parties	328.758	367.711
Contract advances	2.221	567.515
	<u>20.813.340</u>	<u>20.307.379</u>

The fair value adjustment on sewerage charges receivable of €1.514.261, represents the difference between the carrying amount of sewerage charges receivable as at 31 December 2015 and the present value of their expected future cash receipts, discounted with the cost of capital of the Sewerage Board of Limassol-Amathus and after considering the interest that was charged based on court decisions. In carrying out this exercise, the full amount of sewerage charges receivable as at 31 December 2015 was considered as fully recoverable.

The service charges receivable include an amount of €817.285 which represents sewerage charges invoiced by the Water Board Authorities and owed by the customers to the Authorities at the year end.

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

	2015	2014
	€	€
7. Cash at bank and in hand		
Cash at bank	82.058.244	77.892.646
Cash in hand	33.472	26.725
	<u>82.091.716</u>	<u>77.919.371</u>

The credit rating of the financial assets, based on Moody's Investors Services Inc analysis as at 31 December 2015 is as follows:

Bank balances, bonds and bank deposits

Credit rating

	€
B3	6.992.459
Caa2	11.277.861
Caa3	27.068.703
No/Without credit rating	36.719.221
	<u>82.058.244</u>

8. Bank overdraft

Bank overdraft	<u>188</u>	<u>521</u>
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9. Creditors and accrued expenses

Operation and maintenance of the STP	504.098	552.495
Amount due to contractors	728.071	284.092
Amount due to consultants for construction supervision	172.211	204.438
Sundry creditors and accruals	1.705.245	3.129.430
Sewerage charges (overpayments)	193.276	177.365
Accrued expenses - payroll	-	(6.251)
Retention money	1.413.748	1.863.850
Amount due to the Republic of Cyprus	2.384.501	2.889.633
Accrued interest	83.394	110.134
	<u>7.184.544</u>	<u>9.205.186</u>

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

	2015 €	2014 €
10. Loans		
Current		
Bank loans	5.814.982	5.314.981
Non current		
Bank loans	<u>165.076.132</u>	<u>170.891.115</u>
Total borrowings	<u>170.891.114</u>	<u>176.206.096</u>
 Maturity of non current borrowings:		
Between 1 & 2 years	8.054.982	5.814.981
Between 2 & 5 years	29.378.764	27.311.936
Over 5 years	<u>127.642.386</u>	<u>137.764.198</u>
	<u>165.076.132</u>	<u>170.891.115</u>

Total borrowings are analyzed as follows:

	Council of Europe Development Bank €	European Investment Bank €	Total €
At 1/1/2015	<u>76.466.096</u>	<u>99.740.000</u>	176.206.096
Repayments	(4.578.792)	(736.190)	(5.314.982)
At 31/12/2015	<u>71.887.304</u>	<u>99.003.810</u>	<u>170.891.114</u>
At 31/12/2014	<u>76.466.096</u>	<u>99.740.000</u>	<u>176.206.096</u>

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

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) All the 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 31/12/2015	Method payment	Repayment date	Interest rate
Council of Europe Development Bank					
FP335(98)3	€ 7.983.000	€ 1.596.600	Annually	19/12/2017	Euribor 6 month +0,40%
FP335AddIII(82)4	€ 3.400.000	€ 1.360.000	Annually	29/07/2019	Euribor 3 month +0,11%
FP335AddIII(82)5	€ 3.400.000	€ 1.530.000	Annually	20/12/2024	Euribor 3 month +0,11%
FP335AddIII(82)6	€ 5.200.000	€ 4.160.000	Annually	28/06/2027	Euribor 3 month +0,09%
FP335ADIII(2004)7	€ 5.000.000	€ 4.333.333	Annually	21/02/2028	Euribor 3 month +0,10%
FP335ADIII(2004)8	€ 10.000.000	€ 9.000.000	Annually	30/09/2024	Euribor 3 month +0,78%
FP335ADIII(2004)9	€ 10.809.828	€ 8.107.371	Annually	23/04/2030	Euribor 3 month +0,43%
FP 1702(2010)1	€ 21.000.000	€ 16.800.000	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%
		€ 71.887.304			

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

10. Borrowings (continued)

European Investment Bank

Ln23640/1	€ 5.200.000	€ 4.680.000	Six monthly	15/12/2033	Euribor 6 month - 0,008%
Ln23640/2	€ 10.000.000	€ 9.523.810	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>€ 99.003.810</u>			

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

	2015 €	2014 €
11. Reserves		
Accumulated surplus		
At 1 January	94.449.502	85.637.098
Surplus for the year	12.191.596	8.812.404
At 31 December	<u>106.641.098</u>	<u>94.449.502</u>
12. Deferred income		
Government grants		
Tertiary treatment plant	10.239.324	10.239.324
Relocation of Sewerage Treatment Plant	12.570.602	12.570.602
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	10.028.046
Pumping station I & other works	487.350	487.350
Flood protection works	8.564.078	8.564.078
Renewable energy sources	318.483	318.483
Construction works in the communities	3.343.469	-
Deferred government grants	835.188	244.423
Total grants	<u>51.016.605</u>	<u>47.082.371</u>
Amortisation of grants		
At 1 January	13.591.498	12.201.061
Amortisation for the year	1.579.201	1.390.437
At 31 December	<u>15.170.699</u>	<u>13.591.498</u>
Net Government grants	<u>35.845.906</u>	<u>33.490.873</u>
The total amount of grants is analysed as follows:		
Deferred income - Non current portion	34.315.408	32.078.402
Deferred income - Current portion	1.530.498	1.412.471
Total	<u>35.845.906</u>	<u>33.490.873</u>

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

13. Sewerage charges

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

	2015 €	2014 €
Phase A	6.517.850	6.418.753
Phase A - Expansion	<u>9.302.306</u>	<u>9.211.082</u>
	15.820.156	15.629.835
Drainage charges	<u>3.368.026</u>	<u>3.325.507</u>
	19.188.182	18.955.342
Adjustments to sewerage rates	(9.416)	302.728
Allowances and discounts	(180.264)	(174.199)
Amount written off according to clause 5 of the Law 15/78	<u>(8.101)</u>	<u>(7.911)</u>
	18.990.401	19.075.960
Surcharges on overdue sewerage charges (20% on outstanding annual sewerage rates)	<u>612.527</u>	<u>637.756</u>
	<u><u>19.602.928</u></u>	<u><u>19.713.716</u></u>

14. Services 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	4.201.846	3.355.680
Ayios Tychonas Improvement Board	522.182	494.199
Other consumers	<u>475.684</u>	<u>371.382</u>
	<u><u>5.199.712</u></u>	<u><u>4.221.261</u></u>

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

	2015	2014
	€	€
15. Interest receivable		
Bank interest	1.494.027	1.923.358
Other interest	134.435	111.380
	<u>1.628.462</u>	<u>2.034.738</u>
Less contribution to defence fund	(448.343)	(577.097)
	<u>1.180.119</u>	<u>1.457.641</u>
16. House connection charges		
Additional house connections		
Reimbursement of charges for the construction of additional house connection outlets	63.972	134.064
Charges for the construction of additional house connection outlets	(34.029)	(45.970)
	<u>29.943</u>	<u>88.094</u>
Construction permits		
Represent permit fees for approving the designs of the private sewers	73.683	106.629
Connection fees		
Represent fees for the connection of properties to the system	26.680	38.450
	<u>130.306</u>	<u>233.173</u>
17. Other Income		
Income from damages debited to third parties	49.218	34.267
Departmental expenses receivable	20.408	29.976
Income from fines and other income	532	2.406
Other income	78.210	55.056
	<u>148.368</u>	<u>121.705</u>

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

	2015	2014
	€	€
18. Reimbursed expenses		
Operation costs of the tertiary treatment plant	1.001.646	1.243.581
Operation costs of the sewerage treatment plant and pumping stations "F", "H" and "I"	<u>542.025</u>	<u>672.071</u>
	<u>1.543.671</u>	<u>1.915.652</u>

In accordance with the relevant decision of the Council of Ministers, the Government is responsible to meet these expenses. See Note 27 of the Financial Statements.

19. Operation and maintenance expenses

Staff costs (Note 23)	880.631	870.718
Fuel and electricity	609.222	802.329
Chemicals and other consumables	561.380	532.131
Repairs, maintenance and operation of electromechanical equipment, of sewerage system and other operating costs (Note 22)	<u>2.964.777</u>	<u>3.090.146</u>
	<u>5.016.010</u>	<u>5.295.324</u>

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

	2015	2014
	€	€
20. Administrative costs		
Chairman's and members' stipend	42.211	34.485
Staff cost (Note 23)	1.877.519	1.750.950
Travelling	3.805	4.379
Motor vehicle and maintenance expenses	29.135	30.560
Hospitality expenses	6.374	4.277
Representation expenses	8.670	8.160
Insurances	233.748	234.643
Department of Land and Survey expenses	5.857	11.738
Legal fees	41.232	51.429
Audit fees	6.000	9.000
Audit fees - previous years	6.000	-
Training of personnel	10.434	4.488
Printing and stationery	31.998	37.353
Telephones, faxes and postages	53.625	52.279
Electricity and water supply	33.276	37.617
Consultancy fees	284.843	168.155
Computer software expenses	32.801	61.931
Bank charges	3.064	4.013
Publications and public relation expenses	20.237	25.491
Public briefing expenses	1.979	16.763
Subscriptions and books	3.490	3.710
Cleaning and maintenance of office buildings	22.341	20.738
Office machines repairs and maintenance	6.200	7.255
Common use expenses	16.262	6.985
Warehouse rent	7.980	7.980
Sundry office expenses	2.782	7.238
Municipality charges	20.579	20.478
Computer maintenance expenses	12.623	8.295
Commission on the collection of service charges	121.866	107.895
Commission of credit cards	56.247	48.613
Compensation to third parties	13.800	2.750
Call center expenses	16.032	16.228
Collection agency fees	34.208	60.402
	<u>3.067.218</u>	<u>2.866.278</u>

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

	2015	2014
	€	€
21. Interest payable and other bank		
Interest written off to statement of total comprehensive income		
Council of Europe Development Bank	835.172	1.100.994
European Investment Bank	237.522	404.325
Interest on bank overdraft	869	657
Interest on easement rights	2.853	2.684
Interest written off to the statement of total comprehensive income	<u>1.076.416</u>	<u>1.508.660</u>
Interest capitalised		
European Investment Bank	173.073	238.327
Council of Europe Development Bank	142.391	62.629
	<u>315.464</u>	<u>300.956</u>
22. Repairs, maintenance and operation of electromechanical equipment of the sewerage system and other expenses		
STP operation costs	2.072.650	2.216.751
Telephones, water supply and other expenses	29.979	30.949
Repairs and maintenance	323.245	346.129
Repairs and maintenance of storm water pipes	36.601	32.373
Laboratory tests and expenses	30.177	21.566
Cost of damages debited to third parties	29.964	8.591
Security expenses	44.624	32.996
Sludge management expenses	250.722	249.320
General expenses	9.031	9.184
Fuel and motor vehicle expenses	24.080	30.405
Warehouse expenses	5.391	6.663
Rent and long term leases	65.110	55.698
Pest and rodent control	43.130	48.987
Gardening and landscaping	63	531
Stock written-off	10	3
	<u>2.964.777</u>	<u>3.090.146</u>

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

23. Staff Costs

	Staff €	Workers €	Total 2015 €	Total 2014 €
Basic salary	1.264.497	95.181	1.359.678	1.359.696
Cost of living allowance	354.900	294.641	649.541	652.298
Overtime	5.862	15.888	21.750	18.964
Stand by allowance	7.029	2.575	9.604	9.611
Social insurance	168.352	31.846	200.198	200.956
Defence fund	32.917	8.166	41.083	41.183
Redundancy fund	18.440	4.899	23.339	23.406
Industrial training fund	7.685	2.042	9.727	9.754
Medical fund	86.184	16.165	102.349	99.830
Welfare fund	11.228	7.195	18.423	18.475
Staff welfare	5.114	-	5.114	4.540
Trade union welfare fund	-	1.619	1.619	1.620
Sundry benefits	3.608	5.740	9.348	9.007
	1.965.816	485.957	2.451.773	2.449.340
Staff pension benefits (Note 28)	306.542	(165)	306.377	172.328
	2.272.358	485.792	2.758.150	2.621.668

2015
€

2014
€

Staff cost is as follows:

Operation & maintenance	880.631	870.718
Administrative costs	1.877.519	1.750.950
	2.758.150	2.621.668

Number of staff at 31 December:

Permanent staff	47	48
Temporary staff	4	4
	51	52
Workers	15	15
	66	67

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

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 €21.2 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 2015, a number of new lawsuits has been filed against the Board by property owners claiming the amount of approximately €184.000 for easement rights.

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. The lawsuits have not yet been tried in Court. Therefore the extent of potential claims cannot be determined. 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.

With regards to certain construction contracts between the Board and the contractors, there are pending claims which shall be adjudicated by the Dispute Adjudication Board, namely for extension of time, claims for unforeseen conditions in excavations as well as financial damages due to trade unions strikes. The total amount of claims is estimated to approximately €2,7 m. Furthermore, there is a pending claim for extension of time for which no reliable estimate of the amount of the obligation, if any, can be made at this stage.

The Board believes that some, if not all, of the claims are unrealistic and groundless. Therefore, it is not expected that there will be a substantial obligation with regards to the above claims. In addition, regarding one of the contractors, the Board has already imposed as from 2016 delay damages which are estimated to about €900.000.

27. Outstanding issues with Government Departments and other Organizations

The amount due from various Government Departments is €2.428.894 compared to €2.909.416 for 2014.

The outstanding amount as at 31/12/2015 is analyzed as follows:

Sewerage Board of Limassol - Amathus

Notes to the financial statements

for the year ended 31 December 2015

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

Preparation of studies and construction designs for the sewerage network in Government housing estates

The Board submitted to the Government relevant debit notes amounting to €162.075 for the preparation of studies and construction designs for the sewerage network in the Government housing estates relating to the period between the years 2008 and 2012. An amount of €52.010 was received on account against these debit notes. The balance of €110.065 remains outstanding as at today. The Board has filed a lawsuit against the Government on the 27/5/2013 with number 2063/2013 claiming the above outstanding amount. The case is still pending.

Construction works

The outstanding government dues relate mainly to STP capital expenditure of €623.851 and expenditure relating to the construction of the sewerage network in certain communities of €211.337 due from the Water Development Department as at 31/12/2015.

Operation cost of the Tertiary Treatment Plant

At 31 December 2015, the Board was claiming from the Cyprus Government the amount of €1.483.601 relating to expenses incurred for the operation of the tertiary treatment plant. 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 2015 the total debit notes issued by the Board amounted to €1.141.771 and the actual payment made by the Water Development Department against those debit notes amounted to €902.585.

The debit notes issued for the year 2015 were based on the actual costs of 2014. During the year, the debit notes of 2014 were adjusted in accordance with the unit cost of 2013 and the Water Development Department was credited with the amount of €126.600.

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"

On 31/7/2015, the agreement with the Water Development Department for the reimbursement of the operation expenses of the treatment plant and the pumping stations "F", "H" and "I" ended. In 2015 the total amount invoiced was €542.025 and it was fully paid by the Water Development Department.

28. Pension benefits

I) Defined Benefit Plan

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

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

28. Pension benefits (continued)

I) Defined Benefit Plan (continued)

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 “ΚΑΠ348/2002 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.

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

Based on the latest actuarial valuation dated 6/5/2016 which was carried out by Muhanna & Co Actuarial Services as at 31/12/2015, the annual contribution rate on pensionable earnings to cover future obligations of the Fund (including temporary staff) was initially set to 7,4%. On the same date an actuarial deficit of €1.366.380 was also identified.

In order to finance the actuarial deficit identified, the actuaries suggested among other things, to increase the contribution rate from 7,4% to 15,8%, based on the average future service of the members of the Fund. The revised contribution rate was approved by the Board on 22/6/2016 and applied retrospectively as from 1 May 2016.

Based on the revised IAS 19, the Board recognizes any actuarial gains or losses in the year they arise. The amounts recognized in the Statement of the Financial Position as at 31 December 2015 are based on the actuarial valuation carried out for IAS19 purposes as at 31 December 2015 by Muhanna & Co Actuarial Services for the Pension Fund of SBLA employees, which is a defined benefit scheme. Based on this actuarial valuation, the actuarial obligation of the Board identified as at 31/12/2015 is €1.865.908, as shown in the notes below in accordance with IAS 19 (revised).

Notes in accordance with IAS19 (revised)

	Staff €	Workers €	Total 2015 €	Total 2014 €
Statement of financial position as at 31st December				
Present value of obligations	6.908.079	1.035.022	7.943.101	7.242.547
Fair value of plan assets	(5.042.171)	(1.021.659)	(6.063.830)	(4.879.687)
Net liability as at 31st December	1.865.908	13.363	1.879.271	2.362.860

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

28. Pension benefits (continued)

	Staff €	Workers €	Total 2015 €	Total 2014 €
Statement of total comprehensive income				
Current service cost	258.006	29	258.035	89.052
Interest cost	48.536	(194)	48.342	56.275
Expenses recognized in staff costs	306.542	(165)	306.377	145.327
Statement of other comprehensive income				
Actuarial Gain/(loss) from change in demographic assumptions	(104.000)	-	(104.000)	(93.772)
Actuarial Gain/(loss) from change in financial assumptions	928.000	(55.814)	872.186	(1.399.086)
Actuarial Gain/(loss) from change in Experience Adjustments	(99.252)	-	(99.252)	99.857
Difference between expected and actual return on plan assets	(51.346)	15.855	(35.491)	651.663
Gain/(loss) to other comprehensive income	673.402	(39.959)	633.443	(741.338)
Movements in net obligation in the statement of financial position				
Net liability at start of year	2.362.860	553	2.363.413	1.607.856
Total charge to the statement of total comprehensive income	306.542	(165)	306.377	145.327
Total charge to other comprehensive income	(673.402)	39.959	(633.443)	741.338
Employer's contributions/benefits paid	(130.092)	(26.984)	(157.076)	(131.661)
Net liability at the end of year	1.865.908	13.363	1.879.271	2.362.860
Change in benefit obligation during the year				
Benefit obligation at start of year	7.242.547	934.351	8.176.898	5.531.801
Current service cost	258.006	29	258.035	89.052
Member's contribution	77.838	30.583	108.421	66.236
Interest cost	147.281	14.245	161.526	193.613
Benefits paid	(92.845)	-	(92.845)	(31.156)
Actuarial (Gain)/loss from change in demographic assumptions	104.000	-	104.000	93.772
Actuarial (Gain)/loss from change in financial assumptions	(928.000)	55.814	(872.186)	1.399.086
Actuarial (Gain)/loss from change in experience	99.252	-	99.252	(99.857)
Actuarial obligation at the end of year	6.908.079	1.035.022	7.943.101	7.242.547

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

28. Pension benefits (continued)

	Staff €	Workers €	Total 2015 €	Total 2014 €
Change in plan assets during the year				
Fair value of plan assets at start of year	4.879.687	933.798	5.813.485	3.923.946
Expected return on plan assets	98.745	14.439	113.184	137.338
Employer contributions	130.092	26.984	157.076	131.661
Member's contributions	77.838	30.583	108.421	66.236
Benefits paid	(92.845)	-	(92.845)	(31.156)
Actuarial gain/(loss) on plan assets	(51.346)	15.855	(35.491)	651.662
Fair value of plan assets at end of year	5.042.171	1.021.659	6.063.830	4.879.687

	Staff €	Workers €	Total €
Statement of total comprehensive income (2016)			
Current service cost	118.908	-	118.908
Net Interest cost	40.966	220	41.166
Net actuarial (gain)/loss recognized in the year	-	-	-
Charge to total comprehensive income	159.874	220	160.074

Actuarial assumptions

	Assumptions at actuarial valuation date: 31/12/2015	Assumptions as at: 31/12/2014
Discount rate	2,40%	2,00%
Price inflation	2,00%	2,00%
General salary increases	2015-2016: 2017 + :	0,00% 3,25%
	Includes scale for promotion and annual increments 1,25%	Includes scale for promotion and annual increments 1,5%
Pension increases	1,00%	1,50%
Increase in basic insurable earnings	2,50%	3,00%
Mortality	60% for EVK2000	90% for EVK2000

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Notes to the financial statements for the year ended 31 December 2015

28. Pension benefits (continued)

Change in actuarial liability

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0,50%	Decrease 9,0%	Increase 10,3%
Salary increase	0,50%	Increase 4,8%	Decrease 4,6%

Actuarial assumptions - workers

	Assumptions at actuarial valuation date: 31/12/2015	Assumptions as at: 31/12/2014
Discount rate	1,65%	1,50%
Expected return on plan assets	1,65%	1,50%
Price inflation	2,00%	2,00%
General salary increases	2015-2016: 2017 + :	0,00% 1,25%
	Includes scale for promotion and annual increments 1,25%	Includes scale for promotion and annual increments 1,25%
Mortality	-	90% for EVK2000

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 Muhanna & Co Actuarial Services as at 31 December 2015, an actuarial obligation of €13.363 was identified, as shown in the above notes.

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

29. 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 2015

29. 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 2014				
Loans (Capital plus Interest)	5.425.115	5.814.981	27.311.936	137.764.198
Trade and other creditors	9.095.052	-	-	2.362.860
	<u>14.520.167</u>	<u>5.814.981</u>	<u>27.311.936</u>	<u>140.127.058</u>
Balance as at 31 December 2015				
Loans (Capital plus Interest)	5.898.376	8.054.982	29.378.764	127.642.386
Trade and other creditors	7.101.150	-	-	1.879.271
	<u>12.999.526</u>	<u>8.054.982</u>	<u>27.378.764</u>	<u>129.521.657</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 2015 and 2014 was as follows:

	2015 €	2014 €
Total of Loans (Note 10)	170.891.114	176.206.096
Less: Cash and Cash equivalents (Note7)	-	-
Cash and Cash equivalents (Note7)	(82.091.716)	(77.919.371)
Net Debt	<u>88.799.398</u>	<u>98.286.725</u>
Total Capital	<u>142.487.004</u>	<u>127.940.375</u>
Total Capital under the consideration of Board	<u>231.286.402</u>	<u>226.227.100</u>

Value of net debt to total capital employed

38%

43%

Sewerage Board of Limassol - Amathus

Notes to the financial statements for the year ended 31 December 2015

29. 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 2015.

31 December 2015	€
Assets	
Financial Assets at fair value through the statement of total comprehensive income:	
- Traded securities	<u>678.990</u>
Total of Financial Assets measured at fair values	<u>678.990</u>

30. Events after the reporting date

There were no other material events after the reporting date which have a bearing on the understanding of the financial statements.