Auditors' Report & Financial Statements

For the year ended 31 December 2009

To Cyprus Telecommunications Authority (Cyta)
Report on the Financial Statements

We have audited the financial statements of Cyprus Telecommunications Authority (Cyta) on pages 68 up to 103, which comprise the statement of financial position as at 31 December 2009 the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. This report is made solely to Cyta's Board of Directors, as a body, to the Minister of Finance, to the House of Representatives and to the Auditor General in accordance with the Telecommunications Services Law, Cap. 302 and with the Public Corporate Bodies (Audited Accounts) Law of 1983 until 2009.

Board of Directors' Responsibility for the Financial Statements

CYTA's 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 (EU) and the requirements of the Telecommunications Services Law, Cap. 302. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 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 Cyprus Telecommunications Authority as of 31 December 2009 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 EU and the requirements of the Telecommunications Services Law, Cap. 302 and the Public Corporate Bodies (Audited Accounts) Law of 1983 until 2009.

Other Matter

This report, including the opinion, has been prepared for and only for the CYTA's Board of Directors, as a body, the Minister of Finance, the House of Preventatives and the Auditor General in accordance with the Telecommunications Services Law, Cap. 302 and with the Public Corporate Bodies (Audited Accounts) Law of 1983 until 2009, 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.

Chartered Accountants
Lefkosia, 27 April, 2010

Report of the Auditor General of the Republic to Cyprus Telecommunications Authority (Cyta)

I have examined the foregoing report on the financial statements of the Cyprus Telecommunications Authority on pages 68 up to 103 for the year ended 31 December 2009 submitted by the appointed auditor in accordance with section 3(1) of the Public Corporate Bodies (Audited Accounts) Law and I am satisfied that this is appropriate.

Chrystalla Giorgatzi
Auditor General of the Republic
Lefkosia, 31 May, 2010

Statement of Comprehensive Income
For the year ended 31 December 2009

	Note	2009 €´000	2008 €´000
Operating Revenue	4	463.036	484.329
Operating expenses	5	(388.616)	(372.392)
Gross profit		74.420	111.937
Other income	6	2.569	1.975
Operating profit before financing income/(expenses)	8	76.989	113.912
Penalty (imposed)/cancelled	25	174	3.960
Finance income		58.420	57.716
Finance expenses		(41.187)	(37.705)
Net finance income	9	17.233	20.011
Profit before tax		94.396	137.883
Tax	10	(27.744)	(34.919)
Profit for the year		66.652	102.964
Other comprehensive income/(loss)			
Available for sale financial assets - Fair value gains		412	(463)
Other comprehensive income/(loss) for the year		412	(463)
Total comprehensive income for the year		67.064	102.501

The notes on pages 72 to 103 are an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2009

	Note	2009 €´000	2008 €´000
Assets			
Property, plant and equipment	11	379.104	377.581
Intangible assets	12	40.358	39.117
Investments in subsidiaries	13	85.049	55.049
Investments in associated undertakings	14	1.480	1.480
Available for sale financial assets	15	1.816	1.404
Held to maturity investments	16	47.835	68.975
Trade and other receivables	17	2.506	2.355
Other assets	18	36.415	38.912
Total non current assets		594.563	584.873
Inventories		4.988	4.949
Trade and other receivables	17	88.052	87.731
Held to maturity investments	16	21.096	-
Other assets	18	9.945	9.507
Refundable tax	23	478	26.124
Cash at bank and in hand		256.198	323.236
Total current assets		380.757	451.547
Total assets		975.320	1.036.420
Equity			
Other reserves	19	1.665	1.253
Retained earnings		869.833	883.181
Total equity		871.498	884.434
Liabilities			
Long term loans	20	1.399	1.736
Deferred tax liabilities	21	5.649	16.049
Total non current liabilities		7.048	17.785
Short term portion of long term loans	20	346	348
Trade and other payables	22	96.428	133.853
Total current liabilities		96.774	134.201
Total liabilities		103.822	151.986
Total equity and liabilities		975.320	1.036.420

The financial statements were approved by the Board of Directors on 27 April, 2010.

S. Kittis
Chairman

P. Savvides
Chief Executive Officer

G. Koufaris
Dep. Chief Executive Officer

The notes on pages 72 to 103 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2009

	Other reserves €´000	Retained earnings €´000	Total €´000
Balance at 1 January 2008	1.716	857.117	858.833
Profit for the year	-	102.964	102.964
Other comprehensive income for the year	(463)	-	(463)
Total comprehensive income for the year	(463)	102.964	102.501
Other comprehensive income for the year	-	(76.900)	(76.900)
	(463)	26.064	25.601
Balance at 1 January 2009	1.253	883.181	884.434
Profit for the year	-	66.652	66.652
Other comprehensive income for the year	412	-	412
Total comprehensive income for the year	412	66.652	67.064
Contribution to the Republic of Cyprus	-	(80.000)	(80.000)
	412	(13.348)	(12.936)
Balance at 31 December 2009	1.665	869.833	871.498

The notes on pages 72 to 103 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2009

	Note	2009 €´000	2008 €´000
Cash flows from operating activities			
Profit for the year		66.652	102.964
Adjustments for:			
Depreciation of property, plant and equipment	11	56.115	58.889
Amortisation of mobile telephony license	12	1.089	1.089
Amortisation of computer software	12	15.477	15.920
Profit/loss from the sale of property, plant and equipment		(365)	96
Fair value losses on available for sale financial assets		45	-
Income from investments	6	(44)	(45)
Interest income	9	(17.592)	(20.536)
Interest expense	9	426	359
Total pension scheme expense	7	29.535	22.163
Total pension scheme expense	7	(23.237)	(19.490)
Liability for pension scheme deficit	7	(4.239)	(37.682)
Income tax expense	10	27.744	34.919
Cash flows from operations before working capital changes		151.606	158.646
(Increase)/decrease in inventories		(39)	119
Increase in trade and other receivables		(472)	(1.082)
(Decrease)/increase in trade and other payables		(37.425)	22.074
Cash flows from operations		113.670	179.757
Tax paid		(12.498)	(39.511)
Net cash from operating activities		101.172	140.246
Cash flows from investing activities			
Payment for purchase of intangible assets	12	(17.816)	(23.998)
Payment for purchase of property, plant and equipment	11	(66.338)	(51.838)
Payment for purchase of investments in subsidiaries	13	(30.000)	-
Proceeds from disposal of intangible assets		85	-
Proceeds from disposal of property, plant and equipment		8.988	10.931
Proceeds from sale of investments held to maturity		-	33.932
Interest received		17.592	20.536
Income from investments		44	45
Net cash used in investing activities		(87.445)	(10.392)
Cash flows from financing activities			
Repayment of borrowings		(339)	(339)
Interest paid		(426)	(359)
Contribution to the Republic of Cyprus		(80.000)	(76.900)
Net cash used in financing activities		(80.765)	(77.598)
Net (decrease)/increase in cash and cash equivalents		(67.038)	52.256
Cash and cash equivalents at beginning of the year		323.236	270.980
Cash and cash equivalents at end of the year		256.198	323.236

The notes on pages 72 to 103 are an integral part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2009

1. Incorporation and Principal Activities

Cyta is a Semi Governmental Organisation established by Law 67 of 1954 (Cap. 302), as amended by Laws 20/1960, 34/1962, 25/1963, 54/1977, 98/1988, 21/1989, 39(I)/1995, 20(I)1998, 159(I)/2000, 149(I)2001, 136(I)2002, 7(I)/2004, 164(I)2004, 51(I)/2006 and 117(I)/2006.

Since 1st January 2009 the tax law for taxation of Semi Governmental organisations has changed. The tax rate has been reduced to 10% from 25% stated at 31 December 2008. Special defence contribution law for payable dividends is also applied.

The principal activity of Cyta, which is unchanged from last year, is the provision of electronic communication services.

2. Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention.

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

As from 1 January 2009, Cyta adopted all the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), which became effective and were also endorsed by the European Union (EU) and were relevant to its operations. The adoption of these Standards did not have a material effect on Cyta's financial statements except for the application of International Accounting Standard 1 (Revised) ''Presentation of Financial Statements'' which had a material effect on the presentation of the financial statements.

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2009:

(i) Standards and Interpretations adopted by the EU

- IFRS 1: "First Time Adoption of International Financial Reporting Standards" and IAS 27: "Consolidated and Separate Financial Statements" (Amendments): "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" (effective for annual periods beginning on or after 1 July 2009).
- Revisions to IFRS 3, "Business Combinations" and Amendments to IAS 27, "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009).
- Improvements to IFRSs 2008 Amendments to IFRS 5 "Non current assets held for sale and discontinued operations (effective for annual periods beginning on or after 1 July 2009)."
- IAS 27 (amendments): "Consolidated and Separate Financial Statements'' (effective for annual periods beginning on or after 1 July 2009).
- Amendments to IAS 32 "Classification of rights issues" (effective for annual periods beginning on or after 1 February 2010).
- Amendment to IAS39 "Financial Instruments: Recognition and Measurement: Eligible Hedged Items" (effective for annual periods beginning on or after 1 July 2009).

- IFRIC 17: ''Distributions of Non Cash Assets to Owners'' (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 18: ''Transfers of Assets from Customers'' (effective from 1 July 2009).

(ii) Standards and Interpretations not adopted by the EU

- IFRS 1 (Revised): ''First Time Adoption of International Financial Reporting Standards'' (effective for annual periods beginning on or after 1 January 2009).
- Improvements to IFRSs (effective for annual periods beginning on or after 1 July 2009 or 1 January 2010).
- Amendments to IFRS1 Additional Exemptions for First time Adopters (effective for annual periods beginning on or after 1 January 2010).
- Amendments to IFRS2 Group Cash settled Share based Payment Transactions (effective for annual periods beginning on or after 1 January 2010).
- IFRS 9 ''Financial Instruments'' (effective for annual periods beginning on or after 1 January 2013).
- IAS 24 (revised): ''Related Party Disclosures'' (effective for annual periods beginning on or after 1 January 2011).
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011).
- IFRIC 19: ''Extinguishing Financial Liabilities with Equity Instruments'' (effective from 1 July 2010).

The Board expects that the adoption of these standards and interpretations in future periods will not have a material effect on the financial statements of Cyta .

(d) Use of estimates and judgements

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

- Provision for bad and doubtful debts
  Cyta reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through the income statement. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

- Provision for obsolete and slow moving inventory
  Cyta reviews its inventory records for evidence regarding the saleability of inventory and its net realizable value on disposal. The provision for obsolete and slow moving inventory is based on management's past experience, taking into consideration the value of inventory as well as the movement and the level of stock of each category of inventory.

The amount of provision is recognized in the income statement. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow moving inventory are reviewed regularly and adjusted accordingly.

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

- Impairment of available for sale financial assets
  Cyta follows the guidance of IAS 39 in determining when an investment is other than temporarily impaired. This determination requires significant judgement. In making this judgement, Cyta evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

- Impairment of intangible asset
  Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, Cyta estimates the recoverable amount of the cash generating unit in which the asset belongs to.

  - Valuation of non listed investments
    Cyta uses various valuation methods to value non listed investments. These methods are based on assumptions made by the Board of Directors which are based on market information at the balance sheet date.

  - Impairment of Goodwill
    Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of Cyta on which the goodwill has been allocated. The value in use calculation requires Cyta to estimate the future cash flows expected to arise from the cash generating units using a suitable discount rate in order to calculate present value.

(e) Functional and presentation currency

The financial statements are presented in Euro (€´000) which is the functional currency of Cyta.

3. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented in these financial statements unless otherwise stated.

Subsidiary companies
Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Associates
Associates are those entities in which the Company has significant influence, but no control over the financial and operating policies. Investments in associates are initially recognised at cost and are accounted for by the equity method. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue recognition
Revenue comprises the invoiced amount for the sale of goods and services net of Value Added Tax, rebates and discounts. Revenues earned by Cyta are recognised on the following bases:

- Operating revenue
  Operating revenue includes revenue from fixed telephony, mobile telephony and other services.

  Revenue generated from calls is recognised in the income statement in the period in which the calls are made from and to CYTA's network.

  Annual rental income is recognised according to the time period that it covers.

  Receipts from sales are recognised according to the time of sale.

- Dividend income
  Dividend income is recognised when the right to receive payment is established.

Permanent employee retirement benefit scheme
Cyta operates a defined benefit scheme for its permanent employees. A lump sum amount is specified and is payable at the termination of employees' services based on such factors as the length of the employees' services, their age and salary as well as the investment return.

The cost of the defined benefit scheme is charged in the income statement over the period of the expected service lives of the employees and is estimated annually by independent actuaries, using the projected unit method, in order to create sufficient reserves.

Any surpluses or deficits that may arise from the difference between the expected and actual performance of actuarial assumptions are written off against revenue over a period of 19 years, which is the average remaining working life of Cyta's employees.

The latest actuarial valuation was conducted on 31 December 2009, assuming annual average salary increases of 3,50%, and pension increases of 3,00% and return on investment of 5,00%.

	31 December 2009	31 December 2008
	% p.a.	% p.a.
Discount Rate	5,00%	5,75%
Inflation	2,00%	2,00%
Expected return on investments	5,00%	5,75%
Pension increases	3,00%	3,50%
General Salary Increases	3,50%	3,50%

Retirement benefit scheme of hourly paid employees

Cyta contributes to the Retirement benefit scheme of hourly paid employees of Cyta for every hourly paid employee that has completed 18 years of life and has 18 months of consecutive employment as par time or / and permanent hourly paid employee. Employees's contribution is at 5% of their monthly salaries and employer's contribution is at 5%. Employer's contribution is charged in the profit and loss of the reporting period.

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

Financing expenses

All borrowing costs are recognised in income statement in the period in which they are incurred.

Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated into Euro using the rate of exchange ruling at the balance sheet date. The exchange differences that arise are transferred to the income statement, and are presented separately when considered material, except for exchange differences that arise from the exchange rate movement between foreign currencies and the Euro related to foreign currency loans made for the purpose of hedging the exchange risk in connection with revenues received in the same currency.

These exchange differences are recognised in accordance with IAS No. 39 ''Financial Instruments: Recognition and Measurement'' with the portion of exchange difference related to the effective hedging of foreign currency exchange risk (effective portion) being transferred to a special reserve, and the portion of exchange difference in relation to the ineffective hedging of foreign currency exchange risk (ineffective portion) being recognised in the income statement. The balance of the special reserve is adjusted in accordance with the foreign currency loan balances and the rates of exchange at the end of each year.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date. Current taxation includes any adjustments to tax payable in respect of previous periods.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Property, plant and equipment

Property, plant and equipment are measured at historic cost less accumulated depreciation and impairment losses.

(a) The cost comprises of the purchase price and any directly attributable costs incurred in bringing the asset to working condition for its intended use.

Self constructed assets are valued individually and include material cost, direct labour and other relevant costs.

Borrowing costs relating to the acquisition of property, plant and equipment are written off in the year that they are incurred.

Expenditure on repairs and renewals is written off in the year it is incurred.

(b) Depreciation on leased property is calculated by equal annual instalments over the period of the lease with a maximum of 33 years.

(c) Depreciation on prefabricated buildings, which are set on private or leased land, is calculated based on the period of their usage, which is 5 years.

For the remaining fixed assets, depreciation is charged by Cyta to write off the cost less the estimated residual value of the assets by equal annual instalments over their estimated useful lives as follows:

	Years
Freehold buildings	20-50
Buildings on leasehold land	3-33
Prefabricated buildings	5
Fixed line telephone service equipment	5-15
Transmission equipment	5-10
Line network	7-30
Mobile telephone service network	3-10
Security and fire alarm systems	6-10
Satellite earth stations	7-15
Submarine cables	15
Motor vehicles	7
Office furniture and equipment	8
Terminal equipment and tools	3-10
Computer peripherals	3
Mainframe computer and information systems	5
Electromechanical equipment	10
Bundled electronic communication services equipment	5-8

No depreciation is provided on land.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to Cyta. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the income statement.

A full year's depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal

Deferred income from government grants

Government grants for capital expenditure are presented in the balance sheet and are recognised when they are received. They are amortised on a systematic basis using the straight line method over the expected useful life of the respective assets. Government grants that relate to expenses are recognised in the income statement as revenue when they are received.

Mobile Telephony Licence

Costs that are directly associated with mobile telephony licences that are controlled by Cyta and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently they are carried at cost less any accumulated amortisation and impairment losses.

The expected useful economic life of the mobile telephony licence is 20 years.

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company 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.

Costs that are directly associated with identifiable and unique computer software products controlled by the Company 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 programmes 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 programmes 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 five years. Amortisation commences when the computer software is available for use and is included within administrative expenses.

The expected useful economic life of computer software ranges from 3 to 5 years.

Financial instruments

Financial assets and financial liabilities are recognised when Cyta becomes a party to the contractual provisions of the instrument.

(i) Trade receivables

Trade receivables are initially measured 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 income statement 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.

Amounts receivable in more than one year from the balance sheet date are classified as non current assets.

Bad debts are written off and a specific provision is made for receivables considered to be doubtful.

(ii) Investments

Cyta classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re evaluates this designation at every balance sheet date.

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

  Securities at fair value through profit and loss account consist of two categories:

  Securities held for trading: These are securities acquired either with the intention of generating profit from short-term fluctuations or included in a portfolio in which a pattern of short-term profit generating exists. Fair value is considered to be the closing bid price at the balance sheet date. Any unrealised gains and losses arising are recognised in the income statement.

  Securities that Cyta designated at fair value through the income statement: This category includes financial assets and financial liabilities managed together and their performance is evaluated on a fair value basis.

  These securities are initially recognised at cost and subsequently re-measured at fair value. Once a financial instrument is classified at fair value through profit and loss account category, it cannot be reclassified out of this category while it is held.

- *Hel- to-maturity investments*

  Securities held to maturity are securities with fixed maturity dates for which Cyta has both the intention and the ability to hold to maturity. Held to maturity investments are carried at amortised cost using the effective yield method, less any provisions for impairment.

  On disposal of such securities, the remaining balance is reclassified to the, "Available for Sale" category, during the current year and for the next two following accounting periods are stated at fair value.

  The appropriate classification of investments under the above categories is made at the time of acquisition.

  On disposal of an investment, the difference between the net proceeds and the carrying amount stated in the accounts is transferred to the income statement together with any remaining related balance in the revaluation reserves.

- *Available for sale financial assets*
  Securities available for sale are securities intended to be held for an undetermined period of time and may be sold in response to needs for liquidity or fluctuations in interest rates, exchange rates or security prices.

  These investments are initially recognised at cost and subsequently re measured at fair value. The fair value of the quoted securities is considered the closing bid price at the balance sheet date. The fair value of unquoted securities is estimated using specialised methods adjusted to reflect the individual characteristics of the specific issuer. In cases where cost approximates the fair value then the cost is considered to be the fair value. Unrealised gains or losses arising from changes in the fair value of securities classified as available for sale are recognised in the revaluation reserves.

(iii) Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

(iv) Borrowings
Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(v) Trade payables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Impairment of assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Inventories
Inventories are stated at the lower of cost and net realisable value.
The principal methods for determining cost are as follows:

(i) Additions are valued at weighted-average cost, which includes purchase cost and other attributable expenses.
(ii) Recoveries of equipment are valued at original cost less accumulated depreciation.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

Items of capital nature are capitalised as property, plant and equipment.

Non current liabilities

Non-current liabilities represent amounts that are due in more than twelve months from the balance sheet date.

Comparatives

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

4. Operating Revenue

	2009	2008
	€ ´000	€ ´000
Fixed Telephony	114.463	122.942
Mobile Telephony	207.644	226.921
Other Services	140.929	134.466
	463.036	484.329

5. Operating Expenses

	2009	2008
	€´000	€´000
Maintenance costs	28.971	27.285
Leased circuits rentals	3.400	2.624
Outpayments to telecommunication organisations	48.918	56.816
Staff costs	127.322	113.306
Gratuities	3.252	1.344
Other expenses	83.110	79.824
Provision for doubtful debts	1.218	1.176
Provision for obsolete materials	340	706
Loss on disposal of property, plant and equipment	-	96
Superannuation fund deficiency (Note 7)	151	148
Pension fund cost (Note 7)	29.674	22.678
Amortisation of intangible fixed assets	16.567	17.010
Depreciation	56.115	58.890
	399.038	381.903
Less: Costs that are capitalised or repayable by third parties	(10.422)	(9.511)
	388.616	372.392

6. Other Income

	2009	2008
	€´000	€´000
Sundry operating income	2.114	1.891
Gain from sale of property, plant and equipment	365	-
Income from investments	44	45
Government grants	46	39
	2.569	1.975

7. Pension Schemes

(i) Superannuation fund

	2009	2008
	€´000	€´000
Superannuation fund deficiency - Charge for the year	151	148

The fund was set up in order to provide pensions to monthly employees and for this reason, contributions were made by both Cyta and the employees. The fund, which had no active members as at 31 December 2009, operates independently of the finances of Cyta. According to the regulations of the fund, Cyta is liable to contribute to the fund for any deficits that might arise from periodic actuarial valuations. The last actuarial valuation which took place on 31 December 2001 by a professional actuary, showed an additional deficit of €738.502, and was written off in the income statement equally in the years 2001 and 2002.

Cyta is also liable to pay annual amounts, according to actuarial valuations, in order to finance the increases in pensions, after retirement. During 2009, the amount of €151.095 was paid.

(ii) Pension Scheme

Cyta's total liability for retirement benefits in the pension Scheme is as follows:

	2009 €´000	2008 €´000
Short-term	4.239	36.800

The Scheme offers retirement benefits to monthly employees and their dependants. The Scheme operates independently of the finances of Cyta. According to the regulations of the Scheme, Cyta is liable to make contributions to the Scheme which are determined by periodic actuarial valuations. The contributions represent a percentage of the pensionable salary of employees - members of the Scheme. Additionally, Cyta is liable to contribute to the Scheme for any deficits which may be indicated by the actuarial valuation. During 2009, the amount of €36.800.000 was paid.

The amount which appears in the balance sheet regarding retirement benefits that arise from the pension scheme is as follows:

Accounting illustrations according to IAS19:

	2009 €´000	2008 €´000
Fair value of scheme's assets	(748.964)	(674.053)
Present value of funded obligations	753.203	710.853
Net deficit	4.239	36.800
Covering for deficit	(4.239)	(37.682)
Unrecognised actuarial (loss)/gain	(8.330)	-
Unrecognised transitional liability	(38.030)	-
Deficit on pension funds	-	(47.537)
Pension scheme assets/(liabilities) recognised on the statement of fiancial position (Note 18)	(46.360)	(48.419)
Obligation towards pension scheme assets/(liabilities) recognised on the statement of fiancial position	4.239	36.800
Net pension scheme assets/(liabilities) recognised on the statement of fiancial position	(42.121)	(11.619)

Analysis of charge in statement of comprehensive income:

	2009 €´000	2008 €´000
Current service cost	20.167	20.005
Net actuarial loss recognised in year	-	2.673
Scheme transitional liability	9.507	-
Cost recognised in operating expenses (Note 5)	29.674	22.678
Interest cost (Note 9)	40.688	36.665
Expected return on assets (Note 9)	(40.827)	(37.180)
Expense recognised in statement of comprehensive income	29.535	22.163

Changes to the present value of the retirement benefit obligation during the year:

	2009 €´000	2008 €´000
Current retirement obligation at the beginning of the year	710.853	708.185
Current service cost	20.167	20.005
Interest cost (Note 9)	40.688	36.665
Contributions by participants	639	595
Net benefits paid out	(27.260)	(23.220)
Actuarial (gains) / losses on liabilities	8.116	(31.377)
Retirement benefit obligation at the end of the year	753.203	710.853

Changes to the fair value of assets during the year:

	2009 €´000	2008 €´000
Fair value of the scheme's assets at the beginning of the year	711.735	708.185
Expected return on pension scheme assets (Note 9)	40.827	37.180
Contributions by the employer	23.237	19.490
Contributions by participants	639	595
Net benefits paid out by the scheme	(27.260)	(23.220)
Actuarial (losses)	(214)	(68.177)
Fair value of the scheme's assets	748.964	674.053
Scheme deficit at the end of the year to be paid by Cyta	4.239	36.800
Prepayment paid by Cyta towards pension scheme	-	882
Fair value of the scheme's assets at the end of the year	753.203	711.735

Actuarial assumptions:

	2009 % p.a	2008 % p.a
Discount Rate	5,00%	5,75%
Inflation	2,00%	2,00%
Expected return on investments	5,00%	5,75%
Pension increases	3,00%	3,50%
General Salary Increases	3,50%	3,50%

(iii) Provident fund of hourly paid employees

The provident fund of Hourly paid employees was established on the 14th of October 2008. Participant is every hourly paid employee that has completed 18 years of life and has 18 months of consecutive employment as part time and/or permanent hourly paid employee. Employees's contribution is at 5% of their monthly salaries and employer's contribution is at 5%. Employer's contribution in the year 2009 amounted to €231.320 (2008: €4.603).

8. Operating Profit

	2009	2008
	€ ´000	€ ´000
Operating profit before financing income/(expenses) is stated after charging the following items:		
Amortisation of intangible fixed assets (Note 12)	16.566	17.009
Depreciation of property, plant and equipment (Note 11)	56.115	58.889

9. Finance Income and Expenses

	2009	2008
	€ ´000	€ ´000
Interest income	17.593	20.536
Expected return on pension scheme assets	40.827	37.180
Finance income	58.420	57.716
Net foreign exchange transaction losses	29	681
Bank charges and other interest	426	359
Interest expense on pension fund liabilities	40.688	36.665
Loss on revaluation of bonds	44	-
Finance expenses	41.187	37.705
Net finance income	17.233	20.011

10. Taxation

	2009	2008
	€´000	€´000
Corporation tax - current for the year	8.244	32.202
Corporation tax - prior years	27.131	(71)
Defence contribution - current for the year	1.752	5.521
Defence contribution - prior years	560	67
Property tax	457	-
Deferred tax - (credit) (Note 21)	(10.400)	(2.800)
Charge for the year	27.744	34.919

Reconciliation of taxation based on the taxable income and taxation based on accounting profits:

	2009	2008
	€´000	€´000
Accounting profit before tax	94.396	137.883
Tax calculated at the applicable tax rates	9.440	34.471
Tax effect of expenses not deductible for tax purposes	7.915	19.951
Tax effect of allowances and income not subject to tax	(9.111)	(22.220)
Defence contribution - current for the year	1.752	5.521
Deferred tax	(10.400)	(2.800)
Prior year taxes	27.691	(4)
Property tax	457	-
Tax charge	27.744	34.919

In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 15%.

11. Property, Plant and Equipment

	Land and buildings €'000	Assets under construction €'000	Buildings on leasehold land €'000
Cost			
Balance at 1 January 2008	70.934	60.842	2.424
Additions	195	3.704	-
Disposals	-	-	-
Transfers	-	-	-
Balance at 31 December 2008	71.129	64.546	2.424
Balance at 1 January 2009	71.129	64.546	2.424
Additions	12.911	(10.770)	-
Disposals	(249)	-	-
Transfers	-	-	-
Balance at 31 December 2009	83.791	53.776	2.424
Depreciation			
Balance at 1 January 2008	23.299	-	1.359
Depreciation for the year	1.803	-	73
On disposals	-	-	-
Transfers	-	-	-
Balance at 31 December 2008	25.102	-	1.432
Balance at 1 January 2009	25.102	-	1.432
Depreciation for the year	2.139	-	69
On disposals	(179)	-	-
Transfers	-	-	-
Balance at 31 December 2009	27.062	-	1.501
Carrying amounts			
Balance at 31 December 2009	56.729	53.776	923
Balance at 31 December 2008	46.027	64.546	992

(a) Assets in occupied areas

Fixed assets include assets situated in areas currently occupied by the Turkish invasion forces which are not accessible by Cyta. Cyta is not in a position to ascertain the present state of these assets. Full provision has been made for assets and reserves situated in the occupied areas.

(b) Land

Certain plots of land amounting to €1.700 (2008: €1.700) included in the financial statements, were in the course of being registered in the name of Cyta at the year end.

	Telecommunication plant and equipment	Motor vehicles and tools	Furniture, fixtures & office equipment	Computer hardware and systems	Total
	€'000	€'000	€'000	€'000	€'000
	898.959	14.400	5.343	37.719	1.090.621
	46.094	248	188	1.409	51.838
	(31.002)	(374)	-	(6.180)	(37.556)
	1	-	-	(4.572)	(4.571)
	914.052	14.274	5.531	28.376	1.100.332
	914.052	14.274	5.531	28.376	1.100.332
	60.634	160	479	2.924	66.338
	(17.890)	(181)	-	(1.237)	(19.557)
	(115)	-	-	(35)	(150)
	956.681	14.253	6.010	30.028	1.146.963
	619.440	12.304	4.599	33.427	694.428
	53.976	621	217	2.199	58.889
	(20.000)	(374)	-	(6.155)	(26.529)
	-	-	-	(4.037)	(4.037)
	653.416	12.551	4.816	25.434	722.751
	653.416	12.551	4.816	25.434	722.751
	50.679	559	231	2.438	56.115
	(9.366)	(181)	-	(1.208)	(10.934)
	(38)	-	-	(35)	(73)
	694.691	12.929	5.047	26.629	767.859
	261.990	1.324	963	3.399	379.104
	260.636	1.723	715	2.942	377.581

12. Intangible Assets

Licence	Mobile Telephony Software €´000	Computer €´000	Total €´000
Cost			
Balance at 1 January 2008	22.388	158.388	180.776
Additions	-	23.998	23.998
Disposals	-	(1.695)	(1.695)
Transfers	-	4.571	4.571
Balance at 31 December 2008	22.388	185.262	207.650
Balance at 1 January 2009	22.388	185.262	207.650
Additions	-	17.816	17.816
Transfers	-	150	150
Disposals	-	(286)	(286)
Balance at 31 December 2009	22.388	202.942	225.330
Amortisation			
Balance at 1 January 2008	4.960	144.222	149.182
On disposals	-	(1.695)	(1.695)
Amortisation for the year (Note 8)	1.089	15.920	17.009
Transfers	-	4.037	4.037
Balance at 31 December 2008	6.049	162.484	168.533
Balance at 1 January 2009	6.049	162.484	168.533
On disposals	-	(200)	(200)
Amortisation for the year (Note 8)	1.089	15.477	16.566
Transfers	-	73	73
Balance at 31 December 2009	7.138	177.834	184.972
Carrying amounts			
Balance at 31 December 2009	15.250	25.108	40.358
Balance at 31 December 2008	16.339	22.778	39.117

13. Investments in Subsidiaries

	2009	2008
	€ ´000	€ ´000
Balance at 1 January	55.049	55.049
Additions	30.000	-
Balance at 31 December	85.049	55.049

The details of the subsidiaries are as follows:

Name	Country of incorporation	Holding %
Digimed Communications Limited	Cyprus	100

Digimed Communications Ltd, a company registered in Cyprus, is a wholly owned subsidiary of Cyta. The principal activity of the company is the conduct of telecommunication projects.

14. Investments in Associated Undertakings

	2009	2008
	€ ´000	€ ´000
Balance at 1 January and at 31 December	1.480	1.480

The details of the investments are as follows:

Name	Country of incorporation	Principal activities	Holding %
Cyta Hellas A.E.	Greece	Broadband Services	6.36

15. Available for Sale Financial Assets

	2009	2008
	€ ´000	€ ´000
Balance at 1 January	1.404	1.867
Fair value change through reserves	412	(463)
Balance at 31 December	1.816	1.404

Cyta holds 75.815 shares of nominal value 1 Euro each in Eutelsat Communications. The company Eutelsat Communications is listed in the Paris Stock Exchange Euronext. The total value of Cyta's investment at 31 December 2009 was €1.702.805 (2008: €1.281.274).

The Company ICO Global Communications (Holdings) Limited is listed in the NASDAQ stock exchange. Cyta holds 150.909 shares of nominal value 0,01 US dollars each. The total value of Cyta's investment at 31 December 2009 was 162.982 US dollars (€113.135) (2008: €122.532).

Available for sale financial assets, comprising principally marketable equity securities, are fair valued annually at the close of business on 31 December.

Available for sale financial assets are classified as non current assets, unless they are expected to be realised within twelve months of the balance sheet date or unless they will need to be sold to raise operating capital.

16. Held to Maturity Investments

	2009 €´000	2008 €´000
Balance at 1 January	68.975	102.907
Matured bonds	-	(33.932)
Impairment charge	(44)	-
Balance at 31 December	68.931	68.975

	Fair values 2009 €´000	Cost 2009 €´000	Fair values 2008 €´000	Cost 2008 €´000
Government bonds	63.054	62.742	63.100	62.742
CSO bonds	2.567	2.441	2.578	2.441
Hellenic Bank bonds	3.310	3.417	3.297	3.417
	68.931	68.600	68.975	68.600

	2009	2008
Bonds maturing:	€´000	€´000
Within one year	21.096	-
Between two and five years	47.835	68.975
Total	68.931	68.975

Purchase and sales of held-to-maturity investments are recognised on the trade date, which is the date that Cyta is commited to purchase or sell the asset. The cost of the purchase includes transactions costs. The investments are subsequently carried at amortised cost using the effective yield method.

Investments held-to-maturity are classified as non-current assets, unless they mature within twelve months from the balance sheet date or unless they will need to be sold to raise operating capital.

17. Trade and Other Receivables

	2009 €´000	2008 €´000
Trade receivables	42.946	43.843
Overseas telecommunication organisations	1.422	1.979
Receivables from related companies	4.686	2.239
Deposits and prepayments	11.899	10.186
Carrier Services	4.195	5.725
Other receivables	25.410	26.114
	90.558	90.086
Less non current receivables	(2.506)	(2.355)
Current receivables	88.052	87.731

Concentrations of credit risk with respect to trade receivables are limited due to Cyta's large number of customers who have a variety of end markets in which they sell. Cyta's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collections losses is inherent in Cyta's trade receivables.

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

18. Other Assets

	2009 €´000	2008 €´000
Pension scheme	36.415	38.912
Pension scheme - Current portion	9.945	9.507
Pension scheme asset (Note 7)	46.360	48.419

19. Other Reserves

	Fair value reserve - available-for-sale financial assets €´000
Balance at 1 January 2008	1.716
Revaluation (Note 15)	(463)
Balance at 31 December 2008	1.253
Balance at 1 January 2009	1.253
Revaluation (Note 15)	412
Balance at 31 December 2009	1.665

20. Loans and Borrowings

	2009 €´000	2008 €´000
Short term portion of long term loans		
Loans from foreign financial institutions	346	348
Non current borrowings		
Loans from foreign financial institutions	1.399	1.736
Total	1.745	2.084
Maturity of non current borrowings:		
Between one to two years	338	338
Between two and five years	1.013	1.013
After five years	48	385
	1.399	1.736

The loans from foreign financial institutions are repayable between the years 2010 and 2015 and bear interest ranging from 2% to 11.62% per annum. The loans are secured with guarantees provided by the Cyprus Government.

21. Deferred Tax

The movement on the deferred taxation account is as follows:

Deferred tax liability

	Accelerated tax depreciation €´000	Total €´000
Balance at 1 January 2008	18.849	18.849
Charged/(credited) to:		
Statement of comprehensive income (Note 10)	(2.800)	(2.800)
Balance at 31 December 2008	16.049	16.049
Balance at 1 January 2009	16.049	16.049
Charged /(credited) to:		
Statement of comprehensive income (Note 10)	(10.400)	(10.400)
Balance at 31 December 2009	5.649	5.649

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 10).

22. Trade and Other Payables

	2009 €´000	2008 €´000
Trade payables	9.749	10.256
Overseas telecommunication organisations	9.500	13.499
Foreign suppliers	21.012	11.471
Pension scheme and superannuation fund	4.239	36.800
VAT	7.386	19.007
Carrier services	-	3.341
Accruals	12.213	5.972
Other creditors	18.270	17.651
Deferred Income	12.146	14.750
Amounts payable to subsidiaries and other group companies (Note 24)	1.913	1.106
	96.428	133.853

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

23. Refundable Tax

	2009 €´000	2008 €´000
Corporation tax - receivable	(156)	(28.117)
Corporation tax - payable	-	2.203
Special contribution for defence - refundable	(869)	(560)
Special contribution for defence - payable	-	350
Property tax	547	-
	(478)	(26.124)

24. Related Party Transactions

The following transactions were carried out with related parties on commercial terms and conditions, and relate to provision of supporting services.

(i) Receivables from related companies (Note 17)

Name	2009 €´000	2008 €´000
Digimed Communications Ltd	-	121
Cytacom Solutions Ltd	3.217	2.084
Iris Gateway Satellite Services Ltd	60	-
Bestel Communications Ltd	-	4
Cyta (UK) Ltd	118	-
Cyta Hellas A.E.	1.291	30
	4.686	2.239

(ii) Payables to related companies (Note 22)

Name	2009 €´000	2008 €´000
Digimed Communications Ltd	1.515	-
Cytacom Solutions Ltd	159	692
Emporion Plaza Ltd	87	87
Iris Gateway Satellite Services Ltd	-	19
Cyta Global Hellas S.A.	46	7
Cyta (UK) Ltd	106	301
	1.913	1.106

25. Penalties Cancelled

	Note	2009 €´000
Commission for the protection of competition (C.P.C)	1	136
Commission for the protection of competition (C.P.C)	2	38
		174

1. On 15 June 2009 a penalty of €136.688 imposed by the Competition Committee to Cyta on the 4th of August 2006 for infringements by the parties, Cyta and Lumiere Public Company Ltd, in relation with their cooperation and/or their action in the pay TV, broadband and other related services was cancelled.

2. On 17th of December 2009, a Competition Committee's decision was cancelled, which had imposed a penalty of €37.589 to Cyta regarding a complaint by Golden Telemedia Ltd for possible violation of the Protection of Competition Law.

26. Contribution to the Cyprus Government

	2009 €´000	2008 €´000
Contribution paid	80.000	76.900

The amount of the contribution, as well as the timing of the payment, are determined by the Board of Ministers, following a relevant decision by the Minister of Finance, which was taken after a discussion with Cyta's Board of Directors.

During the year 2009 an amount of €80.000.000 was contributed to the Cyprus Government Treasury, following the Council of Ministers ('the Cabinet') decision on 31 March 2009, according to the Telecommunication Services Law Amendment, Cap. 302, as amended with the Telecommunication Services Law of 2006 (section 117 (I)/2006).

The amount was set after taking into account the surplus for the financial year, the reserves at the end of the 2008 financial year, as well as the other provisions of the amended Telecommunications Services Law in relation to Cyta's liquidity, its ability to pay the amount set, the safeguard of its future investments, its contractual and other commitments and the repayment of the pension scheme deficit.

27. Contractual Commitments

Contractual Commitments in respect of capital expenditure as at 31 December 2009 not provided for in the financial statements, amounted to €37.442.847 (2008 : €27.660.617) of which €6.663.617 (2008 : €15.907.027) is payable in foreign currencies. Foreign currency amounts have been converted into euros at the rates of exchange prevailing at the end of the year.

The entire amount of contractual commitments at 31 December 2009 will be repaid on completion of the relevant projects within 2010 except for the amount of €6.152.728 which will be repaid in later periods.

28. Financial Risk Management

Financial risk factors

Cyta is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market price risk
- Operational risk
- Compliance risk
- Litigation risk

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework.

Cyta's risk management policies are established to identify and analyse the risks faced by Cyta, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Cyta's activities.

(i) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. Cyta has no significant concentration of credit risk. Cyta has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and Cyta has policies to limit the amount of credit exposure to any financial institution.

Trade and other receivables

Cyta's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Cyta establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2009	2008
	€ ´000	€ ´000
Available for sale financial assets	1.816	1.404
Held to maturity investments	68.931	68.975
Trade and other receivables	85.872	87.847
Receivables from related companies	4.686	2.239
	161.305	160.465

(ii) 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. Cyta 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 are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amounts	Contractual cash flows	3-12 months	1-5 years
	€ ´000	€ ´000	€ ´000	€ ´000
31 December 2009				
Loans from foreign financial institutions	1.745	1.745	346	1.399
Trade and other payables	82.369	82.369	82.369	-
Payables from related companies	1.913	1.913	1.913	-
	86.027	86.027	84.628	1.399
31 December 2008				
Loans from foreign financial institutions	2.084	2.084	348	1.735
Trade and other payables	129.406	129.406	129.406	-
Payables from related companies	1.106	1.106	1.106	-
	132.596	132.596	130.860	1.735

(iii) Market risk

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

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose Cyta to cash flow interest rate risk. Borrowings issued at fixed rates expose Cyta to fair value interest rate risk. Cyta's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Any difference in interest rates will not have a material effect on equity and profit and loss.

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

	2009	2008
	€ ΄000	€ ΄000
Variable rate financial instruments		
Financial liabilities	1.745	2.084

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign ex change rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not Cyta's measurement currency. Cyta is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. Cyta's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Cyta's exposure to foreign currency risk was as follows:

	United States Dollars	Other currency
	€ ΄000	€ ΄000
Assets		
Trade and other receivables	1.963	229
Bank deposits	126	-
Investments	113	-
	2.202	229
Liabilities		
Trade and other payables	(861)	(2.010)
Net exposure	1.341	(1.781)
31 December 2008		
Assets		
Trade and other receivables	1.193	1.509
Bank deposits	239	-
Investments	123	-
	1.555	1.509
Liabilities		
Trade and other payables	(861)	(2.010)
Net exposure	694	(501)

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2009 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Profit or loss	
	2009	2008
	€ ´000	€ ´000
United States Dollars	134	69
Other currencies	(178)	(50)
	44	19

(iv) Operational risk

Operational risk is the risk that derives from the deficiencies relating to Cyta's information technology and control systems as well as the risk of human error and natural disasters. Cyta's systems are evaluated, maintained and upgraded continuously.

(v) Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by Cyta.

(vi) Litigation risk

Litigation risk is the risk of financial loss, interruption of Cyta's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by Cyta to execute its operations.

Capital management

Cyta manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Cyta's overall strategy remains unchanged from last year.

29. Fair Values

The fair values of Cyta's financial assets and liabilities approximate their carrying amounts at the balance sheet date.

The fair value of financial instruments traded in active markets, such as publicly traded trading and available-for-sale financial assets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by Cyta is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

30. Post Balance Sheet Events

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