AUDITORS' REPORT AND FINANCIAL STATEMENTS

To Members of Cyprus Telecommunications Authority (Cyta)
Report on the financial statements

We have audited the accompanying financial statements of Cyprus Telecommunications Authority (''Cyta'') on pages 4 to 79, which comprise the statement of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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), the Public Corporate Bodies (Audit of Accounts) Laws of 1983-2007 and the requirements of the Telecommunications Services Law, Cap. 302 and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements of Cyta that are free from material misstatement, whether due to fraud or error.

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 of Cyta are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements of Cyta. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements of Cyta, 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 of Cyta.

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 2013 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.

Report on other legal and regulatory requirements

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit..
- In our opinion, proper books of account have been kept by Cyta, so far as appears from our examination of these books.
- Cyta's financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us, and according to the explanations given to us, the financial statements give the information required by the Telecommunications Services Law Cap. 302, in the manner so required.

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 Representatives and the Auditor General of the Republic in accordance with the Telecommunications Services Law Cap. 302, the Public Corporate Bodies (Audited Accounts) Law of 1983-2007 and Article 34 of the Laws of 2009 and 2013 on Statutory Audits of Annual and Consolidated Accounts, 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.

We have reported separately on the consolidated financial statements of Cyta and its subsidiaries for the year ended 31 December 2013.

Constantinos N. Kallis, FCA
Certified Public Accountant and Registered Auditor
for and on behalf of KPMG Limited
Certified Public Accountant and Registered Auditors

Esperidon 14
1087 Nicosia
Cyprus

Nicosia, 21 April 2015

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC

To Cyprus Telecommunications Authority

I have examined the foregoing report on the financial statements of the Cyprus Telecommunications Authority on pages 4 to 79 for the year ended 31 December 2013 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.

Dr. Odysseas F. Michaelides
Auditor General of the Republic

Nicosia, 21 April 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Note	2013 €´000	2012 €´000 Restated*
Operating Revenue	4	**434.261**	**451.763**
Operating expenses	5	(340.695)	(385.900)
Gross profit		**93.566**	**65.863**
Other operating expenses	6	(30.402)	(1.857)
Other income	7	2.899	6.884
Profit from operating activities	9	**66.063**	**70.890**
Penalties	31	(663)	(5.584)
Finance income		15.725	16.190
Finance expenses		(1.602)	(1.954)
Net finance income	10	**14.123**	**14.236**
Net loss from investing activities	11	(24.735)	(20.949)
Profit before tax		**54.788**	**58.593**
Tax	12	(17.343)	(7.218)
Profit for the year		**37.445**	**51.375**
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Remeasurement of define benefit liability	8	(9.033)	8.088
		(9.033)	8.088
Items that are or may be classified to profit or loss:			
Available-for-sale financial assets-Fair value gains/(losses)	17	28	(2.167)
		28	(2.167)
Other comprehensive income for the year		**(9.005)**	**5.921**
Total comprehensive income for the year		**28.440**	**57.296**

*: See Note 2(e)

The notes on pages 75 to 129 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Note	2013 €´000	2012 €´000 Restated*	2011 €´000 Restated*
Assets				
Non-current assets				
Property, plant and equipment	13	345.392	369.581	382.478
Intangible assets	14	32.749	36.796	32.493
Investments in subsidiaries	15	85.388	110.123	101.072
Investments in associated undertakings	16	1.480	1.480	1.480
Available-for-sale financial assets	17	6.410	3.757	2.587
Held-to-maturity investments	18	72.779	42.020	17.156
Trade and other receivables	21	23.572	-	-
Other assets	8	64.697	61.053	41.303
Loans receivable	19	1.311	1.992	2.282
Total non-current assets		**633.778**	**626.802**	**580.851**
Current assets				
Inventories	20	6.064	7.457	6.882
Trade and other receivables	21	111.918	128.154	124.903
Loans receivable	19	664	777	779
Available-for-sale financial assets	17	1.845	-	-
Held-to-maturity investments	18	-	-	22.276
Treasury bill-13 weeks	22	101.665	100.704	-
Other assets	8	-	-	7.342
Refundable tax	29	1.957	1.376	-
Cash and cash equivalents	23	179.536	161.337	242.309
Total current assets		**403.649**	**399.805**	**404.491**
Total assets		**1.037.427**	**1.026.607**	**985.342**
Equity				
Fair value reserve - available-for-sale financial assets	24	297	269	2.436
Actuarial gains reserve	24	15.959	24.992	16.904
Retained earnings		921.406	887.015	872.290
Total equity		**937.662**	**912.276**	**891.630**
Liabilities				
Non-current liabilities				
Long-term loans	25	49	386	723
Deferred tax liabilities	26	11.857	6.736	5.749
Deferred income	28	4.915	-	-
Total non-current liabilities		**16.821**	**7.122**	**6.472**
Current liabilities				
Short term portion of long-term loans	25	339	341	343
Trade and other payables	27	73.221	97.674	76.492
Deferred income	28	8.106	9.194	10.292
Tax liability	29	1.278	-	113
Total current liabilities		**82.944**	**107.209**	**87.240**
Total liabilities		**99.765**	**114.331**	**93.712**
Total equity and liabilities		**1.037.427**	**1.026.607**	**985.342**

*: See Note 2(e)

The financial statements were approved by the Board of Directors on 21 April 2015.

Christos Patsalides Chairman	Andreas Marangos Vice-Chairman	Michalis Achilleos Deputy Chief Executive Officer

The notes on pages 75 to 129 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

	Other reserves €´000	Retained earnings €´000	Total €´000
Balance at 1 January 2012 as previously reported	2.436	872.290	874.726
Effect of change in IAS 19 (amended)	16.904	-	16.904
Restated balance at 1 January 2012	19.340	872.290	891.630
Comprehensive income			
Profit for the year	-	51.375	51.375
Other comprehensive income for the year	5.921	-	5.921
Total comprehensive income for the year	**5.921**	**51.375**	**57.296**
Transactions with owners, recognized directly in equity			
Contributions by and distributions to owners			
Dividend paid to the Republic of Cyprus	-	(36.650)	(36.650)
Total distributions to owners of Cyta	-	**(36.650)**	**(36.650)**
Balance at 31 December 2012	**25.261**	**887.015**	**912.276**
Comprehensive income			
Profit for the year	-	37.445	37.445
Other comprehensive income for the year	(9.005)	-	(9.005)
Total comprehensive income for the year	**(9.005)**	**37.445**	**28.440**
Transactions with owners, recognized directly in equity			
Contributions by and distributions to owners			
Defence contribution on deemed distribution	-	(3.054)	(3.054)
Total distributions to owners of Cyta	**-**	**(3.054)**	**(3.054)**
Balance at 31 December 2013	**16.256**	**921.406**	**937.662**

Organizations which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the organizations on behalf of the owners.

The notes on pages 75 to 129 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

	Note	2013 €´000	2012 €´000 Restated *
Cash flows from operating activities			
Profit for the year		**37.445**	**51.375**
Adjustments for:			
Depreciation of property, plant and equipment	13	44.581	48.529
Unrealised exchange loss		557	73
Amortisation of mobile telephony license	14	1.089	1.089
Amortisation of software	14	11.076	13.236
Amortisation of shop goodwill	14	18	18
Profit from the sale of property, plant and equipment	7	(164)	(161)
Effective interest rate on held to maturity investments	10	(10)	(170)
Impairment charge-investments in subsidiaries	15	24.735	20.949
Income from investments	7	(57)	(53)
Interest income	10	(12.357)	(11.681)
Interest expense	10	159	386
Total pension scheme expense	8	1.682	10.554
Employer's contributions to Pension scheme	8	(14.359)	(20.548)
Income tax expense	12	17.343	7.218
Net cash from operating activities before working capital changes		**111.738**	**120.814**
Decrease/(increase) in inventories		1.393	(575)
Increase in trade and other receivables		(7.436)	(3.322)
(Decrease)/increase in trade and other payables		(24.453)	25.757
Increase in deferred income		3.827	-
Cash generated from operating activities		**85.069**	**142.674**
Tax paid		(11.525)	(7.721)
Net cash from operating activities		**73.544**	**134.953**
Cash flows from investing activities			
Payment for acquisition of intangible assets	14	(7.643)	(11.838)
Payment for acquisition of property, plant and equipment	13	(25.094)	(52.875)
Payment for purchase of available-for-sale financial assets	17	(6.179)	-
Payment for acquisition of investments in subsidiaries	15	-	(30.000)
Payment for acquisition of investments held-to-maturity	18	(30.749)	(28.031)
Loans repayments received		794	292
Payment for purchase of Treasury Bill	22	-	(99.739)
Proceeds from disposal of property, plant and equipment		4.373	10.596
Proceeds from sale of available-for-sale financial assets	17	1.709	-
Proceeds from expiry of investments held-to-maturity	18	-	22.276
Interest received		11.396	11.681
Income from investments		57	53
Payment for the acquisition of bank deposits with original maturity over 3 months		(48.773)	(53.894)
Proceeds from expiry of bank deposits with original maturity over 3 months		53.894	146.743
Net cash used in investing activities		**(46.215)**	**(84.736)**
Cash flows from financing activities			
Repayment of borrowings		(339)	(339)
Interest paid		(159)	(386)
Dividend paid to the Republic of Cyprus	31	(3.054)	(36.650)
Net cash used in financing activities		**(3.552)**	**(37.375)**
Net increase in cash and cash equivalents		**23.777**	**12.842**
Cash and cash equivalents at beginning of the year	23	107.443	94.601
Effect of exchange rate fluctuations on cash and cash equivalent held		(457)	-
Cash and cash equivalents at end of the year	23	**130.763**	**107.443**
Cash and cash equivalents are defined by:			
Cash and cash equivalents (Note 23)		179.536	161.337
Bank deposits with original maturity over 3 months		(48.773)	(53.894)
		130.763	107.443

*: See Note 2(e)

The notes on pages 75 to 129 are an integral part of these financial statements.

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Cyprus Telecommunications Authority (''Cyta'') is a Public Corporate Body 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, 13(I)/2002, 19(I)/2002, 7(I)/2004, 164(I)2004, 51(I)/2006, 117(I)/2006 and 151(I)/2011. It is managed by a Board of Directors, consisting of a Chairman, Vice Chairman and seven members, who are appointed by the Council of Ministers.

The address of Cyta's Head Offices is at Telecommunications Street, Strovolos, P.O.Box 24929, CY-1396 Nicosia, Cyprus.

The principal activity of Cyta, which is unchanged from last year, is the provision, maintenance and development of comprehensive telecommunication services, both nationally and internationally.

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'') and the requirements of Public Corporate Bodies (Audit of Accounts) Laws of 1983-2007 and the requirements of Telecommunications Services Law, Cap. 302.

Cyta has also prepared consolidated financial statements in accordance with IFRSs for Cyta and its subsidiaries (the ''Group''). The consolidated financial statements can be obtained from the address of the Cyta's Head Office which is at Telecommunications Street, Strovolos, P.O.Box 24929, CY-1396 Nicosia, Cyprus.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements for the year ended 31 December 2013 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of Cyta and the Group.

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention, except in the case of investments in available for sale financial assets which are shown at their fair value. The methods used for determining fair values are explained in detail in Note 3.

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

As from 1 January 2013, Cyta adopted all changes to IFRSs, which are relevant to its operations. The Standards which have had a material effect on the financial statements of Cyta are the following:

- IAS 1 ''Presentation of Financial Statements'' on the Presentation of items of other comprehensive income (Amendment)

In the current year, Cyta has applied for the first time the amendments to IAS 1 that introduce new terminology for the statement of comprehensive income. Under the amendments to IAS 1, the statement of comprehensive income is renamed to statement of profit or loss and other comprehensive income. The amendments to IAS 1 retain the option to present the income statement and other comprehensive income in either a single statement or in two separate but consecutive statements. The amendments to IAS 1 also require items of other comprehensive income to be grouped, along with the corresponding income tax, into two categories: (a) items that will never be reclassified to profit or loss and (b) items that are or may be classified to profit or loss when specific conditions are met.

2. BASIS OF PREPARATION (continued)

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

The adoption of these amendments, which have been applied retrospectively, did not have any effect on the profit or loss of Cyta, but has changed the presentation of the income statement and other comprehensive income.

• IFRS 13 ''Fair Value Measurement''

In the current year, Cyta has applied IFRS 13 for the first time. This standard establishes a single source of guidance for fair value measurements that are required or permitted by other standards both for financial and non financial instrument items, and analyses the disclosures that need to be made in the financial statements about fair value measurements.

IFRS 13 defines fair value as the price that an entity would receive to sell an asset or pay to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

IFRS 13 is applied from 1 January 2013 onwards but the disclosures do not need to be applied for the comparative information provided for periods before the initial application of the standard. The adoption of IFRS 13 did not have any effect on the profit or loss of Cyta but has led to significant additional disclosures in the financial statements of Cyta.

• IAS 19 (Amendment) "Employee Benefits"

This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits (eliminates the corridor approach) and to the disclosures for all employee benefits. The key changes relate mainly to recognition of actuarial gains and losses, recognition of past service cost / curtailment, measurement of pension expense, disclosure requirements and distinction between "short-term" and "other long-term" benefits.

Cyta has restated the comparative figures on the comparative financial reporting due to the adoption of IAS 19 (Amendment) ''Employee Benefits''. For the impact of the restatement please refer to note 2(e).

• IFRS 7 (Amendment) "Financial Instruments: Disclosures"

The IASB has published this amendment to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2013. Those which may be relevant to Cyta are set out below. Cyta does not plan to adopt these Standards early.

(i) <u>Standards and Interpretations adopted by the EU</u>

• IFRS 10 ''Consolidated Financial Statements'' (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2014).

2. BASIS OF PREPARATION (continued)

(c) Adoption of new and revised International Financial Reporting Standards and Interpretations (continued)
(i) Standards and Interpretations adopted by the EU (continued)

FRS 10 replaces all of the guidance on control and consolidation in IAS 27 and SIC 12. The new standard changes the definition of control for the purpose of determining which entities should be consolidated. This definition is supported by extensive application guidance that addresses the different ways in which a reporting entity (investor) might control another entity (investee). The revised definition of control focuses on the need to have both power (the current ability to direct the activities that significantly influence returns) and variable returns (can be positive, negative or both) before control is present. The new standard also includes guidance on participating and protective rights, as well as on agency / principal relationships. Cyta is currently evaluating the impact of this standard on its financial statements.

• IFRS 11 ''Joint Arrangements'' (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2014).

IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The types of joint arrangements are reduced to two: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed. Equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations today. The standard also provides guidance for parties that participate in joint arrangements but do not have joint control. Cyta is currently evaluating the impact of this standard on its financial statements.

• IFRS 12 ''Disclosure of Interests in Other Entities'' (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2014).

IFRS 12 requires entities to disclose information, including significant judgments and assumptions, which enable users of financial statements to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. An entity can provide any or all of the above disclosures without having to apply IFRS 12 in its entirety, or IFRS 10 or 11, or the amended IAS 27 or 28. Cyta is currently evaluating the impact of this standard on its financial statements.

• Transition Guidance for IFRS 10, 11 & 12 (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2014).

The amendment to the transition requirements in IFRSs 10, 11 and 12 clarifies the transition guidance in IFRS 10 and limits the requirements to provide comparative information for IFRS 12 disclosures only to the period that immediately precedes the first annual period of IFRS 12 application. Comparative disclosures are not required for interests in unconsolidated structured entities. Cyta is currently evaluating the impact of this standard on its financial statements.

• IAS 27 (Revised) ''Separate Financial Statements'' (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2014).

This Standard is issued concurrently with IFRS 10 and together, the two IFRSs supersede IAS 27 "Consolidated and separate financial statements". The amended IAS 27 prescribes the accounting and disclosure requirements for investment in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. At the same time, the Board relocated to IAS 27 requirements from IAS 28 "Investments in Associates" and IAS 31 "Interests in Joint Ventures" regarding separate financial statements. Cyta is currently evaluating the impact of this standard on its financial statements.

2. BASIS OF PREPARATION (continued)

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

(i) Standards and Interpretations adopted by the EU (continued)

- IAS 28 (Revised) ''Investments in Associates and Joint ventures'' (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2014).

  IAS 28 "Investments in Associates and Joint Ventures" replaces IAS 28 "Investments in Associates". The objective of this Standard is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures, following the issue of IFRS 11. Cyta is currently evaluating the impact of this standard on its financial statements.

- IAS 32 (Amendments) ''Offsetting Financial Assets and Financial Liabilities'' (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2014).

  This amendment to the application guidance in IAS 32 clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. Cyta is currently evaluating the impact of this standard on its financial statements.

- IAS 36 (Amendments) ''Recoverable Amount-Disclosures for Non-Financial Assets'' (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2014).

  This amendment requires:
  a) disclosure of the recoverable amount of an asset or cash generating unit (''CGU'') when an impairment loss has been recognised or reversed and
  b) detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed. Also, it removes the requirement to disclose recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. Cyta is currently evaluating the impact of this standard on its financial statements.

- IAS 39 (Amendments) ''Financial Instruments: Recognition and Measurement'', Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014).

  This amendment will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulations, if specific conditions are met. Cyta is currently evaluating the impact of this standard on its financial statements.

- Annual Improvements to IFRSs 2010–2012 Cycle (effective the latest as from the commencement date of its first annual period beginning on or after 12 March 2014)

  In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs, Annual Improvements to IFRSs 2010-2012 Cycle (published in November 2012). Cyta is currently evaluating the impact of this standard on its financial statements.

2. BASIS OF PREPARATION (continued)

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

(i) Standards and Interpretations adopted by the EU (continued)

- Annual Improvements to IFRSs 2011–2013 Cycle (effective the latest as from the commencement date of its first annual period beginning on or after 12 March 2014)

  In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the Exposure Draft of proposed amendments to IFRSs, Annual Improvements to IFRSs 2011-2013 Cycle (published in November 2012). Cyta is currently evaluating the impact of this standard on its financial statements.

(ii) Standards and Interpretations not adopted by the EU

- IFRS 7 (Amendments) ''Financial Instruments'' Disclosures – ''Disclosures on transition to IFRS 9'' (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2015).

  This amendment sets out disclosure requirements for transferred financial assets that are not entirely derecognized as well as on transferred financial assets entirely derecognized but for which the entity has continuing involvement. It also provides guidance on the application of the required disclosures. Cyta is currently evaluating the impact of this standard on its financial statements.

- IFRS 9 ''Financial Instruments'' (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2016).

  On 12 November 2009, the International Accounting Standards Board published the first phase of IFRS 9 which, upon completion, will replace IAS 39. The first phase of IFRS 9 requires the classification of financial assets based on how an entity manages these instruments and the contractual cash flow characteristics of the financial assets. The four categories of financial instruments are abolished and the financial assets are classified under one out of the two measurement categories available: amortized cost and fair value through profit or loss. Cyta is currently evaluating the impact of this standard on its financial statements.

- IFRS 14 ''Regulatory Deferral Accounts'' (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2016).

  IFRS 14 permits an entity which is a first time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for ''regulatory deferral account balances'' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Cyta is currently evaluating the impact of this standard on its financial statements.

- IFRIC 21 ''Levies'' (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2014).

  IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. Cyta is currently evaluating the impact of this standard on its financial statements.

2. BASIS OF PREPARATION (continued)

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

The Board of Directors expects that the adoption of the above financial reporting standards in future periods will not have a significant effect on the financial statements of Cyta except from:

- **The adoption of IFRS 9** which could change the classification and measurement of financial assets. The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. Cyta does not intend to adopt the existing version of IFRS 9 until this is endorsed by the European Union. The Authority has not yet assessed the impact of the adoption of IFRS9 in its financial statements.

- **IFRS 10,** Consolidated financial statements'. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is effective for annual periods beginning on or after 1 January 2014.

- **IFRS 12,** "Disclosures of Interests in Other Entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is effective for annual periods beginning on or after 1 January 2014.

(d) Use of estimates and judgements

The preparation of financial statements in accordance with IFRSs requires from Management the exercise of judgment, 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:

- Impairment loss on bank deposits

  As of 26 March 2013, Cyta held deposits of €42.770.331 in Bank of Cyprus and €14.145.486 in Laiki Bank. Following the Eurogroup decision on 25 March 2013, Cyta's bank deposit balances with Laiki and uninsured bank deposit balances with Bank of Cyprus have suffered an impairment loss. In estimating the impairment loss suffered, Cyta has assessed that in view of the resolution of Laiki Bank, it will not be able to recover any amounts and as a result has recognised an impairment loss of €14.145.486. In estimating the impairment loss on the uninsured bank balances with Bank of Cyprus held as of 26 March 2013, Cyta has considered that there was no impairment loss on the bank deposits which had not been converted into shares, but an impairment loss has been suffered as a result of the conversion of 47,5% of the uninsured bank deposits into ordinary shares of Bank of Cyprus. The impairment loss has been estimated at €15.846.407, being the difference between the deposit balance of €42.770.331 which was converted into 20.315.907 ordinary shares of Bank of Cyprus and the fair value of these shares which has been estimated at €0.22 per share.

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

In the absence of a listed market price for the Bank of Cyprus shares, and in view of the drastic changes in the activities, operations and structure of Bank of Cyprus as a result of the Eurogroup decisions in March 2013, Cyta has estimated the fair value of the shares both for the purposes of initial recognition of the shares and as of 31 December 2013, using a level 3 valuation. The approach followed in this valuation entailed consideration of comparable price-to-book value multiples on which adjustments have made to take into consideration differences in liquidity, capital adequacy, credit rating and also impact of bail-in relating specifically to Bank of Cyprus. Such adjustments entail significant degree of estimation, uncertainty and judgment.

• 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 profit or loss. 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 recognised in the profit or loss. 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.

• Fair value of financial assets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Cyta uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the financial assets available for sale has been estimated based on the fair value of these individual assets.

• Impairment of investments in subsidiaries/associates

Cyta periodically evaluates the recoverability of investments in subsidiaries/associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries/associates may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

- Retirement benefits

  The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rate of return on plan assets, future salary increases, mortality rates and future pension increases where necessary. Cyta sets these assumptions based on market expectations at the reporting date using best-estimates for each parameter covering the period over which obligations are to be settled. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

- 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 judgment. In making this judgment, 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.

(e) Restatement of comparative financial information

On 1 January 2013, the changes as defined by IAS 19 (Amendment) ''Employee Benefits'' were adopted. The main changes relate to the recognition of actuarial profits and losses, the recognition of previous service / curtailment cost, measurement of pension expense and the required disclosures, as well as the distinction between short and long term benefits. The changes for comparison purposes and in accordance with IAS 19 (Amendment) ''Employee benefits'' have been applied retrospectively and have been expressed in the financial statements in accordance with the requirements of IAS 8 ''Accounting Policies, Changes in Accounting Estimates and Errors'', resulting in the restatement of prior years financial items. As a result of the above change, the following adjustments were made to the financial statements:

	31.12.2012		
	Restated	**Published**	**Adjustments**
	€´000	**€´000**	**€´000**
Non-current assets			
Other assets	61.053	24.961	36.092
Total non-current assets	**626.802**	**590.710**	**36.092**
Total assets	**1.026.607**	**990.515**	**36.092**
Equity			
Retained earnings	887.015	875.915	11.100
Actuarial gains reserve	24.992	-	24.992
Total equity	**912.276**	**876.184**	**36.092**
Total equity and liabilities	**1.026.607**	**990.515**	**36.092**

2. BASIS OF PREPARATION (continued)

(e) Restatement of comparative financial information (continued)

	31.12.2011		
	Restated	Published	Adjustments
	€´000	€´000	€´000
Non-current assets			
Other assets	41.303	24.399	16.904
Total non-current assets	**580.851**	**563.947**	**16.904**
Current assets			
Other assets	7.342	7.342	-
Total current assets	**404.491**	**404.491**	-
Total assets	**985.342**	**968.438**	**16.904**
Equity			
Actuarial gains reserve	16.904	-	16.904
Total equity	**891.630**	**874.726**	**16.904**
Total equity and liabilities	**985.342**	**968.438**	**16.904**

After the restatement, the statement of profit or loss and other comprehensive Income for the year 2012 is as follows:

	1.1.2012 - 31.12.2012		
	Restated	Published	Adjustments
	€´000	€´000	€´000
Operating expenses	(385.900)	(393.113)	7.213
Gross profit	**65.863**	**58.650**	**7.213**
Profit from operating activities	**70.890**	**63.678**	**7.212**
Profit before tax	**58.593**	**47.624**	**10.969**
Profit for the year	**51.375**	**40.275**	**11.100**
Other comprehensive income			
Remeasurement of Defined Pension Fund obligation	**8.088**	-	**8.088**
Other comprehensive income for the year	**5.921**	**(2.167)**	**8.088**
Total comprehensive income for the year	**57.296**	**38.108**	**19.188**

(f) Functional and presentation currency

The financial statements are presented in Euro (€´000) which is the functional and presentation currency of Cyta. The amounts presented in the financial statements are rounded to the nearest thousand unless otherwise stated. The functional currency is the currency of the primary economic environment in which the Cyta in which the elements of financial statements are measured.

(g) Change in accounting policy

As from 1 January 2013 Cyta has changed the following accounting policies:

• Presentation of financial statements

Cyta has adopted IAS1 (revised) ''Presentation of financial statements'', as a result of the adoption of which, Cyta presents in the statement of changes in equity all owners changes in equity, whereas all non-owners changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. The change in the accounting policy impacts only presentation aspects.

2. BASIS OF PREPARATION (continued)

(g) Change in accounting policy (continued)

• IFRS 13 ''Fair Value Measurement''
In the current year Cyta has applied IFRS 13 for the first time. IFRS 13 is applied from 1 January 2013 onwards but the disclosures do not need to be applied for the comparative information provided for periods before the initial application of the standard. The adoption of IFRS 13 did not have any effect on the profit or loss of Cyta but has led to significant additional disclosures in the financial statements of Cyta.

• IAS 19 (Amendment) ''Employee Benefits'':
This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits (eliminates the corridor approach) and to the disclosures for all employee benefits. The key changes relate mainly to recognition of actuarial gains and losses, recognition of past service cost / curtailment, measurement of pension expense, disclosure requirements and distinction between ''short-term'' and ''other long-term'' benefits.

Cyta has restated the comparative figures on the comparative financial reporting due to the adoption of IAS 19 (Amendment) ''Employee Benefits''. For the impact of the restatement please refer to Note 2(e).

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these financial statements and in stating the financial position of Cyta unless where it stated otherwise.

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 Cyta has significant influence, but no control over the financial and operating policies. Investments in associated undertakings are stated at cost less provision for permanent diminution in value, which is recognised as an expense in the period in which the diminution is identified.

Interests in joint ventures
A joint venture is a contractual arrangement whereby Cyta and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where Cyta undertakes its activities under joint venture arrangements directly, Cyta's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of Cyta's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from Cyta and their amount can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in joint ventures (continued)

Any goodwill arising on the acquisition of Cyta's interest in a jointly controlled entity is accounted for in accordance with Cyta's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where Cyta transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of Cyta's interest in the joint venture.

Revenue recognition

Revenue is recognised to the extent that Cyta has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to Cyta.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenues earned by Cyta are recognised on the following bases:

• Sale of goods

Sales of goods such as device sales are recognised when significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually when Cyta has sold or delivered goods to the customer, the customer has accepted the goods and collectibility of the related receivable is reasonably assured.

• Operating revenue

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

Cyta principally obtains revenue from providing the following telecommunication services: access charges, airtime usage, messaging, interconnect fees, data services and information provision and terminal equipment sales.

Revenue for access charges, airtime usage and messaging by contract customers is recognised as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from interconnect fees is recognised at the time the services are performed.

Revenue from data services and information provision is recognised when Cyta has performed the related service.

Revenues from subscriber TV services are recognized in the period the services are provided. Revenue from TV services subscriptions relate to monthly subscriptions provided by Cyta. Such revenue is recognised on a gross basis when Cyta is acting as a principal and on a net basis if Cyta is acting as an agent.

• Commission income

Commission income is recognised when the right to receive payment is established.

• Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- Interest income

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

- 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. The assets of the defined benefit plan are held in a separate trustee-administered fund. This plan is mainly funded by Cyta.

A provision for the contribution to this scheme is made on an monthly basis so that adequate reserves are created during the working life of the employees, so that a lump sum amount is given to them upon the termination of their services. From October 2011, under the first package of austerity measures, the members of the Pension Scheme are making contributions amounting to 5%.

The cost of the defined benefit scheme is charged in the statement of profit or loss 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.

In addition, based on the changes to IAS 19 (Amendment), actuarial gains/ (losses) as from 2013 onwards, are recognised in the statement of other comprehensive income while earlier, Cyta recognised actuarial gains/ (losses) in the income statement over a period equal to the average remaining working life of Cyta's employees. For the effect of this adoption to the statement of financial position of Cyta, see note 2(e) ''Restatement of comparative financial information''. The latest actuarial valuation was conducted on 31 December 2013.

Retirement benefit scheme of hourly paid employees

Cyta operates a defined contribution scheme for its hourly paid employees. The assets of the defined contribution plan are held in a separate trustee-administered fund.

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 partime 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 is charged in the statement of profit or loss at the reporting period.

Debtors and provisions for bad debts

Trade receivables are stated at their nominal values plus interests less any provision for bad debts which is considered to be their fair value. Bad debts are written off to profit or loss and a specific provision is made, where it is considered necessary. No general provision for bad debts is made. Trade debtors are stated after deducting the specific provision for bad and doubtful debts, if any.

Finance income

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

Financing expenses

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 profit or loss.

Monetary assets and liabilities denominated in foreign currencies are translated into Euro using the rate of exchange ruling at the reporting date. The exchange differences that arise are transferred to profit or loss, and are presented separately when considered material.

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 tax 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.

Dividends

The amount of the dividend, as well as the timing of the payment, are determined by the Board of Ministers, after a relevant decision by the Minister of Finance, which is taken after a discussion with Cyta's Board of Directors. Dividend distribution to Cyprus Government is recognised in Cyta's financial statements in the year in which the underlying process is completed.

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 appropriate costs.

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

(b) Depreciation on leased property is calculated by equal monthly 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 and works of art.

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 profit or loss 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.

An item of property, plant 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 property, plant 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.

In the year of disposal of property, plant and equipment depreciation is charged up until the last month prior to its disposal.

Deferred income

Deferred income represents income receipts which relate to future periods.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Shop Goodwill

Goodwill on the acquisition of shops is measured initially at purchase cost and is amortised on a straight line basis over its estimated useful lives.

Computer software

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

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.

The expected useful economic life of computer software ranges from 3 to 7 years.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Cyta as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of Cyta's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on Cyta's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Cyta as lessee

The leases of Cyta are classified as finance leases, if they transfer to Cyta substantially all the risks and rewards incidental to ownership of an asset. Cyta recognises a finance lease as an asset and liability at the lower of the fair value of the leased asset and the present value of minimum lease payments.

The payments are apportioned between the finance expenses and the decrease of the finance lease obligations based on the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

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 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.

Amounts receivable in more than one year from the reporting 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) Prepayments from clients

Payments received in advance on sale contracts for which no revenue has been recognised yet, are recorded as prepayments from clients as at the reporting date and carried under liabilities.

(iii) Loans granted

Loans originated by Cyta by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that Cyta will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

(iv) Investments

Cyta classifies its investments in equity and debt securities in the following categories: available-for-sale financial assets and held-to-maturity investments. 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 reporting date.

• Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturity that the management has the positive intent and ability to hold to maturity, other than loans and receivables originated by Cyta, are classified as held-to-maturity investments. Such investments are included in non-current assets, except for maturities within twelve months from the reporting date, which are classified as current assets.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) Investments (continued)

- Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Regular way purchases and sales of investments are recognised on trade-date which is the date on which Cyta 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. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and Cyta has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and then in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss.

Cyta 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 financial assets 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 the 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.

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.

Fair value measurement

Policy applicable from 1st January 2013

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, Cyta measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) Investments (continued)

If there is no quoted price in an active market, then Cyta uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the main factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price-i.e. the fair value of the consideration given or received.

If Cyta determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then Cyta measures assets and long positions at a bid price and liabilities and short positions at an ask price. Cyta recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Policy applicable before 1st January 2013

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

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), Cyta establishes fair value by using valuation techniques. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. 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.

(v) Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

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

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

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
• the rights to receive cash flows from the asset have expired;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and liabilities (continued)

- Cyta retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- Cyta has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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).

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 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.

Provisions

Provisions are recognised when Cyta 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 Cyta 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current liabilities

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

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in accounting policies, the adoption of new and revised International Financial Reporting Standards and the presentation in the current financial year.

4. OPERATING REVENUE

	2013 €´000	2012 €´000
Fixed Telephony	87.624	95.806
Mobile Telephony	164.604	186.556
Other Services	182.033	169.401
	434.261	451.763

5. OPERATING EXPENSES

	2013 €´000	2012 €´000 Restated*
Calls terminated to other networks	10.902	11.268
Supplementary pensions	2.648	2.553
Rent	2.639	2.758
Management Consultancy fees	3.991	3.931
Cost of terminal equipment sold	17.775	15.427
Stationery and printing	678	784
Electricity and water	12.921	14.860
Maintenance costs	26.314	30.791
Mobile telephony licence fees	4.276	3.537
Leased circuits rentals	2.871	5.182
Outpayments to telecommunication organisations	23.276	26.416
Staff costs	125.527	131.222
Gratuities	-	6.359
Advertising expenses	13.208	16.573
Cytavision licences	25.623	27.812
Other expenses	12.166	15.021
Provision for doubtful debts (Note 21)	4.107	4.552
Pension fund cost (Note 8)	4.207	13.801
Amortisation of intangible assets (Note 14)	12.183	14.343
Depreciation (Note 13)	44.581	48.529
	349.893	395.719
Less: Wages and other costs that are capitalised or repayable by third parties	(9.198)	(9.819)
	340.695	385.900

*: See Note 2(e)

6. OTHER OPERATING EXPENSES

	2013 €´000	2012 €´000
Impairment charge of cash and cash equivalent	29.992	-
Write off of obsolete fixed assets	410	1.857
	30.402	1.857

Impairment of cash and cash equivalent includes impairment of cash held with Laiki Bank and Bank of Cyprus. Specifically, as of 26 March 2013, Cyta held deposits of €42.770.331 in Bank of Cyprus and €14.145.486 in Laiki Bank. Following the Eurogroup decision on 25 March 2013, Cyta's bank deposit balances with Laiki and uninsured bank deposit balances with Bank of Cyprus have suffered an impairment loss. In estimating the impairment loss suffered, Cyta has assessed that in view of the resolution of Laiki Bank, it will not be able to recover any amounts and as a result has recognised an impairment loss of €14.145.486. In estimating the impairment loss on the uninsured bank balances with Bank of Cyprus held as of 26 March 2013, Cyta has considered that there was no impairment loss on the bank deposits which had not been converted into shares, but an impairment loss has been suffered as a result of the conversion of 47,5% of the uninsured bank deposits into ordinary shares of Bank of Cyprus. The impairment loss has been estimated at €15.846.407, being the difference between the deposit balance of €42.770.331 which was converted into 20.315.907 ordinary shares of Bank of Cyprus and the fair value of these shares which has been estimated at €0,22 per share.

7. OTHER INCOME

	2013 €´000	2012 €´000
Bad debts recovered previously provided for (Note 21)	177	123
Sundry operating income	2.447	4.612
Gain from sale of property, plant and equipment	164	161
Dividend from subsidiary company	-	1.881
Income from investments	57	53
Rental income	54	54
	2.899	6.884

8. PENSION SCHEMES

(i) Defined Benefit Plan

The latest actuarial valuation was carried out as at 31 December 2013. The assets used for the purposes of the actuarial valuation were as extracted from the accounts of the Pension Fund for the year 2013.

Based on the changes to IAS 19 (Amendment), actuarial gains/ (losses) as from 2013 onwards, are recognised in the statement of other comprehensive income while earlier, Cyta recognised actuarial gains/ (losses) in the income statement over a period equal to the average remaining working life of Cyta's employees. For the effect of this adoption to the statement of financial position of Cyta, see note 2(e) ''Restatement of comparative financial information''.

Cyta's net asset for retirement benefits in the pension Scheme is as follows:

	2013 €´000	2012 €´000 Restated *
Long-term Pension scheme asset	64.697	61.053
	64.697	61.053

*: See Note 2(e)

8. PENSION SCHEMES (continued)

(i) Defined Benefit Plan (continued)

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.

From October 2011, under the first package of austerity measures, the members of the Pension Scheme are making contributions amounting to 5%.

Retirement benefits to Members until 31 December 2012 were calculated as follows:

(a) Annual pension 1/800 of the pensionable salary of the member for each month of service with a maximum of 400/800 and a lump sum equal to the annual pension multiplied by fourteen and split the resulting sum by three.

The personnel serving the Authority upon entry into force of the Pensions of Employees of Cyprus Telecommunications Authority (Amendment) Regulations 2005 as well as the staff appointed to a permanent position after the entry into force of the said Regulations, and retires:

(i) upon the completion of the 61st year of age for male employees and the completion of the 56th year of age for female employees, together with the completion of 412 months of minimun pension eligeable service, the coefficient factor for the calculation of the lump sum amount is 14,5/3,

(ii) upon the completion of the 62nd year of age for male employees and the 57th year of age for female employees, together with the completion of 424 months of minimum pension eligeable service, the coefficinet factor for the calculation of the lump sum amount is 15/3, and

(iii) upon the completion of the 63rd year of age for male employees and the 58th year of age for female employees, together with the completion of 436 months of minimun pension eligeable service, the coefficient factor for the calculation of the lump sum amount is 15,5/3.

(b) Additional 13th month’s pension each year, equal to the 1/12 of the annual pension as calculated based on the above provisions.

Retirement benefits to members as from 1 January 2013 are calculated over the average gross pensionable salaries for total service for 1/800 of the pensionable salary of the member for each month of service with a maximum of 400/800 and a lump sum equal to the annual pension multiplied by fourteen and split the resulting sum by three.

The amounts which appears in the statement of financial position regarding retirement benefits that arise from the pension scheme are in accordance with the actuarial valuation as at 31 December 2013 for the defined benefit plan and is as follows:

	2013 €´000	2012 €´000 Restated *
Present value of funded obligations	569.861	639.567
Fair value of scheme's assets	(634.558)	(700.620)
Net asset in statement of financial statements	(64.697)	(61.053)

*: See Note 2(e)

8. PENSION SCHEMES (continued)

(i) Defined Benefit Plan (continued)

The amounts which appear in the statement of profit and loss regarding retirement benefits that arise from the pension scheme are in accordance with the actuarial valuation as at 31 December 2013 for the defined benefit plan and are as follows:

	2013 €´000	2012 €´000 Restated *
Current service cost (Note 5)	4.207	13.801
Net interest on the net benefit asset (Note 10)	(2.525)	(3.247)
Total expense recognised in profit or loss	1.682	10.554

*: See Note 2(e)

Movements in net asset recognised in statement of financial position:

	2013 €´000	2012 €´000
Net asset in statement of financial statements at the beginning of the period	(61.053)	(42.971)
Actual Contributions paid by Cyta	(14.359)	(20.548)
Total actuarial loss/gain recognised in other comprehensive income	(9.033)	(8.088)
Total expense recognised in the statement of comprehensive income	1.682	10.554
Net asset in statement of financial statements	(64.697)	(61.053)

*: See Note 2(e)

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

	2013 €´000	2012 €´000 Restated *
Current retirement obligation at the beginning of the year	639.567	729.582
Current service cost	4.207	13.801
Interest cost (Note 10)	22.482	36.046
Contributions by participants	4.127	4.252
Net benefits paid out from Pension Scheme	(24.630)	(29.313)
Actuarial gains	(75.892)	(114.801)
Retirement benefit obligation at the end of the year	569.861	639.567

*: See Note 2(e)

Changes to the fair value of plan assets during the year:

	2013 €´000	2012 €´000
Fair value of the Scheme's assets at the beginning of the year	700.620	772.553
Expected return on plan assets	25.007	39.293
Contributions by the employer	14.359	20.548
Contributions by participants	4.127	4.252
Net benefits paid out by the Scheme	(24.630)	(29.313)
Actuarial losses	(84.925)	(106.713)
Fair value of the scheme's assets at the end of the year	634.558	700.620

*: See Note 2(e)

8. PENSION SCHEMES (continued)

(i) Defined Benefit Plan (continued)

The cumulative amount recognised in the statement of other comprehensive income as at 31 December 2013 is €15.958.507 (2012: €24.992.291).

Remeasurements:

	2013 €´000	2012 €´000
Gain in liability remeasurement	75.892	114.801
Return on plan assets excluding amounts included in interest income	(84.925)	(106.713)
Total actuarial (loss)/gain recognised in other comprehensive income	(9.033)	8.088

Actual return on Plan assets:

	2013 €´000	2012 €´000
Expected return on plan assets	25.007	39.293
Actuarial losses on assets	(84.925)	(106.713)
	(59.918)	(67.420)

Plan assets comprise:

	2013		2012	
	€´000	%	€´000	%
Shares listed	25.969	4,09	20.231	2,89
Property	52.910	8,34	58.971	8,42
Alternative investments	10.831	1,71	11.059	1,58
Bonds	251.515	39,64	247.488	35,32
Cash	236.081	37,20	314.035	44,82
Loans receivable	54.910	8,65	48.372	6,90
Net receivables	2.342	0,37	464	0,07
	634.558	100,00	700.620	100,00

The principal actuarial assumptions used for the actuarial valuation were:

	2013 % ανά έτος	2012 % ανά έτος
Discount Rate	3,71%	3,58%
Price Inflation	2,00%	2,00%
Expected return on investments	3,71%	3,58%
Total Salary Increases	2014-2017: 0,00%	2013-2016: 2,00%
	2018: 1%	2017: 3,50%
	2019: 1,50%	
	2020: 2,00%	
	2021+: 2,50%	
Pension increases	2014-2017: 0,00%	2013-2016: 0,00%
	2018-2020: 1,00%	2017+: 1,50%
	2021+: 1,50%	
Increase on Maximum Insurable Earnings Limit	3,00%	3,00%
Mortality	EVK 2000	EVK 2000
Plan duration	15,79	16,99

8. PENSION SCHEMES (continued)

(i) Defined Benefit Plan (continued)

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Defined benefit obligation		
	Change	Impact 2013	Impact 2012
	%	%	%
Discount Rate	0,50	(6,70)	(7,20)
	(0,50)	7,50	8,00
Price Inflation	0,50	5,30	7,80
	(0,50)	(4,70)	(7,00)
Salaries	0,50	2,70	4,20
	(0,50)	(2,50)	(4,00)
Pensions	0,50	2,40	3,40
	(0,50)	(2,30)	(3,20)
Life expectancy	0,50	0,00	0,00
	(0,50)	0,00	0,00

Assumptions regarding current year's future mortality rates are according to the table EVK 2000, which is based on the mortality rates in Switzerland.

The estimated regular statement of profit or loss charge for the financial year 2014 is as follows:

	€´000
Current service cost	2.503
Net interest charge	(2.540)
Total	(37)

The actual statement of profit or loss charge will remain unknown until the end of the year, where any potential additional costs will be determined.

Expected contributions to be paid to the defined pension plan for the financial year 2014 is €7.523.014 (2012: €18.975.728).

Expected benefits to be paid from the defined pension plan for the financial year 2014 is €22.584.868 (2012: €23.165.576).

(ii) 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 2013 amounted to €283.008 (2012: €258.884).

9. OPERATING PROFIT

	2013 €´000	2012 €´000
Operating profit from operating activities is stated after charging the following items:		
Profit from sale of property, plant and equipment (Note 7)	(164)	(161)
Amortisation of mobile telephony license (Note 14)	1.089	1.089
Amortisation of computer software (Note 14)	11.076	13.236
Amortisation of shop goodwill (Note 14)	18	18
Depreciation of property, plant and equipment (Note 13)	44.581	48.529
Auditors' remuneration for the statutory audit of annual accounts	30	30
Impairment charge investments in subsidiaries	24.735	20.949
Impairment charge of cash and cash equivalent	29.992	-

10. FINANCE INCOME AND EXPENSES

	2013 €´000	2012 €´000 Restated *
Interest income	12.357	11.681
Net interest on the net defined benefit asset	2.525	3.247
Exchange profit	833	1.092
Effective interest rate on held-to-maturity investments	10	170
Finance income	15.725	16.190
Net foreign exchange transaction losses	1.443	1.568
Bank charges and other interest	159	386
Finance expenses	1.602	1.954
Net finance income	14.123	14.236

Interest revenue is analysed as follows:

	2013 €´000	2012 €´000
Bank deposits	8.810	9.325
Other loans and receivables	6	182
Held-to-maturity investments	3.541	2.174
	12.357	11.681

11. NET LOSS FROM INVESTING ACTIVITIES

	2013 €´000	2012 €´000
Impairment charge-investments in subsidiaries	24.735	20.949
	24.735	20.949

During the year ended 31 December 2013, Cyta has impaired its investment in Digimed Communications Limited by €24.734.522 (2012: €20.948.970). The impairment was due to the continuing negative financial performance of the company that had as a result the reduction of its net assets relative to the initial cost of the investment.

12. TAXATION

	2013 €´000	2012 €´000
Income tax-current for the year	9.770	5.745
Income tax-prior years	(573)	(1.241)
Defence contribution-current for the year	3.025	1.727
Deferred tax-charge (Note 26)	5.121	987
Charge for the year	17.343	7.218

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

	2013 €´000	2012 €´000 Restated *
Accounting profit before tax	54.788	58.593
Tax calculated at the applicable tax rates	6.849	5.859
Tax effect of expenses not deductible for tax purposes	14.537	11.207
Tax effect of allowances and income not subject to tax	(11.611)	(11.321)
Defence contribution-current year	3.025	1.727
Deferred tax	5.121	987
Prior year taxes	(573)	(1.241)
Overseas tax in excess of credit claim used during the year	(5)	-
Tax charge	17.343	7.218

*: See Note 2(e)

Cyta profits are subject to income tax at the rate of 12,5% (2012:10%). On 18 April 2013 legislation was enacted by the House of Representatives to increase the corporate tax from 10% to 12.5% with effect from 1 January 2013.

In addition, 75% of the gross rents receivable are subject to defence contribution at the rate of 3%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30% (2012:15%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter.

Group companies may deduct losses against profits arising during the same tax year.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Assets under construction	Buildings on leasehold land	Telecommunication plant and equipment	Motor vehicles	Furniture, fixtures and office equipment	Computer hardware and systems	Total
	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000
Cost								
Balance at 1 January 2012	84.457	52.681	2.685	1.013.932	12.059	6.725	31.562	1.204.101
Additions	648	6.358	318	43.355	241	204	1.751	52.875
Disposals/ Withdrawals	(261)	-	-	(42.883)	(75)	(14)	(594)	(43.827)
Transfers	62	(23.082)	24	16.022	-	-	136	(6.838)
Balance at 31 December 2012	84.906	35.957	3.027	1.030.426	12.225	6.915	32.855	1.206.311
Balance at 1 January 2013	84.906	35.957	3.027	1.030.426	12.225	6.915	32.855	1.206.311
Additions	148	225	-	23.855	582	69	215	25.094
Disposals/ Withdrawals	(18)	-	-	(35.287)	(1.130)	-	(1.469)	(37.904)
Transfers	35	(12.413)	-	10.544	-	-	806	(1.028)
Balance at 31 December 2013	85.071	23.769	3.027	1.029.538	11.677	6.984	32.407	1.192.473
Depreciation								
Balance at 1 January 2012	31.179	-	1.693	745.622	10.165	5.578	27.386	821.623
Depreciation for the year (Note 9)	2.146	-	115	43.857	453	243	1.715	48.529
On disposals/ withdrawals	(180)	-	-	(32.591)	(57)	(2)	(592)	(33.422)
Balance at 31 December 2012	33.145	-	1.808	756.888	10.561	5.819	28.509	836.730
Balance at 1 January 2013	33.145	-	1.808	756.888	10.561	5.819	28.509	836.730
Depreciation for the year (Note 9)	2.131	-	127	39.450	737	234	1.902	44.581
On disposals/ withdrawals	(12)	-	-	(31.087)	(1.128)	-	(1.468)	(33.695)
Transfers	-	-	-	(539)	-	-	4	(535)
Balance at 31 December 2013	35.264	-	1.935	764.712	10.170	6.053	28.947	847.081
Carrying amounts								
Balance at 31 December 2013	49.807	23.769	1.092	264.826	1.507	931	3.460	345.392
Balance at 31 December 2012	51.761	35.957	1.219	273.538	1.644	1.096	4.346	369.581
Balance at 1 January 2012	53.278	52.681	992	268.310	1.894	1.147	4.176	382.478

(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 €261.315 (2012: €261.315) included in the financial statements, were in the course of being registered in the name of Cyta at the year end.

14. INTANGIBLE ASSETS

	Mobile Telephony Licence €´000	Computer software €´000	Shop Goodwill €´000	Total €´000
Cost				
Balance at 1 January 2012	22.388	228.393	164	250.945
Additions	-	11.838	-	11.838
Disposals/ Withdrawals	-	(7.511)	-	(7.511)
Transfers	-	6.838	-	6.838
Balance at 31 December 2012	22.388	239.558	164	262.110
Balance at 1 January 2013	22.388	239.558	164	262.110
Additions	-	7.643	-	7.643
Transfers	-	1.028	-	1028
Disposals/ Withdrawals	-	(183)	-	(183)
Balance at 31 December 2013	22.388	248.046	164	270.598
Amortisation				
Balance at 1 January 2012	9.317	209.099	36	218.452
On disposals/ withdrawals	-	(7.481)	-	(7.481)
Amortisation for the year (Note 9)	1.089	13.236	18	14.343
Balance at 31 December 2012	10.406	214.854	54	225.314
Balance at 1 January 2013	10.406	214.854	54	225.314
On disposals/ withdrawals	-	(183)	-	(183)
Amortisation for the year (Note 9)	1.089	11.076	18	12.183
Transfers	-	535	-	535
Balance at 31 December 2013	11.495	226.282	72	237.849
Carrying amounts				
Balance at 31 December 2013	10.893	21.764	92	32.749
Balance at 31 December 2012	11.982	24.704	110	36.796
Balance at 1 January 2012	13.071	19.294	128	32.493

15. INVESTMENTS IN SUBSIDIARIES

	2013 €´000	2012 €´000
Balance at 1 January	110.123	101.072
Additions	-	30.000
Impairment charge	(24.735)	(20.949)
Balance at 31 December	85.388	110.123

The details of the subsidiaries are as follows:

Name	Country of incorporation	Holding 2013 %	Holding 2012 %	2013 €´000	2012 €´000
Digimed Communications Limited	Cyprus	100	100	85.388	110.123
				85.388	110.123

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

During the year ended 31 December 2013, Cyta has impaired its investment in Digimed Communications Limited by €24.734.522 (2012: €20.948.970). The impairment was due to the continuing negative financial performance of the company that had as a result the reduction of its net assets relative to the initial cost of the investment.

16. INVESTMENTS IN ASSOCIATED UNDERTAKINGS

	2013 €´000	2012 €´000
Balance at 1 January	1.480	1.480
Balance at 31 December	1.480	1.480

The details of the investments are as follows:

Name	Country of incorporation	Principal activities	Holding 2013 %	Holding 2012 %	2013 €´000	2012 €´000
Cyta Hellas A.E.	Greece	Broadband Services	3,84	3,84	1.480	1.480
					1.480	1.480

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 €´000	2012 €´000
Balance at 1 January	3.757	2.587
Additions	6.179	-
Disposals	(1.709)	-
Reclassification from held to maturity investments (Note 18)	-	3.337
Fair value change through reserves	28	(2.167)
Balance at 31 December	8.255	3.757
Less non-current portion	(6.410)	(3.757)
Current portion	1.845	

Financial assets available for sale consist of:

(i) 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 2013 was €1.718.726 (2012: €1.902.957).

(ii) Cyta holds 150.909 shares of nominal value 0,01 US dollars each in Pendrell Corporation Ltd (formerly known ICO Global Communications (Holdings) Limited). The company is listed in the NASDAQ stock exchange. The total value of Cyta's investment at 31 December 2013 was 303.327 US dollars (€221.429) (2012: €145.657).

(iii) In accordance with the provisions of the Bailing-in of Bank of Cyprus Public Company Limited Decree of 2013 and the conversion of the 47,5% of Bank's bailed-in eligible deposits, were issued to Cyta 20.315.907 Bank of Cyprus ordinary shares of nominal value of €1each. In the absence of a quoted price of Bank of Cyprus share and following the Eurogroup's decision in March 2013 which brought drastic changes on the activities, procedures and structure of the Bank, for the purpose of the valuation of the shares at initial recognition and as at 31 December 2013 Cyta calculated the fair value of the shares based on Level 3. The fair value of the shares as at 31 December 2013 has been estimated at €0,22 per share and their total value amounts to €4.469.500.

(iv) Until 30 October 2013, Cyta held 3.417.202 non-cumulative convertible capital securities of nominal value 1 Euro each in Hellenic Bank (CSE ISIN: HBCCS). As at 31 October 2013, in exchange of the 3.417.202 non-cumulative convertible capital securities were issued to Cyta 3.417.202 Convertible Capital Securities 1 ('CCS1'), of nominal value €1 per share, and 1 Convertible Capital Securitie 2 ('CCS2'), of nominal value €1 per share.

The Convertible Capital Securities 1 are perpetual securities with no maturity date. Under the terms of their issue, they bear an annual fixed interest rate of 11% which is payable on a quarterly basis at the end of each Interest Payment period. Interest payment dates are set to be the 31st of March, 30th of June, 30th of September and 31st of December. Furthermore, both CCS1 and CCS2 are mandatorily converted into ordinary shares if the Capital Adequacy requirements of the Bank or the Group is reduced below 9%.

As at 9 December 2013, the interest payments were cancelled due to the absence of the required Available Distributable Items of the Bank. On 28 February 2014, Hellenic Bank announced that the Convertible Capital Security 1 will be converted in ordinary shares so that its Capital Adequacy requirements will be above 9%. The price of the mandatory conversion of CCS1 into ordinary shares was set at €0,10 per share.

The quoted price of CCS1 and CCS2 at 31 December 2013 was 54 cents and 60 cents respectively. The fair value of the securities at 31 December 2013 amounts to €1.845.289.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Available-for-sale financial assets, comprising principally marketable equity securities, are fair valued annually at the close of business on 31 December. For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying assets.

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

On 1 January 2012, Cyta reclassified its non-cumulative convertible capital securities in Hellenic Bank with a value of € 3.337.322 from held to maturity category to available for sale financial assets, complying with the provisions of amended IAS 39, and taking into consideration the new terms of the underlying securities which do not provide for expiration date.

	Carrying amounts		Fair values	
	2013	2012	2013	2012
	€´000	€´000	€´000	€´000
Held-to-maturity investments which reclassified to available-for-sale financial assets	-	1.709	-	1.709

For the year ended 31 December 2013, regarding the investments held to maturity reclassified as financial assets available for sale, Cyta exchanged these investments with convertible capital securities.

For the year ended 31 December 2012, regarding the investments held to maturity reclassified as financial assets available for sale, the statement of other comprehensive income includes fair value losses amounting to €1.628.720.

None of the financial assets is either past due or impaired.

18. HELD-TO-MATURITY INVESTMENTS

	2013	2012
	€´000	€´000
Balance at 1 January	42.020	39.432
Additions	30.749	28.031
Matured bonds	-	(22.276)
Reclassification to financial assets available for sale (Note 17)	-	(3.337)
Effective interest rate on held to maturity investments	10	170
Balance at 31 December	72.779	42.020

	Fair values	Cost	Fair values	Cost
	2013	2013	2012	2012
	€´000	€´000	€´000	€´000
Government bonds	34.343	34.142	34.333	34.142
Cyta Hellas convertible debentures	38.436	38.436	7.687	7.687
	72.779	72.578	42.020	41.829

18. HELD-TO-MATURITY INVESTMENTS (continued)

Bonds maturing:	2013 €´000	2012 €´000
Within one year	-	-
Between two and five years	60.699	42.020
After five years	12.080	-
Total	72.779	42.020

Held-to-maturity investments consist of:

(i) Cyta holds Cyprus government bonds of nominal value €20.830.000 maturing on 4 January 2015, with a nominal value of €5.000.000 maturing on 25 February 2016 and with a nominal value of €9.000.000 maturing on 9 June 2016. The total cost to Cyta of the above mentioned bonds amounts to €34.142.358.

(ii) On 4 December 2012, a contract amounting to €55 million was signed between Cyta with its subsidiary, Cyta Hellas, to finance its partly operations and business needs. In return Cyta Hellas will issue 50 convertible bonds with a repayment period from 30 June 2015 until 31 December 2022. The bonds bear an annual interest of 3 month Euribor plus 4%. Until 31 December 2013 an amount of €38.435.950 was transferred to Cyta Hellas for the purchase of 35 convetrible bonds with a repayment date up to 31 December 2020.

Acquisitions and disposals of held-to-maturity investments are recognised on the trade date, which is the date that Cyta is commited to Acquisition or disposal the asset. The cost of the acquisition 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.

19. LOANS RECEIVABLE

	2013 €´000	2012 €´000
Loans receivable	1.975	2.769
	1.975	2.769
Current portion	(664)	(777)
Non current portion	1.311	1.992

The loans are repayable as follows:

Within one year	664	777
Between two and five years	1.311	1.992
	1.975	2.769

The fair values of non-current receivables approximate to their carrying amounts as presented above.

Loans receivable relate to loans to staff that were provided interest free and are repayable monthly over a period of seven years.

20. INVENTORIES

	2013 €´000	2012 €´000
Materials and supplies	6.064	7.457
	6.064	7.457

Inventories are stated at the lower of cost and net realisable value.

21. TRADE AND OTHER RECEIVABLES

	2013 €´000	2012 €´000
Trade receivables	103.395	106.195
Overseas telecommunication organisations	2.390	3.023
Finance lease receivable	19.016	-
Less: Provision for impairment of receivables	(18.503)	(15.704)
Trade receivables-net	106.298	93.514
Receivables from related companies (Note 30)	15.710	11.821
Deposits and prepayments	11.077	15.354
Receivables for repayment work in progress	1.485	2.090
Other receivables	926	5.381
Less: Provision for impairment of other receivables	(6)	(6)
Total trade and other receivables	135.490	128.154
Less non-current receivables	(23.572)	-
Current receivables	111.918	128.154

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 exposure of Cyta to credit risk and impairment losses in relation to trade and other receivables is reported in note 34 of the financial statements.

The finance lease receivable arise from long-term concession of irrevocable rights over the telecommunications infrastructure and are analysed as follows:

	Minimum lease receipts	
	2013 €´000	2012 €´000
Not later than 1 year	12.944	-
Later than 1 year and not later than 5 years	6.072	-
Future finance receipts	19.016	-

21. TRADE AND OTHER RECEIVABLES (continued)

The fair values of lease receipts approximate to their carrying amounts as presented above.

Included in Cyta's trade receivable balance are debtors with a carrying amount of €36.665.555 (2012: € 33.288.214)) which are past due but not impaired at the reporting date and for which Cyta has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. Cyta does not hold any collateral over these balances.

Ageing of past due but not impaired:

	2013 €´000	2012 €´000
Up to 30 days	541	873
30-120 days	1.338	1.609
More than 120 days	34.786	30.806
	36.665	33.288

Movement in provision for impairment of receivables:

	2013 €´000	2012 €´000
Balance at 1 January	(15.710)	(12.628)
Impairment losses recognised on receivables (Note 5)	(4.107)	(4.552)
Amount written off as non recoverable	1.485	1.593
Bad debts recovered previously provided for (Note 7)	(177)	(123)
Balance at 31 December	(18.509)	(15.710)

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of €330.273 (2012: €330.273) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the liquidation proceeds. Cyta does not hold any collateral over these balances.

Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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

22. TREASURY BILL - 13 WEEKS

	2013 €´000	2012 €´000
Balance at 1 January	100.704	-
Additions	228	99.739
Interest charged	733	965
Balance at 31 December	101.665	100.704

The 13-week Treasury Bill was issued by the Republic of Cyprus. On 9 July 2012, the Board of Directors of Cyta decided to participate in the issuance of Treasury Bills 13 weeks of July 12, 2012 through a private placement with a yield equal to 5 % . Up until today, the bill is renewed at in each expiry period end with annual yield of the bill to be as follows:

Treasury Bill Period	Annual average yield
1/1/2013 - 11/7/2013	5,00%
11/7/2013 - 9/1/2014	4,50%
9/1/2014 - 9/4/2014	4,20%
9/4/2014 - 7/7/2014	4,20%
8/7/2014 - 7/10/2014	3,90%
7/10/2014 - 8/4/2015	3,40%

The additions of €227.853 at the cost of the bill in 2013 represent the capitalization of interest receivable.

23. CASH AND CASH EQUIVALENTS

	2013 €´000	2012 €´000
Cash at bank and in hand	179.536	161.337
	179.536	161.337

The effective interest rate on short term bank deposits was 0,55%-5,25% (2012: 0,55%-5,25%) and these deposits have a maturity of 6 - 12 months (2012: 6-12 months).

Cash at bank and in hand as at 31 December 2013 include commitments amounting to €20.761.313. Specifically, guarantees of €600.000 for financing Cyta Hellas, €4.185.000 for contracts of Cyta with UEFA and €15.976.313 for low-interest loans given to Cyta employees from Cyta, Eac, Bank Employees Cooperative Savings Bank (STYTET Ltd) existed.

For the purposes of the cash flow statement, the cash and cash equivalents include the following:

	2013 €´000	2012 €´000
Cash and cash equivalents	179.536	161.337
Less: Bank deposits with original maturity over 3 months	(48.773)	(53.894)
	130.763	107.443

23. CASH AND CASH EQUIVALENTS (continued)

Bank deposits with original maturity over 3 months include time deposits with Bank of Cyprus amounting to €16.038.874 which, according to the Central Bank of Cyprus Decree on 29 March 2013 were placed to fixed deposits with maturities of six, nine and twelve months with an option for renewal of an additional period with the same duration. The bank deposits of €16.038.874, were fully released on 30 January 2015.

The exposure of Cyta to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 34 of the financial statements.

24. OTHER RESERVES

	Fair value reserve-available-for-sale financial assets	Actuarial gains reserve	Total
	€´000	€´000	€´000
Balance at 1 January 2012	2.436	16.904	19.340
Revaluation	(2.167)	-	(2.167)
Remeasurement of Define Pension Fund obligation	-	8.088	8.088
Balance at 31 December 2012	269	24.992	25.261
Balance at 1 January 2013	269	24.992	25.261
Revaluation	28	-	28
Remeasurement of Define Pension Fund obligation	-	(9.033)	(9.033)
Balance at 31 December 2013	297	15.959	16.256

The fair value reserve for investments represents accumulated gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets are disposed of or determined to be impaired.

Actuarial gains reserve represents accumulated gains on the defined benefit scheme that have been recognised in other comprehensive income. Actuarial gains and losses represent changes in the present value of the defined benefit obligation resulting from experience adjustments and the effects of changes in actuarial assumptions.

25. LONG-TERM LOANS AND BORROWINGS

	2013 €´000	2012 €´000
Short term portion of long-term loans		
Loans from foreign financial institutions	339	341
Non-current borrowings		
Loans from foreign financial institutions	49	386
Total	388	727

Maturity of non-current borrowings

	2013 €´000	2012 €´000
Between one to two years	49	338
Between two and five years	-	48
	49	386

The loans from foreign financial institutions are repayable between the years 2013 and 2015 and bear interests in the range of 2% to 11.62% per annum.

The exposure of Cyta to interest rate risk in relation to financial instruments is reported in note 34 of the financial statements.

26. DEFERRED TAX

The movement on the deferred taxation account is as follows:

Deferred tax liability

	Accelerated tax depreciation €´000
Balance at 1 January 2012	5.749
Charged to:	
Statement of profit or loss (Note 12)	987
Balance at 31 December 2012	6.736
Balance at 1 January 2013	6.736
Charged to:	
Statement of profit or loss (Note 12)	5.121
Balance at 31 December 2013	11.857

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 12). The applicable corporation tax rate in the case of tax losses is 12,5%.

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.

27. TRADE AND OTHER PAYABLES

	2013 €´000	2012 €´000
Trade payables	12.948	12.838
Overseas telecommunication organisations	5.922	5.682
Foreign suppliers	7.603	9.270
Deposits from clients	3.874	4.150
Social insurance and other taxes	6.842	6.256
V.A.T.	16.227	17.120
Guarantees payable	195	20.254
Accruals	9.602	16.742
Other creditors	6.260	4.398
Special contribution to the defence fund on deemed distribution	3.054	-
Amounts payable to subsidiaries and other group companies (Note 30)	694	964
	73.221	97.674

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above. The exposure of Cyta to liquidity risk in relation to financial instruments is reported in note 34 of the financial statements.

28. DEFERRED INCOME

	2013 €´000	2012 €´000
Prepayments from clients	1.514	942
Deferred income	11.507	8.252
	13.021	9.194
Deferred income after more than one year	(4.915)	-
Deferred income within one year	8.106	9.194

29. REFUNDABLE TAX

	2013 €´000	2012 €´000
Income tax - payable	1.275	-
Income tax - receivable	(1.957)	(1.383)
Special contribution for defence - payable	3	7
	(679)	(1.376)

30. RELATED PARTY TRANSACTIONS

The Cyprus Telecommunication Authority is a Public Corporate Body which was established in Cyprus under the Telecommunications Services Law 67 of 1954 Cap. 302.

The transactions and balances with related parties are as follows:

30. RELATED PARTY TRANSACTIONS (continued)

(i) Key management personnel compensation

The compensation of key management personnel is as follows:

	2013 €´000	2012 €´000
Salaries and other benefits	628	907
Contributions to Funds	39	47
	667	954

(ii) Directors' remuneration

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

	2013 €´000	2012 €´000
Emoluments in their executive capacity	17	31
	17	31

(iii) Sales of goods and services

Name	Nature of transactions	2013 €´000	2012 €´000
Cyta (UK) Limited	Trade	85	92
Cyta Hellas A.E.	Technical support and trade	3.388	3.460
Cyta Hellas A.E.	Finance	1.430	-
Cytacom Solutions Limited	Trade	7	989
Digimed Communications Limited	Technical support and trade	30	45
Bestel Communications Limited	Trade	1	1
Cyta Global Hellas S.A.	Trade	32	139
Emporion Plaza Limited	Trade	-	450
Iris Gateway Satellite Services Limited	Trade	215	223
		5.188	5.399

Sales transactions with Bestel Communications Limited were made under commercial terms and conditions. Sales to the other related companies were made at cost.

(iv) Purchases of goods and services

Name	Nature of transactions	2013 €´000	2012 €´000
Cyta (UK) Limited	Trade	215	326
Cyta Hellas A.E.	Trade	222	26
Cytacom Solutions Limited	Trade	729	-
Digimed Communications Limited	Trade	138	134
Cyta Global Hellas S.A.	Trade	280	497
Emporion Plaza Limited	Trade	-	265
Iris Gateway Satellite Services Limited	Trade	236	210
		1.820	1.458

30. RELATED PARTY TRANSACTIONS (continued)

Purchases from related companies were made under commercial terms and conditions.

(v) Receivables from related companies (Note 21)

Name	Nature of transactions	2013 €´000	2012 €´000
Digimed Communications Ltd	Technical support and trade	304	392
Cytacom Solutions Limited	Trade	2.679	2.633
Emporion Plaza Ltd		1	-
Iris Gateway Satellite Services Limited	Trade	69	401
Cyta (UK) Limited	Trade	45	172
Cyta Global Hellas S.A.	Trade	-	67
Cyta Hellas A.E.	Technical support and trade	11.112	8.156
Cyta Hellas A.E.	Finance	1.500	-
		15.710	11.821

(vi) Payables to related companies (Note 27)

Name	Nature of transactions	2013 €´000	2012 €´000
Digimed Communications Limited	Trade	36	55
Cytacom Solutions Limited	Trade	241	106
Emporion Plaza Limited	Trade	-	52
Iris Gateway Satellite Services Limited	Trade	53	448
Cyta Global Hellas S.A.	Trade	28	216
Cyta (UK) Limited	Trade	82	49
Cyta Hellas A.E.	Trade	254	38
		694	964

31. PENALTIES

During the year ended 31 December 2013, the following penalties have been imposed/reassessed:

	Note	2013 €´000	2012 €´000
Netsmart (Cyprus) Limited	1	-	637
Golden Telemedia Ltd	2	-	390
The Performing Right Society Ltd	3	-	247
Thunderworx Ltd	4	-	960
Thunderworx Ltd	5	-	130
Primetel Public Company Ltd	6	-	2.151
Cyprus Radiotelevision Authority	7	-	34
Cyprus Radiotelevision Authority	8	-	740
Primetel Public Company Ltd	9	-	295
Primetel Public Company Ltd	10	663	-
		663	5.584

31. PENALTIES (continued)

1. On 11 September 2012, the Commission for the Protection of Competition ("CPC") re-assessed the complaint lodged by Netsmart (Cyprus) Ltd regarding Cyta's failure to provide the necessary infrastructure and services to operate in the retail market messaging inflated prices (premium sms mt) and imposed a fine to Cyta of €637.112. The fine which was imposed and paid before CPC re-assessement amounted to €1.360.707.

2. On 3 September 2012, CPC imposed a fine to Cyta amounting to €390.000 after a complaint lodged by Golden Telemedia Ltd regarding Cyta's refusal to provide access to services to so easy users. On 3 February 2014, CPC revoked the decision because at the time the decision was taken the Council of Ministers was not legally established. On 28 February 2014, following the assessment of the Attorney General of the Republic, CPC revoked the previous decision for cancellation of the said penalty and therefore the initial decision of CPC for imposition of administrative fine, revives.

3. On 15 May 2012, Cyta paid a fine of €247.202 to The Performing Right Society Ltd for proceedings involving licensing of musical compositions of television content transmitted by Cytavision. For the underlying amount, Cyta has exchanged a letter of guarantee in case that the appeal is successful.

4. On 8 October 2012, CPC imposed a penalty of €960.000 following the re-assessment of Thunderworx Ltd's lodgement of Cyta's failure to provide the necessary infrastructure and services to operate in the retail market messaging inflated prices (premium sms mt). The fine which was imposed and paid before CPC review the complaint amounted to €1.968.745.

5. On 8 October 2012, CPC re-assessed the complaint from Thunderworx Ltd in connection with premium sms services and imposed a fine of €130.000. The fine which was imposed and paid before CPC review the complaint amounted to €75.000.

6. On 10 December 2012, CPC imposed a fine to Cyta amounting to €2.150.680, after a complaint lodged from Primetel Co Ltd in connection with the reduction in retail prices for i-choice services and miVision services with effect from 1 June 2005 as well as the periodic offerings of Cyta's underlying products. On 3 February 2014, CPC revoked the decision because when taking the decision the Council of Ministers was not legally established. On 28 February 2014, following the assessment of the Attorney General of the Republic, CPC revoked the previous decision for cancellation of the said penalty and therefore the initial decision of CPC for imposition of administrative fine revived.

7. On 20 June 2012, Cyprus Radiotelevision Authority ("CRA") imposed an administrative fine to Cyta amounting to €34.000 for infringement of Article 21(1) of the Radio and Television Stations Law 7(I) of 1998.

8. On 31 October 31 2012, CRA imposed an administrative fine to Cyta amounting to €739.500 for infringement of Article 21(1) of the Radio and Television Stations Law 7(I) of 1998. On 4 December 2012, Cyta informed CRA that the amount will be paid once the supplementary budget of Cyta is approved by the House of Representatives.

9. On 25 January 2013, CPC imposed a fine to Cyta amounting to €295.277, after a complaint lodged from Primetel Public Company Ltd in connection with unfair charges for the purchase of capacity on submarine cable system Yeroskipou to London.

10. On 5 September 2013, CPC fined Cyta €663.000 for failure to comply with the interim order of the Commission issued on 13 June 2013 not to terminate the agreement with Primetel because of non-payment on the part of the uncollected debts.

32. DIVIDEND PAID TO THE CYPRUS GOVERNMENT

	2013 €´000	2012 €´000
Dividend paid	-	36.650
Defence contribution on deemed distribution	3.054	-
	3.054	36.650

Since 15 November 2011 Telecommunications Services (Amended) Law of 2011 article 17A has been amended and provides that Cyta should not pay a dividend of more than half of prior financial year's profit after tax.

The amount of the dividend, as well as the timing of the payment, are determined by the Board of Ministers, after a relevant decision by the Minister of Finance, which is taken after a discussion with Cyta's Board of Directors. As per IAS 10, dividends are recognised in the year which they are decided.

During the year 2013, no dividend was paid to the Cyprus Government Treasury.

Special contribution for defence on deemed dividend arise from the non distribution of 70% of Cyta's 2011 profits after tax, as defined by the Special Contribution for the Defence of the Republic Law. As a result, the profits of 2011 which were not distributed they were deemed to be distributed and therefore the special defence contribution was paid in 2014.

33. COMMITMENTS

Capital commitments

Contractual Commitments in respect of capital expenditure as at 31 December 2013 but not yet incurred, amounted to €9.742.886 (2012: €16.243.589). None of the aforementioned amount is payable in foreign currencies (2012: €21.051). 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 2013 will be repaid on completion of the relevant projects within 2014 except for the amount of €1.380.471 which will be repaid in later periods.

Operating lease commitments

Cyta as lessee

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

	2013 €´000	2012 €´000
Within one year	2.910	2.639
Between one and five years	5.458	5.185
After five years	1.429	1.702
	9.797	9.526

34. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the 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 in Cyta's activities.

Financial instruments by category and fair values

The accounting policies for financial instruments have been applied to the line items below:

31 December 2013	**Available-for-sale €´000**	**Held-to-maturity investments €´000**	**Loans and receivables €´000**	**Total €´000**
Financial assets measured at fair value				
Equity securities	6.410	-	-	6.410
Debt securities in financial institutions	1.845	-	-	1.845
	8.255	-	-	8.255
Financial assets not measured at fair value				
Trade and other receivables	-	-	124.413	124.413
Loans granted	-	-	1.975	1.975
Cash and cash equivalents	-	-	179.536	179.536
Treasury bill-13 weeks	-	101.665	-	101.665
Government debt securities	-	34.343	-	34.343
Corporate debt securities	-	38.436	-	38.436
	-	174.444	305.924	480.368
Total	8.255	174.444	305.924	488.623

34. FINANCIAL RISK MANAGEMENT (continued)

	Borrowings and other financial liabilities	Total
	€´000	€´000
Financial liabilities not measured at fair value		
Borrowings	388	388
Trade and other payables (excluding statutory liabilities and deferred income)	33.622	33.622
Total	34.010	34.010

31 December 2012	Available-for-sale	Held-to-maturity investments	Loans and receivables	Total
	€´000	€´000	€´000	€´000
Financial assets measured at fair value				
Equity securities	2.048	-	-	2.048
Debt securities in financial institutions	1.709	-	-	1.709
	3.757	-	-	3.757
Financial assets not measured at fair value				
Trade and other receivables	-	-	112.800	112.800
Loans granted	-	-	2.769	2.769
Cash and cash equivalents	-	-	161.337	161.337
Treasury bill 13 weeks	-	100.704	-	100.704
Government debt securities	-	34.333	-	34.333
Corporate debt securities	-	7.687	-	7.687
	-	142.724	276.906	419.630
Total	3.757	142.724	276.906	423.387

	Borrowings and other financial liabilities	Total
	€´000	€´000
Financial liabilities not measured at fair value		
Borrowings	727	727
Trade payables (excluding statutory liabilities and deferred income)	53.406	53.406
Total	54.133	54.133

(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.

34. FINANCIAL RISK MANAGEMENT (continued)

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:

	2013 €´000	2012 €´000
Available-for-sale financial assets	8.255	3.757
Held-to-maturity investments	72.779	42.020
Trade and other receivables	108.196	116.689
Finance lease receivable	19.016	-
Receivables from related companies	15.710	11.821
Cash and cash equivalents	179.536	161.337
Treasury bill-13 weeks	101.665	100.704
Loans receivable	1.975	2.769
	507.132	439.097

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:

	2013 €´000	2012 €´000
Fully performing trade receivables-net		
Counterparties without external credit rating		
Group 1	7.761	8.168
Group 2	65.650	45.203
Group 3	11.456	18.014
	84.867	71.385
Fully performing other receivables-net		
Group 4	477	663
Group 5	2.405	7.464
	2.882	8.127

34. FINANCIAL RISK MANAGEMENT (continued)

i) Credit risk (continued)

The table below shows an analysis of Cyta's bank deposit by the credit rating of the bank in which they are held:

Bank group based on credit ratings by Moody's

Cash at bank and short term bank deposits [(1)]

Caa1	19.614	-
Caa2	-	89.613
Caa3	83.262	-
Without external credit rating [(2)]	76.555	71.584
	179.431	161.197
Available for sale debt securities		
Caa3	1.845	1.709
	1.845	1.709

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

(2) Cyta's Management monitors credit risk arising from deposits in financial institutions without external credit ratings.

Group 1 - new customers (less than 6 months) with no defaults in the past.

Group 2 - existing customers (more than 6 months) with no defaults in the past.

Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Group 4 - companies within the Group, common control companies and associates with no defaults in the past.

Group 5 - Other receivables with no defaults in the past.

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

(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.

34. FINANCIAL RISK MANAGEMENT (continued)

ii) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2013	Carrying amounts €´000	Contractual cash flows €´000	3-12 months €´000	1-5 years €´000
Loans from foreign financial institutions	388	395	345	50
Trade and other payables	59.871	59.871	59.871	-
Payables to related companies	694	694	694	-
	60.953	60.960	60.910	50

31 December 2012	Carrying amounts €´000	Contractual cash flows €´000	3-12 months €´000	1-5 years €´000
Loans from foreign financial institutions	727	779	393	386
Trade and other payables	79.968	79.968	79.968	-
Payables from related companies	964	964	964	-
	81.659	81.711	81.325	386

(iii) Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. Cyta's available-for-sale financial assets are susceptible to market price risk arising from uncertainties about future prices of the investments. Cyta's market price risk is managed through diversification of the investment portfolio.

Sensitivity analysis

An increase in equity prices by 5% at 31 December 2013 would have increased equity by €413 thousand. For a decrease of 5% there would be an equal and opposite impact on the profit and other equity.

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 statement of comprehensive income.

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

	2013 €´000	2012 €´000
Fixed rate instruments		
Financial assets	304.087	285.904
Variable rate financial instruments		
Financial assets	38.436	7.687
Financial liabilities	(388)	(727)
	342.135	292.864

34. FINANCIAL RISK MANAGEMENT (continued)

iii) Market price risk (continued)

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2013 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

	Equity		Profit or loss	
	2013 €´000	**2012 €´000**	**2013 €´000**	**2012 €´000**
Variable rate instruments	380	70	380	70
	380	70	380	70

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange 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:

31 December 2013	**United States Dollars €´000**	**United Kingdom Pounds €´000**	**Other currencies €´000**
Assets			
Trade and other receivables	8.454	11	3.512
Bank deposits	6.350	-	-
Investments	221	-	-
	15.025	11	3.512
Liabilities			
Trade and other payables	(1.009)	(103)	(4.017)
	(1.009)	(103)	(4.017)
Net exposure	14.016	(92)	(505)

31 December 2012	**United States Dollars €´000**	**United Kingdom Pounds €´000**	**Other currencies €´000**
Assets			
Trade and other receivables	4.338	195	2.363
Bank deposits	156	-	-
Investments	146	-	-
	4.640	195	2.363
Liabilities			
Trade and other payables	(2.026)	(44)	(1.997)
	(2.026)	(44)	(1.997)
Net exposure	2.614	151	366

34. FINANCIAL RISK MANAGEMENT (continued)

iii) Market price risk (continued)

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2013 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.

	Statement of comprehensive income	
	2013	**2012**
	€´000	**€´000**
United States Dollars	1.402	261
United Kingdom Pounds	9	15
Other currencies	51	37
	1.342	313

(iv) Operational risk

(a) Operational environment of Cyta

The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), for financial support, which resulted into an agreement and the Eurogroup decision of 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus through "bail in". During 2013 the Cyprus economy contracted further with a decrease in the Gross Domestic Product.

Following the positive outcome of the up to date quarterly reviews of Cyprus's economic programme by the European Commission, the European Central Bank and the International Monetary Fund during 2013, the Eurogroup endorsed the disbursement of the scheduled tranches of financial assistance to Cyprus.

The uncertain economic conditions in Cyprus, the unavailability of financing, the restructuring of the banking sector through "bail in" for Laiki Bank and Bank of Cyprus, and the imposition of capital controls together with the current situation of the banking system and the continuing overall economic recession, have affected:

1. the ability of Cyta's trade and other debtors to repay the amounts due to Cyta, and

2. the cash flow forecasts of Cyta's management in relation to the impairment assessment for financial and non-financial assets.

The economic conditions disclosed above together with the impact of the results of the Eurogroup decision of 25 March 2013 for Cyprus had an adverse impact on Cyta's debtors (inability to meet their obligations towards Cyta) and revenue (decreased demand for the Cyta's products and services due to decreased purchasing power by consumers).

Cyta's management has assessed whether any impairment allowances are deemed necessary for Cyta's financial assets carried at amortized cost by considering the economic situation and outlook at the end of the reporting period. Impairment of trade receivables is determined using the incurred loss model required by International Accounting Standard 39 Financial Instruments: Recognition and Measurement. This standard requires recognition of impairment losses for receivables that arose from past events and prohibits recognition of impairment losses that could arise from future events, no matter how likely those future events are.

34. FINANCIAL RISK MANAGEMENT (continued)
iv) Operational risk (continued)

(b) Disclosure of general events

The negotiations of the Cyprus Government with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), in order to obtain financial support, resulted in an agreement and decision of the Eurogroup on 25 March 2013 on the key elements necessary for a future macroeconomic adjustment programme which includes the provision of financial assistance to the Republic of Cyprus of up to €10 billion. The programme aims to address the exceptional economic challenges that Cyprus is facing, and to restore the viability of the financial sector, with a view to restoring sustainable economic growth and sound public finances in the coming years.

The Eurogroup decision on Cyprus includes plans for the restructuring of the financial sector and safeguards deposits below €100.000 in accordance with European Union legislation. In addition, the Cypriot authorities have reaffirmed their commitment to step up efforts in the areas of fiscal consolidation, structural reforms and privatizations.

On 22 March 2013 legislation was enacted by the House of Representatives concerning restrictive measures in respect of transactions executed through the banking institutions operating in Cyprus. The extent and duration of the restrictive measures are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and were enforced on 28 March 2013. The temporary restrictive measures, with respect to banking and cash transactions include restrictions on cash withdrawals, the cashing of cheques and transfers of funds to other credit institutions in Cyprus and abroad. They also provide for the compulsory partial renewal of certain maturing deposits.

On 29 March 2013 the Central Bank of Cyprus issued decrees relating to Laiki Bank and Bank of Cyprus, implementing measures for these two banks under the Resolution of Credit and Other Institutions Law of 2013.

On 12 April 2013 the Eurogroup welcomed the agreement that was reached between Cyprus and the Troika institutions regarding the macroeconomic adjustment programme for Cyprus. Subsequently all the necessary procedures for the formal approval of the Board of Directors of the European Stability Mechanism were completed, as well as the ratification by Eurozone member states. Following the completion of the above procedures, the first tranche of the financing of the Republic of Cyprus was released in line with the provisions of the Memorandum.

On the basis of the relevant decrees, Laiki Bank was placed into resolution. What remained in Laiki Bank were mainly the uninsured deposits and assets outside Cyprus. The assets of Laiki Bank in Cyprus, the insured deposits and the Eurosystem financing have been transferred to Bank of Cyprus, with compensation for the value of the net assets transferred, the issue of shares by Bank of Cyprus to Laiki Bank.

The recapitalization process for the Bank of Cyprus was completed in accordance with the relevant decrees of the Resolution Authority through "bail in", that is through the partial conversion of uninsured deposits into shares. In addition, the holders of shares and debt instruments in Bank of Cyprus on 29 March 2013 have contributed to the recapitalization of Bank of Cyprus through the absorption of losses. Following the above process, cash held with Laiki Bank amounting to €14.145.186 have been fully impaired. The 47.5% of the uninsured deposits held with Bank of Cyprus, has been converted into shares of nominal value €1 and 37.5% of the uninsured deposits amounting to €16.038.874 were converted into short term fixed deposits. (Note 6).

34. FINANCIAL RISK MANAGEMENT (continued)

iv) Operational risk (continued)

On 18 April 2013 legislation was enacted by the House of Representatives to increase the corporate tax from 10% to 12.5% with effect from 1 January 2013. Furthermore, legislation was enacted to increase the rate of special defense contribution from 15% to 30% on interest which does not arise from the ordinary course of business or is closely linked to it with effect from 29 April 2013.

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

On the basis of the evaluation performed, Cyta's management has concluded that impairment charges are necessary and has been recognised as disclosed in Note 6, in Note 15, in Note 21 and in Note 35.

Cyta's management believes that it is taking all the necessary measures to maintain the viability of Cyta and the development of its business in the current business and economic environment.

(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.

(vii) Reputation risk

The risk of loss of reputation arising from the negative publicity relating to Cyta's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against Cyta. Cyta applies procedures to minimize this risk.

Offsetting financial assets and liabilities

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.

Description of types of financial assets	Gross amount of recognized financial asset	Gross amount of recognized financial liability offset in the statement of financial position	Net amount of financial liability presented in the statement of financial position
	€ ´000	€ ´000	€ ´000
Competition Protection Commission penalties	3.404	4.563	(1.159)

34. FINANCIAL RISK MANAGEMENT (continued)

Offsetting financial assets and liabilities (continued)

On 28 June 2013, the Ministry of Finance approved the offsetting of fines receivable of €3.404.452 with fines payable of €4.563.069 which results in a net payable of €1.158.617. The payable of €1.158.617 together with the fine imposed by Cyprus Radiotelevision Authority of €663.000 amount to €1.821.617 and are presented in the statement of financial position as at 31 December 2013 as payables.

Description of types of financial assets	**Gross amount of recognized financial asset**	**Gross amount of recognized financial liability offset in the statement of financial position**	**Net amount of financial liability presented in the statement of financial position**
	€´000	**€´000**	**€´000**
Cash and cash equivalent	20.454	20.454	-

On 11 June 2013, the Minister of Finance informed the Governor of the Central Bank of Cyprus that the accounts which were held with Bank of Cyprus in the name of Cyta and which related to amounts paid by the Government for the System of Air Traffic Management (LEFCO), belong to the Government and as a result were excluded from the Recapitalisation Decrees.

Due to the significant uncertainty as of the outcome of the case, the above amount was not included in the offset in the 2012 financial statements. More specifically in trade and other payables an amount of €20.059.681 was included as guarantees payable for LEFCO with the corresponding amount to be included in cash and cash equivalent. After the acceptance of the case by the Governor of Cental Bank of Cyprus, the amount of guarantees payable for LEFCO of €20.059.681 as at 31 December 2012 together with the net bank interest of 2013 of €394.634 were offsetted with the bank balance of €20.454.315 included in cash and cash equivalent, in the statement of financial position as at 31 December 2013.

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.

35. FAIR VALUES

The fair values of Cyta's financial assets and liabilities approximate their carrying amounts as they appear in the statement of financial position.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

35. FAIR VALUES (continued)

31/12/2013	Level 1	Level 2	Level 3	Total
	€´000	**€´000**	**€´000**	**€´000**
Financial assets				
Available-for-sale financial assets	3.785	-	4.470	8.255
Total	3.785	-	4.470	8.255

31/12/2012	Level 1	Level 2	Level 3	Total
	€´000	**€´000**	**€´000**	**€´000**
Financial assets				
Available-for-sale financial assets	2.048	1.709	-	3.757
Total	2.048	1.709	-	3.757

When available, Cyta measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then Cyta uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the main factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price-i.e. the fair value of the consideration given or received.

If Cyta determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

During 2013, following the March Eurogroup decisions, Cyta obtained 20.315.907 shares in Bank of Cyprus which are valued using a level 3 valuation. In the absence of a listed market price for the Bank of Cyprus shares, and in view of the drastic changes in the activities, operations and structure of Bank of Cyprus as a result of the Eurogroup decisions in March 2013, Cyta has estimated the fair value of the shares both for the purposes of initial recognition of the shares and as of 31 December 2013, using a level 3 valuation. The approach followed in this valuation entailed consideration of comparable price-to-book value multiples on which adjustments have made to take into consideration differences in liquidity, capital adequacy, credit rating and also impact of bail-in relating specifically to Bank of Cyprus. Such adjustments entail significant degree of estimation, uncertainty and judgment. The fair value of these shares has been estimated at €0,22 per share.

36. CONTINGENT LIABILITIES

As at 31 December 2013 Cyta had contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which the Board of Directors is not anticipating that material liability will arise. These guarantees amounted to €5.346.631 (2012: € 12.388.112).

As at 31 December 2013 there were pending claims against Cyta in relation to its activities. Based on legal advice, the Directors believe that adequate measures exist against any claim sought and do no expect Cyta to suffer any loss. Accordingly no provision has been made in these financial statements in respect of this matter.

37. EVENTS AFTER THE REPORTING PERIOD

Significant events that occurred after the end of the reporting period which affect the financial statements as at 31 December 2013 are the following:

On 2 April 2014, the Board of Cyta decided the payment of a dividend of €30,6 million to the Fixed Fund of the Republic of Cyprus after the decision taken by the Ministers Council on 23 October 2013 in accordance with the Telecommunications Services Laws as amended by the Telecommunications Services (Amended) (No.2) Law of 2006 (Law No. 117 (I)/2006) article 17A. Taking into consideration the maturity dates and/or capabilities of early disbursement of bills for the dividend and the voluntary retirement scheme, the Board of Cyta decided the payment of the dividend to the Government for 2012, in installments until the end of 2014.

On 4 December 2013, Cyta in an effort to reduce its operating costs announced the Voluntary Retirement Scheme ('VRS') in order to reduce labor costs which constitutes its primary goal. As part of this effort and of the project for the broader reorganization and modernization of Cyta which is in progress the VRS was introduced. VRS was designed in collaboration with AON Hewitt. Eligible for the VRS were all employees of Cyta who had completed at least 10 years of service as 23 May 2014, expiry date for the submission of the applications. The employees who elected to retire with VRS, apart from the fundamental Pension benefits and due to their early retirement which was considered as a ''career loss'', were compensated with an additional amount which was calculated based on the residual months of service up to their retirement age (65th year of age) with a maximun compensation of €125.000. Up to 31 December 2014, 519 employees retired in three phases (30/6/2014, 30/9/2014 and 30/12/2014) with a total cost of €40.468.861 and another three employees are expected to retire on 30/6/2015.

During 2014 the Board of Directors of Cyta proceeded with share capital increases of a total amount of €15 million in subsidiary company Digimed Communications Limited, for the financing of the needs of the subsidiary company Cyta Hellas.

On 26 February 2015, Cyta purchased through a finance lease, cables capacity of a total value of €15.336.000, which was calculated based on market prices. The duration of the lease expires in June 2037.

The financial statements were approved by the Board of Directors on 21 April 2015.

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cytashop

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- **Lakatameia** - 62, Arch. Makarios III Avenue
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** Not in operation due to the Turkish military occupation of the area.*

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