The Institute of Certified Public Accountants of Cyprus

ΣΥΝΔΕΣΜΟΣ ΕΓΚΕΚΡΙΜΕΝΩΝ ΛΟΓΙΣΤΩΝ ΚΥΠΡΟΥ

Οικονομικές Καταστάσεις 2018 Financial Statements

FINANCIAL STATEMENTS

Contents

Council and other advisers

Council

		Note
Marios Skandalis	President	2
Stavros Pantzaris	Vice President	1
Maria Pastellopoulou	Secretary	1
Petros Petrakis		1
Christos Vasiliou		1
Odysseas Christodoulou		2
Pieris Markou		1
Demetris Vakis		1
Savvas Poyiadjis		1
Karlos Zangoulos		1
Spyros Spyrou		2
Philippos Raptopoulos (up to 20 June 2018)		1
Andreas Andreou (up to 20 June 2018)		1
Gavriel Onisiforou		1
Eleftherios Triaros (From 29/03/2018 to 20 June 2018)		1
Demetris Taxitaris		2
Nicos Chimarides		1

General Manager
Kyriakos Iordanou

Independent Auditors
CSC Christodoulou Limited

Legal advisers
Lellos P Demetriades Law Office LLC
L. Papahilippou & Co. LLC

Bankers
Bank of Cyprus Public Company Ltd
Hellenic Bank Public Company Ltd
Eurobank Cyprus Ltd
Alpha Bank Cyprus Ltd
Ancoria Bank Ltd

Registered office
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Website: www.icpac.org.cy

Notes:
1. Practising member
2. Non-practising member

Management Report

1. The Council presents to the Members its annual Management Report together with the audited financial statements of the Institute of Certified Public Accounantas of Cyprus (the 'Institute') for the year ended 31 December 2018.

Principal activities

2. The Institute's principal objectives include the provision of an organisational framework for all professional accountants, the support and the promotion of the activities and interests of the accountancy profession, as well as the continuous professional development and updating of its Members. The Institute is the only recognised by the Council of Ministers body of accountants in Cyprus and the competent authority for licensing statutory auditors and audit firms, as a Recognised Body of Auditors, in pursuant to the Delegation Agreement signed between ICPAC and the Cyprus Public Audit Oversight Board. The Institute also constitutes a competent authority under the Laws Regulating Companies Providing Administrative Services and Related Matters of 2012, the Insolvency Practitioners Laws of 2015, the Law for the Prevention and Suppression of Money Laundering Activities, as well as the Implementation of Provisions of Resolutions or Decisions of the United Nations Security Council (Sanctions) and the Decisions and Regulations of the Council of the European Union (Restrictive Measures) Law of 2016 [Law 58 (I) / 2016].

Members

3. The change in the number of Members of the Institute during the year was as follows:

	2018	2017
Members at the beginning of the year	4.074	3.729
Registration of new Members	552	355
Re-registration of former Members	11	3
Members struck off the register	(54)	(10)
Members deceased	(4)	(3)
Members at the end of the year	4.579	4.074

Student and Graduate Accountants

4. The number of Student and Graduate Accountants of the Joint Examination Scheme with ACCA as at 31 December 2018 was as follows:

	2018	2017
Student Accountants	2.653	2.874
Graduate Accountants	912	1.318

Results

5. The Institute's results for the year are set out on page 10.

Council

6. The members of Council at 31 December 2018 and at the date of this report are presented on page 2. All of them were members of the Council throughout the year 2018, except for the below cases:

   (a) Mr Philippos Raptopoulos and Mr Andreas Andreou, who served as members of the Council up to the annual general meeting on 20 June 2018.

   (b) Mr Eleftherios Triaros, who served as member of the Council as from 29 March 2018 (when he was appointed by the Council pursuant to the Institute's Regulation 44 to fill the vacant position following the resignation of Mr. Antonis Vassiliou) up to the annual general meeting on 20 June 2018.

7. According to the Institute's Articles of Association,Messrs Stavros Pantzaris, Kyriacos Zangoulos and Odysseas Christodoulou retire on rotation and offer themselves for re-election.

   Mr Marios Skandalis retires and he does not offer himself for re-election due to the fact that he completed four consecutive three-year terms in the Council.

Decisions concerning the operation of the Council

Given the Council's composition following last year's Annual General Meeting and the Council's formation to a body, the Council's Committees were configured as follows:

(a) Audit Committee
President: Stavros Pantzaris
Members: Savvas Poyiadjis
Maria Pastellopoulou
Odysseas Christodoulou

(b) Nomination and Remuneration Committee
President: Marios Skandalis
Members: Demetris Vakis
Spyros Spyrou
Nicos Chimarides

(c) Risk Management Committee
President: Christos Vasiliou
Members: Gavriel Onisiforou
Kyriacos (Karlos) Zangoulos
Petros Petrakis

(d) Investments Committee
President: Demetris Taxitaris
Members: Pieris Markou
Kyriacos Iordanou (General Manager)

The Committees met during the year and discussed matters within their competence.

Monitoring and Compliance

8. The Institute, as a competent authority for statutory auditors and administrative service providers, performs on-site monitoring visits to all practising members. During the year 114 Audit Monitoring visits were performed (2017:79).

9. During the year 2018, 122 AML/Rules & Regulations Reviews were performed (2017: 119).

10. During the year, the Institute had a significant contribution to the National Risk Assessment project (the "NRA") with the final report being issued on 30th November 2018. The purpose of the project was the assessment of the cumulative Cyprus' country risk on Anti-Money Laundering matters.

The New Auditors Law of 2017

11. On June 2nd 2017, the New Auditors Law (L.53(I)/2017) was enacted, harmonizing thus the Cyprus legislation with the European Directive 2014/56/EU and the European Regulation 537/2014. Under the new legislation, the Cyprus Public Audit Oversight Board (CyPAOB) is established and designated as the ultimate competent authority for the audit profession. Pursuant to the new Law, the competent authority may delegate some of its responsibilities to Recognized Bodies of Auditors. ICPAC is recognized under article 113 of the Law as a Recognised Body of Auditors and on 12 September 2017 a Delegation Agreement between CyPAOB and ICPAC was signed, whereby all allowable by the Law responsibilities were delegated to ICPAC.

The Insolvency Practitioners Law of 2015

12. The Insolvency Service organized exams on 8 December 2018 for licensing of new Insolvency Practitioners. During the year, two new licenses were issued to members of ICPAC, whilst one member was removed from the register, thus the number of Insolvency Practitioners licensed by the Institute amounted to 96 at the year end.

Events after the reporting period

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

Independent Auditors

15. ICPAC's Independent Auditors Messrs CSC Christodoulou Limited have expressed their willingness to continue in office. A resolution for their re-appointment and their remuneration will be proposed at the Annual General Meeting.

By order of the Council,

Maria Pastellopoulou
Secretary

Nicosia
21 May 2019,

Independent Auditor's Report to the Members of the Institute of Certified Public Accountants of Cyprus

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements the Institute of Certified Public Accountants of Cyprus (the "Institute"), which are presented in pages 10 to 41 and comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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

Other information

The Council is reponsible for the other information. The other information comprises the information included in the Management Report, but does not include the financial statements and our auditor's report thereon.

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

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

Independent Auditor's Report (continued)

Responsibilities of the Council for the Financial Statements

The Council 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 Cyprus Companies Law, Cap. 113, and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Council is responsible for overseeing the Institute's financial reporting process

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- Conclude on the appropriateness of the Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Institute and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

Other Matter

This report, including the opinion, has been prepared for and only for the Institute's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Christos S. Christodoulou FCCA
Certified Public Accountant and Registered Auditor
for and on behalf of
CSC Christodoulou Limited
Certified Public Accountants and Registered Auditors
24 Spyros Kyprianou Avenue
Iliada Court, 2nd floor
CY-3070 Limassol, Cyprus

Nicosia, 21 May 2019

Statement of profit or loss and other comprehensive income for the year ended 31 December 2018

General Fund

	Note	2018	2017
		€	€
Income			
Subscriptions and fees from:			
Members	7	1.618.295	1.385.490
Student and Graduate Accountants	8	231.640	185.084
Educational seminars	9	73.591	118.574
Sale of publications	10	-	6.121
"Accountancy Cyprus" magazine	17	-	5.754
Reversal of impairement - cash and cash equivalents		11.546	-
Other income	11	37.299	69.433
		1.972.371	1.770.456
Expenses			
Staff cost	12	493.387	467.328
Other administrative expenses	13	303.362	173.755
Practice monitoring expenses	14	633.378	457.873
Technical support for Members	15	106.540	135.045
Expenses on participation to International accountancy bodies and the European Commission	16	67.709	54.114
"Accountancy Cyprus" magazine	17	10.956	-
Functions	18	18.068	39.060
Disciplinary cases	19	30.041	61.233
Sale of publications	10	3.116	-
Depreciation	21	22.862	19.913
Amortisation of computer software	22	13.032	11.882
Doubtful Debts written off	25	21.800	35.500
Impairment charge - investment in financial assets	23	-	5.290
Loss on disposal / write off of equipment	21	2.287	348
Loss on disposal of available-for-sale financial assets	23	914	-
Expected credit loss	3	25.862	-
		1.753.314	1.461.341
		219.057	309.115
Finance costs - net	20	(10.002)	(14.748)
Surplus for the year		209.055	294.367

The notes on pages 14 to 41 form an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2018

	General Fund €	Members' Benevolent Fund (Note 27) €	Total €
Balance at 1 January 2017	2.154.581	66.809	2.221.390
Surplus / (deficit) for the year	294.367	(18.130)	276.237
Transfer between funds	(25.000)	25.000	-
Balance at 31 December 2017	2.423.948	73.679	2.497.627
Balance at 1 January 2018 as previously reported	2.423.948	73.679	2.497.627
Effect of initial application of IFRS 9 and IFRS 15	(46.763)	-	(46.763)
Balance at 1 January 2018 as restated	2.377.185	73.679	2.450.864
Surplus / (Deficit) for the year	209.055	(4.883)	204.172
Transfer to the amount due to the Benevolent Fund	-	(68.796)	(68.796)
Balance at 31 December 2018	2.586.240	-	2.586.240

The notes on pages 14 to 41 form an integral part of these financial statements.

Statement of financial position
31 December 2018

	Note	**2018**	2017
		€	€
Non-Current Assets			
Non-current assets			
Improvement of Leasehold property and equipment	21	347.449	308.622
Intangible assets	22	16.093	15.805
Available-for-sale financial assets	23	-	38.283
		363.542	362.710
Current assets			
Inventory	24	-	3.621
Debtors	25	237.259	234.944
Cash at bank and in hand	26	2.235.692	2.188.730
		2.472.951	2.427.295
Total assets		2.836.493	2.790.005
Rserves and Liabilities			
Rserves			
Members' Benevolent Fund		-	73.679
General Fund		2.586.240	2.423.948
Total Reserves		2.586.240	2.497.627
Current liabilities			
Creditors	28	250.253	292.378
		250.253	292.378
Total equity and liabilities		2.836.493	2.790.005

On 21 May 2019, the Council of the Institute of Certified Public Accountants of Cyprus authorised these financial statements for issue.

....
Marios Skandalis
President

....
Maria Pastellopoulou
Secretary

Cash flow statement
for the year ended 31 December 2018

	Note	2018 €	2017 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year:		209.055	294.367
Members' Benevolent Fund	27	(73.679)	(18.130)
		135.376	276.237
Adjustments for:			
Interest income	20	(10.369)	(66)
Depreciation	21	22.862	19.913
Amortisation of computer software	22	13.032	11.882
Loss from disposal of office equipment		2.287	348
Loss from the sale of available-for-sale financial assets		914	-
Increase on Expected Credit Loss - receivables		25.862	-
Reversal of impairement - cash and cash equivalents		(11.546)	-
Impairment charge - available-for-sale financial assets	23	-	5.290
		178.418	313.604
Changes in working capital:			
Inventory	25	3.621	(2.678)
Debtors	26	(2.315)	(69.804)
Creditors	29	(42.125)	12.822
Cash generated from operations		137.599	253.944
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of intangible assets	22	(13.320)	(21.468)
Additions on improvements on Leashold Property and office equipment	21	(64.976)	(14.400)
Proceeds from disposal of office equipment		1.000	-
Proceeds from sale of available-for-sale financial assets	24	37.369	-
Increase on Expected Credit Loss - receivables		(38.935)	-
Increase in expected credit loss - cash and cash equivalents		(22.144)	-
Interest received	12	10.369	66
Net cash used in investing activities		(90.637)	(35.802)
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net increase in cash and cash equivalents		46.962	218.142
Cash and cash equivalents at beginning of the year		2.188.730	1.970.394
Cash and cash equivalents at end of the year	26	2.235.692	2.188.730

The notes on pages 14 to 41 form an integral part of these financial statements.

Notes to the financial statements

1. General information

The Institute and its administration

The Institute is registered as a company limited by guarantee in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 11 Byron Avenue, CY-1096 Nicosia.

The Institute is administered by a Council consisting of fourteen (14) members who are elected by the general meeting of the Members.

Principal activities

The Institute's principal objectives include the provision of an organisational framework for all professional accountants, the support and the promotion of the activities and interests of the accountancy profession, as well as the continuous professional development and updating of its Members. The Institute is the only recognised by the Council of Ministers body of accountants in Cyprus and the competent authority for licensing statutory auditors and audit firms, as a Recognised Body of Auditors, in pursuant to the Delegation Agreement signed between ICPAC and the Cyprus Public Audit Oversight Board. The Institute also constitutes a competent authority under the Laws Regulating Companies Providing Administrative Services and Related Matters of 2012, the Insolvency Practitioners Laws of 2015, the Law for the Prevention and Suppression of Money Laundering Activities, as well as the Implementation of Provisions of Resolutions or Decisions of the United Nations Security Council (Sanctions) and the Decisions and Regulations of the Council of the European Union (Restrictive Measures) Law of 2016 [Law 58 (I) / 2016].

Members

The change in the number of Members of the Institute during the year was as follows:

	2018	2017
Members at the beginning of the year	4.074	3.729
Registration of new Members	552	355
Re-registration of former Members	11	3
Members struck off the register	(54)	(10)
Members deceased	(4)	(3)
Members at the end of the year	4.579	4.074

Student and Graduate Accountants

The number of Students and Graduate Accountants of the Joint Examination Scheme with ACCA at 31 December 2018 was as follows:

	2018	2017
Student Accountants	2.653	2.834
Graduate Accountants	912	1.318

Taxation

In accordance with the Income Tax Laws, no corporation tax arises.

Operating Envirnoment of the Institute

Despite the fact that the Cyprus economy is in a stable and developing stage, the limited liquidity availability in the market and the events occurred during the years 2013-2016 continue to affect:

- The ability of the Institute's trade and other debtors to repay the amounts due to the Institute.
- The cash flow forecasts of the Institute in relation to the impairment assessment for financial and non-financial assets.

The Institute's management has assessed:

(1) Whether any impairment allowances are deemed necessary for the Institute's financial assets carried at amortised cost, by considering the economic situation and propsects of these assets at the end of the reporting period.

(2) Whether any provisions for doubtful debts are deemed necessary.

On the basis of the assessment performed, the Institute concluded that no provisions or impairment charges are necessary, other than those provided for in the financial statements.

On June 2nd 2017, the New Auditors Law (L.53(I)/2017) was enacted, harmonizing thus the Cyprus legislation with the European Directive 2014/56/EU and the European Regulation 537/2014. Under the new legislation, the Cyprus Public Audit Oversight Board (CyPAOB) is established and designated as the ultimate competent authority for the audit profession in Cyprus. Pursuant to the new Law, the competent authority may delegate some of its responsibilities to Recognized Bodies of Auditors. ICPAC is recognized under article 113 of the Law as a Recognised Body of Auditors and on 12 September 2017 a Delegation Agreement between CyPAOB and ICPAC was signed, whereby all allowable by the Law responsibilities were delegated to ICPAC.

The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating from the high levels of non performing exposures, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus, including continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty regarding the result of the Brexit referendum; and political uncertainty in Europe in view of Brexit and the refugee crisis. This operating environment may have a significant impact on the Institute's operations and financial position. Management is taking necessary measures to ensure sustainability of the Institute's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.The Institute's Management is not in the posistion 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 Institute. On the basis of the evaluation performed, the Institute's management has concluded that no provisions or impairment charges are necessary.

The above are expected to alter the Institute's operations, something which is carefully being examined by the Council.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention as adjusted for the revaluation of the financial assets available for sale to fair valueas has been adjusted with the revaluation of the financial assets ready for sale to fair value:

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Institute's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3. Adoption of new or revised standards and interpretations

During the current year the Institute adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. This adoption did not have a material effect on the accounting policies of the Institute, with the exception of the following:

- IFRS 9 "Financial Instruments"

As explained below, in accordance with the transition provisions of IFRS 9 and IFRS 15, the Institute has elected the simplified approach for adoption of the standards. Accordingly, IFRS 9 and IFRS 15 were adopted without restating the comparative information. The comparative information is prepared in accordance with IAS 39 and IAS 18 and IAS 11, and the impact of adoption has been recognised in the opening retained earnings.

The following table summarizes the impact of the adoption of the new standard for each individual line item of the statement of financial position. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by each standard below.

(a) Impact on the statement of financial position

	Balance at 31 December 2017 as previously presented	Reclassi-fications	31 December 2017 under IAS 18 and IAS 39	Effect of adoption of IFRS 15	Effect of adoption of IFRS 9	1 January 2018 under IFRS 15 and IFRS 9
	€	€	€	€	€	€
Available-for-sale financial assets	38.283	-	38.283	-	-	38.283
Receivables - members	147.680	-	147.680	-	(13.073)	134.607
Cash at bank	2.158.941	-	2.158.941	-	(33.690)	2.125.251
General Fund	2.423.948	-	2.423.948	-	(46.763)	2.377.185

(b) Impact on the statement of profit or loss and other comprehensive income

Net impairment losses on Debtors and on Cash and Cash Equivalents are now presented on the face of the statement of profit or loss and other comprehensive income

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments"

IFRS 9 "Financial instruments" replaces the provisions of IAS 39 that relate to recognition and derecognition of financial instruments and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets.

The new standard requires debt financial assets to be classified into two measurement categories: those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (either FVTPL or FVPL) and those to be measured at amortized cost. The determination is made at initial recognition. For debt financial assets the classification depends on the entity's business model for managing its financial instruments and the contractual cash flows characteristics of the instruments. For equity financial assets it depends on the entity's intentions and designation.

In particular, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Lastly, assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

For investments in equity instruments that are not held for trading, the classification depends on whether the entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. If no such election has been made or the investments in equity instruments are held for trading they are required to be classified at fair value through profit or loss.

IFRS 9 also introduces a single impairment model applicable for debt instruments at amortised cost and fair value through other comprehensive income and removes the need for a triggering event to be necessary for recognition of impairment losses. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debts based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified approach for calculating impairment on trade receivables as well as for calculating impairment on contract assets and lease receivables; which also fall within the scope of the impairment requirements of IFRS 9.

For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

With the introduction of IFRS 9 "Financial Instruments", the IASB confirmed that gains or losses that result from modification of financial liabilities that do not result in derecognition shall be recognized in profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedge ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments" (continued)

The Institute adopted IFRS 9 with date of transition of 1st January 2018, which resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

The Institute's new accounting policies following adoption of IFRS 9 at 1 January 2018 are set out in note 4.

Impact of adoption

In accordance with the transition provisions in IFRS 9, the Institute has elected the simplified transition method for adopting the new standard. Accordingly, the effect of transition to IFRS 9 was recognised as at 1 January 2018 as an adjustment to the opening retained earnings (or other components of equity, as appropriate). In accordance with the transition method elected by the Institute for implementation of IFRS 9 the comparatives have not been restated but are stated based on the previous policies which comply with IAS 39. Consequently, the revised requirements of IFRS 7 "Financial Instruments: Disclosures" have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

The Institute has the following types of assets that are subject to IFRS 9's new expected credit loss model: receivables from Members (practising and non practising), students, graduate accountants and firms, cash and cash equivalents and bank deposits with original maturity over 3 months,

The Institute has adopted the simplified expected credit loss model for its receivables of members as required by IFRS 9, paragraph 5.5.15, and the general expected credit loss model for cash and cash equivalents and bank deposits with original maturity over 3 months.

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments" (continued)

The following table reconciles the carrying amounts of financial instruments, from their previous measurement categories in accordance with IAS 39 into their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	Measurement category			Effect of IFRS 9				
	IAS 39	IFRS 9	Carrying value per IAS 39 (closing balance at 31 December 2017)	Re-measurement ECL	Re-measurement Other	Reclassification Mandatory	Reclassification Voluntary	Carrying value per IFRS 9 (opening balance at 1 January 2018)
			€	€	€	€	€	€
Investments in equity securities								
Listed equity securities	Available for sale	FVOCI	38.283	-	-	-	-	38.283
Total investments in equity securities			38.283	-	-	-	-	38.283
Other Investments								
Receivables	Loans and receivables	AC (amortised cost)	147.680	(13.073)	-	-	-	134.607
Cash and cash equivalents	Loans and receivables	AC (amortised cost)	1.333.941	(148)	-	-	-	1.333.793
Bank deposits with original maturity over 3 months	Loans and receivables	AC (amortised cost)	825.000	(33.542)	-	-	-	791.458
Total other Investments			2.306.621	(46.763)	-	-	-	2.259.858
Total financial assets			2.344.904	(46.763)	-	-	-	2.298.141

3. Adoption of new or revised standards and interpretations (continued)

(ii) IFRS 15 "Revenue from Contracts with Customers"

The Institute's new accounting policies following adoption of IFRS 9 and IFRS 15 at 1 January 2018 are set out below in note 4.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the years presented, unless otherwise stated. The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in note 31.

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Institute expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); or the transaction price.

The Institute recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Institute can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Institute's future cash flows is expected to change as a result of the contract), it is probable that the Institute will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Institute's contracts with customers.

The Institute assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Institute's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

Subscriptions

Income from subscriptions is recognised on an accrual basis

Educational Seminars

Revenue from educational seminars conducted is recognized over time while the Institute satisfies its performance obligation to the customer in the accounting period in which the services are rendered

4. Significant accounting policies (continued)

Revenue recognition (continued)

Employee benefits

The Institute and its employees contribute to the Government Social Insurance Fund based on employees' salaries. In addition the Institute:
(a) from June 2017 contributes in a multi-employer provident scheme.
(b) provides employees with medical insurance through a Group Medical Insurance Scheme maintained with an insurance company to which the Institute contributes.

The Institute's contributions are expensed in the period incurred and are included in the staff cost.

Improvements of leasehold property and equipment

The improvements of the leasehold property and the equipment are stated at historic cost less grants, accumulated depreciation and any accumulated impairement loss. Historic cost includes expenditure that is directly relevant to the improvements of the leasehold property and the acquisition of equipment.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

	%
Improvements of leasehold property	3
Office equipment	10
Computer hardware	20
Works of art	Nil

Grants received for the improvements of the leasehold property are amortised at an annual rate of 3% which is consistent with the depreciation rate for the improvements of the leasehold property.

No depreciation is provided on works of art for which a revaluation is performed on an annual basis by an independent professional valuer and are presented at fair value.

The carrying amount of the improvements of the leasehold property or of an item of equipment is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount.

Expenditure for repairs and maintenance of the leasehold property and equipment are charged to the statement of comprehensive income in the year incurred.

An item of the improvements of leasehold property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of the improvements of leasehold property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. Significant accounting policies (continued)

Deferred income from grants

Grants received for the aquisition of non-current assets are credited to profit or loss in instalments over the estimated useful economic lives of the corresponding assets. This is achieved by deducting grants from the book value of these assets and the recognition of income through the reduced depreciation charge. Grants are recognised when there is reasonable assurance that the Institute will comply with the conditions attaching to them and that the grants will be received. Grants that relate to expenses are recognised as revenue.

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Institute and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Financial assets - Classification

From 1 January 2018, the Institute classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Institute's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Institute may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Institute has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Institute has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

4. Significant accounting policies (continued)

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Institute commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Institute has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Institute measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

<u>Equity instruments</u>

The Institute subsequently measures all equity investments at fair value. Where the Institute's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The Institute's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as other income when the Institute's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "other gains/(losses)" in the statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets - impairment - credit loss allowance for ECL

From 1 January 2018, the Institute assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Institute measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets".

4. Significant accounting policies (continued)

Financial assets - impairment - credit loss allowance for ECL (continued)

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Institute applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial asset that are subject to impairment under IFRS 9, the Institute applies general approach - three stage model for impairment. The Institute applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Institute identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 6, Credit risk section, for a description of how the Institute determines when a SICR has occurred. If the Institute determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Institute's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Institute. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

4. Significant accounting policies (continued)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

Debtors

Receivables are amounts due from members, licensed members, licensed firms , students and graduate students for their fees and membership subscriptions performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Institute holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9.The Institute applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See Note 6 Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Institute, and a failure to make contractual payments for a period of greater than 365 days past due.

Provisions

Provisions are recognised when the Institute has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Institute expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Members' Benevolent Fund

The revenues of the Members' Benevolent Fund are derived from special contributions of the Members of the Institute to meet possible cases of Members who are in desperate financial need. The Institute's Council is responsible for the management of the Fund.

4. Significant accounting policies (continued)

Comparatives

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

5. New accounting pronouncements

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Council expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Institute.

6. Financial risk management objectives and policies

Financial risk factors

The Institute is exposed to market price risk, credit risk and liquidity risk arising from the financial instruments it holds. The risk management policies employed by the Institute to manage these risks are discussed below:

6.1 Market price risk
The Institute is exposed to equity securities price risk because of investments held by the Institute and classified on the statement of financial position either as fair value through other comprehensive income) (2017: available-for-sale) or at fair value through profit or loss. The Institute is not exposed to commodity price risk.

The Institute's equity investments that are publicly traded are included in the Cyprus Stock Exchange General Index

6.2 Credit risk
Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as receivables due.

(i) Risk management

Credit risk is managed on a group basis.

For banks and financial institutions, only independently rated parties with a minimum rating of 'C' are accepted. If customers are independently rated, these ratings are used.

Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

(ii) Impairment of financial assets

The Institute has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables
- cash and cash equivalents

6. Financial risk management objectives and policies (continued)

6.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables and contract assets

The Institute applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Institute defines default as a situation when the debtor is more than 365 days past due on its contractual payments. The receivables referred to subscriptions of members, students and graduate students and fess of practising members and practising firms. The Institute has therefore concluded that the expected loss rates for receivables are a reasonable approximation of the loss rates.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Institute has identified the GDP to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for receivables

31 December 2018	Current	More than 60 days past due	More than 90 days past due	More than 180 days past due	More than 365 days past due	Total
	€	€	€	€	€	€
Expected loss rate Members	- %	2,0%	4,0%	11,0%	100,0%	
Expected loss rate Students and Graduate Accountants	- %	- %	- %	- %	100,0%	
Expected loss rate Firms	- %	3,0%	4,0%	12,0%	100,0%	
Gross carrying amount - receivables Members	2.730	-	76.290	24.945	13.945	117.910
Gross carrying amount - receivables Students and Graduate Accountants	2.050	-	40	49.200	5.350	56.640
Gross carrying amount - receivables Firms	6.620	-	31.940	600	12.320	51.480
Loss allowance	-	-	4.330	2.990	31.615	38.935

6. Financial risk management objectives and policies (continued)

6.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

1 January 2018	Current €	More than 60 days past due €	More than 90 days past due €	More than 180 days past due €	More than 365 days past due €	Total €
Expected loss rate Members	- %	2,0%	4,0%	11,0%	100,0%	
Expected loss rate Students and Graduate Accountants	- %	- %	- %	- %	100,0%	
Expected loss rate Firms	- %	3,0%	4,0%	12,0%	100,0%	
Gross carrying amount - receivables Members	-	-	350	92.540	14.230	107.120
Gross carrying amount - receivables Students and Graduate Accountants	-	-	130	10.380	50	10.560
Gross carrying amount - receivables Firms	-	-	-	24.000	6.000	30.000
Less amount written off during the year as uncollectible	-	-	-	-	(20.280)	(20.280)
Loss allowance	-	-	14	13.059	-	13.073

The closing loss allowances for trade receivables and contract assets as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Cash and Cash equivalents €	Trade receivables €
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9	33.690	13.073
Increase / (Decrease) in loss allowance recognised in profit or loss during the year	(11.546)	25.862
Unused amount reversed	-	-
Balance at 31 December 2018	22.144	38.935

Receivables are written off following Council's Decision when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to make payments for a period of greater than 365 days past due.

Impairment losses on receivables presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

6. Financial risk management objectives and policies (continued)

6.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. A provision for impairment of trade receivables was established when there was objective evidence that the Institute will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments were considered indicators that the trade receivable was impaired. The amount of the provision was the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate.

6.2.3 Credit quality of financial assets

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	2018	2017
	€	€
Cash at bank and short term bank deposits (1)		
Caa1	**1.785.043**	1.798.941
Caa3	**-**	360.000
Not Applicable	**470.000**	-
	2.255.043	2.158.941

(1)The rest of the statement of financial position item "Cash and cash equivalents" is cash in hand.

6.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Institute has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Institute's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Institute can be required to pay. The table includes both interest and principal cash flows.

31 December 2018	Carrying amounts	Contractual cash flows	Within 1 Year
	€	€	€
Creditors	158.152	158.152	158.152
Payables to Benevolent Fund	68.796	68.796	68.796
	226.948	226.948	226.948

6. Financial risk management objectives and policies (continued)

6.3 Liquidity risk (continued)

31 December 2017	Carrying amounts	Contractual cash flows	Within 1 Year
	€	€	€
Creditors	159.738	159.738	159.738
	159.738	159.738	159.738

7. Subscriptions and fees from Members

	2018	2017
	€	€
Members subscriptions	813.500	723.340
Fees related to practising certificates issued to individuals:	474.095	402.500
Fees related to practising certificates issued to Firms:	294.280	237.750
Members registration/re-registration fees	36.420	21.900
	1.618.295	1.385.490

The subscriptions and fees per Member are as follows:

	€	€
Active Member	180	180
Retired Member	20	20
Practising certificate fee	350	350
Statutory Auditor Practising certificate fee	35	35
New Member registration fee	60	60
Member re-registration fee	300	300
Insolvency Practitionr practicing certificate fee	170	170
Administrative Services practicing certificate fee	750	750
Statutory Audit Firm practicing certificate fee	70	70

The amount of the fees of Statutory Auditor and Statutory Audit Firm were determined by an announcement of the Cyprus Public Audit Oversight Board dated 28 of December 2017

8. Subscriptions from Student and Graduate Accountants

	2018	2017
	€	€
Student Accountants subscriptions	132.480	123.560
Graduate Accountants subscriptions	85.520	47.480
Subvention fee from ACCA	13.640	14.044
	231.640	185.084

Subscriptions per:		
Student Accountant	40	40
Graduate Accountant (see below)	80	80

The subscription of Graduate Accountants from 1st of Jnauary 2018 is mandatory.

9. Educational seminars

	2018	2017
	€	€
Participation fees	170.046	227.940
Cost of seminars	(96.455)	(109.366)
Net surplus	73.591	118.574

10. Sale of publications

	2018	2017
	€	€
Proceeds from sale of publications	505	43.895
Stock of publications at beginning of the year	3.621	943
Cost of publications purchased	-	40.452
Less: Publications held at the end of the year	-	(3.621)
Cost of publications sold	3.621	37.774
Loss / Net surplus	(3.116)	6.121

11. Other income

	2018	2017
	€	€
Income from aptitute tests	24.865	24.433
Trust register and amendment fees	2.356	2.681
Disciplinary committee fines	5.400	23.860
Sundry operating income	4.678	18.459
	37.299	69.433

12. Staff cost

	2018	2017
	€	€
Salaries	425.632	402.006
Social security costs	50.175	48.787
Pensions cost	17.580	16.535
	493.387	467.328
Average number of employees	12	11

Since June 2017 the Institute contributes in a multi-employer provident fund scheme.

13. Other administrative expenses

	2018	2017
	€	€
Stationery and printing	20.565	12.109
Postages, telephones and messenger	17.324	18.837
Professional fees	47.799	50.836
Donations	16.750	5.206
Cleaning	12.627	8.865
Electricity	6.086	6.262
Insurance	4.183	4.613
Repairs and maintenance	64.743	6.237
Entertainment	4.670	2.365
Loss from Cyber attack	23.203	-
Staff training	2.206	642
Computer software maintenance	27.543	15.855
Auditors' remuneration for the statutory audit of annual accounts	4.000	4.000
Grant for the publishers of books of joint examination scheme	14.000	14.000
Miscellaneous	37.663	23.928
	303.362	173.755

14. Practice monitoring expenses

	2018	2017
	€	€
Audti monitoring expenses	338.263	221.145
Monitoring for AML / rules and regulations of ICPAC expenses	216.970	216.628
Payment to CyPAOB	78.145	20.100
	633.378	457.873

The Institute, being a competent authority for statutory auditors and administrative service providers, performs on-site visits to all its practising members via an outsourced agreement with ACCA. The monitoring function expenses represent the amounts paid to ACCA for performing AML/Rules & Regulations Reviews to all licensed practitioners as well as Audit Monitoring Reviews to all practitioners holding an audit practising license.

During 2018, the Institute performed 122 AML/Rules & Regulations Reviews and 114 Audit Monitoring Reviews (2017: 119 and 79, respectively).

Based on the Auditors' Law of 2017 (L.53 (I) / 2017), the Institute as a Recognised Supervisory Body should contribute to the funding of CyPAOB so as to adequately cover CyPAOB's operation. To this end, payments were made for the years 2018 and for 2017.

15. Technical support for Members

The expenses for technical support for Members represent amounts paid to ICAEW, under agreements signed with them by the Institute, for access by all Members to ICAEW products and services for auditing, financial reporting and ethics matters, as well as for a help desk support service. In addition, this category includes amounts paid to Redimus Services Ltd for the provision of direct and indirect tax support services to Members, as well as, payments to Infocredit Group Ltd for the provision of access to the e-learning platform of VinciWorks for training on Anti-Money Laundering matters.

16. Expenses on participation to International accountancy bodies and the European Commission

	2018	2017
	€	€
Subscriptions to international accounting bodies	39.062	35.960
Participations in councils, committees and congresses	28.647	18.154
	67.709	54.114

The Institute is a member of the International Federation of Accountants (IFAC), Accountancy Europe (ex FEE) and the Federation of Mediterranean Accountants (FCM), and participates in their activities.

17. "Accountancy Cyprus" magazine

	2018	2017
	€	€
Income from advertisements	4.290	15.000
Printing and distribution cost	(15.246)	(9.246)
Net (expenses)/income	(10.956)	5.754

18. Functions

	2018	2017
	€	€
Annual General Meeting	11.809	7.860
Other functions	6.259	31.200
	18.068	39.060

19. Disciplinary cases

	2018	2017
	€	€
Legal advisers' fees	23.681	52.473
Disciplinary Committee members' fees	6.360	8.760
	30.041	61.233

20. Finance costs - net

	2018	2017
	€	€
Interest income	14.787	75
Defence Contribution on interest	(4.418)	(9)
Finance income	10.369	66
Credit Card fees	(17.500)	(13.177)
Bank Charges	(2.871)	(1.637)
Finance costs	(20.371)	(14.814)
Net finance costs	(10.002)	(14.748)

21. Improvements of leasehold property and equipment

	Improvements of leasehold property	Works of art	Office equipment	Computer hardware	Building grants	Total
	€	€	€	€	€	€
Cost						
Balance at 1 January 2017	892.843	38.300	58.785	19.439	(528.344)	481.023
Additions	-	5.518	5.638	3.244	-	14.400
Write off	-	-	-	(2.755)	-	(2.755)
Balance at 31 December 2017/ 1 January 2018	**892.843**	**43.818**	**64.423**	**19.928**	**(528.344)**	**492.668**
Additions	-	-	52.325	12.651	-	64.976
Disposals	-	-	(44.060)	-	-	(44.060)
Balance at 31 December 2018	**892.843**	**43.818**	**72.688**	**32.579**	**(528.344)**	**513.584**
Depreciation						
Balance at 1 January 2017	240.840	-	49.101	12.355	(135.756)	166.540
Charge for the year	26.785	-	5.527	3.451	(15.850)	19.913
Write off	-	-	-	(2.407)	-	(2.407)
Balance at 31 December 2017/ 1 January 2018	**267.625**	**-**	**54.628**	**13.399**	**(151.606)**	**184.046**
Charge for the year	26.785	-	6.170	5.757	(15.850)	22.862
On disposals	-	-	(40.773)	-	-	(40.773)
Balance at 31 December 2018	**294.410**	**-**	**20.025**	**19.156**	**(167.456)**	**166.135**
Net book amount						
Balance at 31 December 2018	**598.433**	**43.818**	**52.663**	**13.423**	**(360.888)**	**347.449**
Balance at 31 December 2017	**625.218**	**43.818**	**9.795**	**6.529**	**(376.738)**	**308.622**

The leasehold property represents the government residence at 11 Byron Avenue in Nicosia, which was renovated by the Institute on the basis of a leasehold agreement, and as from 26 March 2008 its offices are housed there. The lease is for a period of 33 years as from 1 January 2005 (that is until 31 December 2037) and may be extended for a further period of 33 years. The annual rent amounts to €34 .

22. Intangible assets

	Computer software €
Cost	
Balance at 1 January 2017	38.433
Additions	21.468
Balance at 31 December 2017/ 1 January 2018	59.901
Additions	13.320
Balance at 31 December 2018	73.221
Amortisation	
Balance at 1 January 2017	32.214
Amortisation for the year	11.882
Balance at 31 December 2017/ 1 January 2018	44.096
Amortisation for the year	13.032
Balance at 31 December 2018	57.128
Net book amount	
Balance at 31 December 2018	16.093
Balance at 31 December 2017	15.805

23. Available-for-sale financial assets

	2018 €	2017 €
Balance at 1 January	38.283	43.573
Disposals	(38.283)	-
Impairment charge	-	(5.290)
Balance at 31 December	-	38.283

In January 2017, based on a Scheme of Arrangement between the Bank of Cyprus Public Company Ltd, the Bank of Cyprus Holdings Plc and the shareholders of Bank of Cyprus Public Company Ltd, the shares of Bank of Cyprus Public Company Ltd amounting to 311.234 of €0,10 nominal value each, that were held by the Institute on 31 December 2016 were replaced with Depository Interests representing 15.562 Bank of Cyprus
Holding Plc' s shares.

On 11th of July 2018, the Institute proceeded with the disposal of the Depository Interests representing shares in Bank of Cyprus Holdings Plc on the basis of the Cyprus Stock Exchange price of that day (Mid Selling Price € 2,40). From this transaction, the Institute received €37,369 and incurred a loss of € 914 in respect to the disposal of Depository Interests.

	Fair values 2018 €	**Cost 2018 €**	Fair values 2017 €	Cost 2017 €
Securities listed on a Stock Exchange	-	-	38.283	31.123
	-	-	38.283	31.123

24. Inventory

Inventory represents the cost of purchase of the books (volumes of International Financial Reporting Standards), which were available as at 31 December 2018.

	2018	2017
	€	€
Inventory	-	3.621
	-	3.621

25. Debtors

	2018	2017
	€	€
Debtors from seminars	15.570	43.155
Members	226.030	147.680
Less Cumulative Expected Credit Loss on Receivables	(38.935)	-
Trade receivables - net	202.665	190.835
Other debtors	900	1.171
Prepayments	17.306	31.688
Accrued income	14.100	11.250
Refundable VAT	2.288	-
	237.259	234.944

The Institute has recognized a loss of €21.800 (2017: €35.500) for the impairment of its trade receivables during the year ended 31 December 2018. The loss has been included in the statement of comprehensive income

The fair values of debtors due within one year approximate to their carrying amounts as presented above.

The exposure of the Institute to credit risk and impairment losses in relation to debtors is reported in note 6 of the financial statements.

26. Cash at bank and in hand

	2018	2017
	€	€
Fixed term and/or notice deposits	935.000	825.000
Cash in hand	2.793	29.789
Current accounts	1.320.043	1.333.941
Accumulated impairment losses on cash and cash equivalents	(22.144)	-
	2.235.692	2.188.730

The weighted average interest rate for the fixed term and/or notice deposits was 0,91% (2017: 1,77%) and for the immediate demand accounts 0% (2017: 0%)

26. Cash at bank and in hand (continued)

Cash and cash equivalents by type:

	2018	2017
	€	€
Cash in hand	2.793	29.789
Current accounts	1.320.043	1.333.941
Notice account or/and fixed deposit account of 365 days notice	685.000	825.000
Notice account or/and fixed deposit account of 180 days notice	250.000	-
	2.257.836	2.188.730
	2.257.836	2.188.730

The exposure of the Institute to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the financial statements.

27. Members' Benevolent Fund

The analysis of the results of the Members' Benevolent Fund for the year ended 31 December 2018 is as follows:

	2018	2017
	€	€
Income		
Contributions	5.137	2.700
	5.137	2.700
Expenses		
Assistance to Members in financial need	(10.020)	(20.830)
	(10.020)	(20.830)
	(4.883)	(18.130)

The Institute set up a separate legal entity to act as a Member's Benevolent Fund to support its members. It was registered as a foundation on 20 February 2014 and an application was subsequently filed with the Ministry of Finance in order to be recognized as a charitable foundation. On November 15, 2017 the Ministry of Finance informed the Institute that the application for its recognition as a charitable foundation was rejected .Therefore the Council of the Institute decided on December 19, 2017 to proceed with the annulment of the foundation. The Member's Benevolent Fund continues to operate under the existing regime.

In communication with the Nicosia District Officer as the competent authority of charitable funds and institutions it was decided that ICPAC would take all appropriate steps to maintain as a separate legal entity the Member's Benevolent Fund by assigning to tis legal advisors this work. .

28. Creditors

	2018	2017
	€	€
Amount due to Benevolent Fund.	68.796	-
Amounts received in advance for Subscriptions	6.215	115.390
Amounts received in advance for Practising certificate fees	17.090	17.250
Social insurance and other taxes	2.511	-
VAT payable	-	7.726
Accrued expenses for practice monitoring	124.990	143.148
Other creditors and accrued expenses	30.651	8.864
	250.253	292.378

The Institute's exposure to liquidity risk arising from financial instruments it holds is disclosed in note 6 of the financial statements.

29. Operating lease commitments

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

	2018	2017
	€	€
Within one year	14.955	14.244
Between one and four years	42.089	57.044
	57.044	71.288

30. Contingent liabilities

The Institute signed a Delegation Agreement with the Cyprus Public Audit Oversight Board, in accordance with the provisions of the Auditors Law 2017, under which each of the Parties warrants and indemnifies the other. The maximum amount that the Institute is obliged to pay as a compensation, under the Delegation Agreement, to the Cyprus Public Audit Oversight Board is €200.000.

31. Accounting policies up to 31 December 2017

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9 and IFRS 15, are as follows.

Revenue recognition

Revenues earned by the Institute are recognised on the following bases:

Subscriptions
Income from subscriptions is recognised on an accrual basis

Educational Seminars
Income from seminars organised by the Institute are recognized when the seminar is completed.

Interest Income
Interest Income is recognised on an accrual basis

Financial instruments

Financial assets and financial liabilities are recognised in the Institute's statement of financial position when the Institute becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Financial assets

(1) Classification

The Institute classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(2) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date which is the date on which the Institute commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Institute has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

31. Accounting policies up to 31 December 2017 (continued)

Financial instruments (continued)

Financial assets (continued)

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss when the Institute's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Institute establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses on available-for-sale financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Institute's right to receive payments is established.

The Institute assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale securities the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

31. Accounting policies up to 31 December 2017 (continued)

Financial instruments (continued)

Financial assets (continued)

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

32. Events after the reporting period

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

Independent auditor's report on pages 7 to 9