AUDITORS' REPORT AND FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT
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 67 to 125, which comprise the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows forthe 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 at 31 December 2014 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.

Emphasis of Matter

We draw attention to note 37 to the financial statements which refers to the fact that these financial statements replace the audited financial statements approved and signed on 9 June 2015 and also refers to the reason for this amendment and re-issue. Our report dated 9 June 2015, was issued with a qualified opinion and as a result of the reason explained in note 37, is withdrawn and replaced with the present report on the separate financial statements of the Authority. The audit procedures we have applied to the events after the date of the issue of our previous report are limited solely to the issue described in note 37 of the financial statements. Our opinion is not qualified in respect of this matter.

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, as it appears from our examination so far, proper books of account have been kept by Cyta.
- 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 Cyta's Board of Directors, as a body, the Minister of Finance, the House of Representatives and the Auditor General 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 2014.

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, 30 June 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 67 to 125 for the year ended 31 December 2014 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, 3 July 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Note	2014 €´000	2013 €´000
Operating Revenue	4	**396.487**	**434.261**
Operating expenses	5	(314.729)	(340.695)
Gross profit		**81.758**	**93.566**
Other operating expenses	6	(40.884)	(30.402)
Other income	7	1.681	2.899
Profit from operating activities	9	**42.555**	**66.063**
Penalties	31	(1.073)	(663)
Finance income		19.278	15.725
Finance expenses		(3.237)	(1.602)
Net finance income	10	**16.041**	**14.123**
Net loss from investing activities	11	(638)	(24.735)
Profit before tax		**56.885**	**54.788**
Tax	12	(9.285)	(17.343)
Profit for the year		**47.600**	**37.445**
Other comprehensive expense			
Items that will never be reclassified to profit or loss:			
Remeasurement of Defined benefit liability	8	(286.151)	(9.033)
		(286.151)	**(9.033)**
Items that are or may be classified to profit or loss:			
Available-for-sale financial assets - Fair value (losses)/gains	17	**(1.060)**	28
Available-for-sale financial assets - Profit transferred to net profit due to disposal	17	**1.473**	-
		413	28
Other comprehensive expense for the year		**(285.738)**	**(9.005)**
Total comprehensive expense for the year		**(238.138)**	**28.440**

The notes on pages 73 to 125 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Note	2014 €´000	2013 €´000
Assets			
Non-current assets			
Property, plant and equipment	13	333.059	345.392
Intangible assets	14	27.729	32.749
Investment in subsidiary	15	100.388	85.388
Investment in associated undertaking	16	1.480	1.480
Available-for-sale financial assets	17	8.008	6.410
Held-to-maturity investments	18	45.778	72.779
Trade and other receivables	21	14.950	23.572
Other assets	8	-	64.697
Loans receivable	19	594	1.311
Total non-current assets		**531.986**	**633.778**
Current assets			
Inventories	20	7.654	6.064
Trade and other receivables	21	143.419	111.918
Loans receivable	19	410	664
Available-for-sale financial assets	17	22	1.845
Held-to-maturity investments	18	27.418	-
Treasury bill -13 weeks	22	101.575	101.665
Refundable tax	29	2.222	1.957
Cash and cash equivalents	23	157.028	179.536
Total current assets		**439.748**	**403.649**
Total assets		**971.734**	**1.037.427**

The notes on pages 73 to 125 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2014

	Note	2014 €´000	2013 €´000
Equity			
Fair value reserve -available-for-sale financial assets	24	710	297
Actuarial (losses)/gains reserve	24	(270.192)	15.959
Retained earnings		938.406	921.406
Total equity		**668.924**	**937.662**
Liabilities			
Non-current liabilities			
Pension Fund liabilities	8	208.416	-
Long-term loans	25	-	49
Deferred tax liabilities	26	16.026	11.857
Deferred income	28	5.551	4.915
Total non-current liabilities		**229.993**	**16.821**
Current liabilities			
Short term portion of long-term loans	25	49	339
Trade and other payables	27	63.573	73.221
Deferred income	28	9.124	8.106
Tax liability	29	71	1.278
Total current liabilities		**72.817**	**82.944**
Total liabilities		**302.810**	**99.765**
Total equity and liabilities		**971.734**	**1.037.427**

The financial statements were approved by the Board of Directors on 30 June 2015.

Christos Patsalides
Chairman

Andreas Marangos
Vice-Chairman

Michalis Achilleos
Deputy Chief Executive Officer

The notes on pages 73 to 125 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Other reserves €´000	Retained earnings €´000	Total €´000
Balance at 1 January 2013	25.261	887.015	912.276
Comprehensive income			
Profit for the year	-	37.445	37.445
Other comprehensive expense for the year	(9.005)	-	(9.005)
Total comprehensive income for the year	**(9.005)**	**37.445**	**28.440**
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**
Comprehensive income			
Profit for the year	-	47.600	47.600
Other comprehensive expense for the year	(285.738)	-	(285.738)
Total comprehensive expense for the year	**(285.738)**	**47.600**	**(238.138)**
Contributions by and distributions to owners			
Dividend paid to the Republic of Cyprus	-	(30.600)	(30.600)
Total distributions to owners of Cyta	**-**	**(30.600)**	**(30.600)**
Balance at 31 December 2014	**(269.482)**	**938.406**	**668.924**

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 73 to 125 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

	Note	2014 €´000	2013 €´000
Cash flows from operating activities			
Profit for the year		**47.600**	**37.445**
Adjustments for:			
Depreciation of property, plant and equipment	13	34.701	44.581
Unrealised exchange (profit)/loss		(1.961)	557
Amortisation of mobile telephony licence	14	1.089	1.089
Amortisation of software	14	8.932	11.076
Amortisation of shop goodwill	14	18	18
Profit from the sale of property, plant and equipment		(59)	(164)
Loss from the sale of available-for-sale financial assets	11	638	-
Effective interest rate on held to maturity investments	10	(417)	(10)
Impairment charge -investments in subsidiaries	15	-	24.735
Income from investments	7	(90)	(57)
Interest income	10	(11.566)	(12.357)
Interest expense	10	98	159
Total Pension Fund (income)/ expense	8	(37)	1.682
Employer's contributions to Pension Fund	8	(13.001)	(14.359)
Income tax expense	12	9.285	17.343
Net cash from operating activities before working capital changes		**75.230**	**111.738**
(Increase)/decrease in inventories		(1.590)	1.393
Increase in trade and other receivables		(20.306)	(7.436)
Decrease in trade and other payables		(10.626)	(24.453)
Increase in deferred income		1.654	3.827
Cash generated from operating activities		**44.362**	**85.069**
Tax paid		(6.588)	(11.525)
Net cash from operating activities		**37.774**	**73.544**

The notes on pages 73 to 125 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2014

	Note	2014 €´000	2013 €´000
Cash flows from investing activities			
Payment for acquisition of intangible assets	14	(5.046)	(7.643)
Payment for acquisition of property, plant and equipment	13	(24.213)	(25.094)
Payment for purchase of available-for-sale financial assets	17	(2.657)	(6.179)
Payment for acquisition of investments in subsidiaries	15	(15.000)	-
Payment for acquisition of investments held-to-maturity	18	-	(30.749)
Loans repayments received		971	794
Payment for purchase of Treasury Bill	22	90	-
Proceeds from disposal of intangible assets		26	-
Proceeds from disposal of property, plant and equipment		1.904	4.373
Proceeds from sale of available-for-sale financial assets		2.658	1.709
Interest received		11.566	11.396
Income from investments		90	57
Bank deposits with original maturity over 3 months		21.230	5.121
Net cash used in investing activities		**(8.381)**	**(46.215)**
Cash flows from financing activities			
Repayment of loan		(339)	(339)
Interest paid		(98)	(159)
Dividend paid to the Republic of Cyprus	32	(30.600)	(3.054)
Net cash used in financing activities		**(31.037)**	**(3.552)**
Net (decrease)/increase in cash and cash equivalents		**(1.644)**	23.777
Cash and cash equivalents at beginning of the year	23	130.763	107.443
Effect of exchange rate fluctuations on cash and cash equivalent held		366	(457)
Cash and cash equivalents at end of the year	23	**129.485**	**130.763**

Cash and cash equivalents are defined by:

	2014 €´000	2013 €´000
Cash and cash equivalents (Note 23)	157.028	179.536
Bank deposits with original maturity over 3 months (Note 23)	(27.543)	(48.773)
	129.485	130.763

The notes on pages 73 to 125 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 of Primary Legislation), 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.

Cyta has been declared as an entity subject to privatisation, pursuant to the Decree of the Council of Ministers Regulatory Administrative Act 175/2014, issued pursuant to the Regulators Privatisation Law, N.28 (I) / 2014, which was published in the Official Gazette of the Republic on 28.03.2014. The privatisation process has already begun and Cyta supports both the Privatisation Unit as well as the Privatisation Commissioner for the implementation of what is provided in the underlying Decree and Law.

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.

These financial statements are the separate financial statements of Cyta and replace the financial statements approved and signed on 9 June 2015. 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 Cyta's Head Office address 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 2014 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

During the current year, Cyta adopted all changes to International Financial Reporting Standards (IFRS), which are relevant to its operations and are applicable for annual periods beginning on 1 January 2014. This adoption did not have a material effect on the financial statements of Cyta.

2. BASIS OF PREPARATION (continued)

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

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2014. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of Cyta, with the exception of IFRS 9: ''Financial Instruments'' for which at present stage, Cyta is considering the implications of the adoption of this standard to its financial statements. Cyta does not intend to adopt the following prior to their effective date.

(i) Standards and Interpretations adopted by the EU

• IAS 19 (Amendments) ''Employee Benefits'' (effective for annual periods beginning on or after 1 July 2014).

This amendment introduces significant changes to the recognition and measurement of defined benefit plans and post-retirement benefits (elimination of the corridor method) as also to the disclosures of all employees' benefits. The basic changes relate to the recognition of actuarial profits and losses, the recognition of the service cost/curtailments to the measurement of pensions, the required disclosures for the treatment of expenses and taxes which relate to defined benefit plans and distinction between short and long term benefits. The Authority is currently evaluating the impact of the standard on its financial statements.

• Improvements to IFRSs 2010-2012 (effective for annual periods beginning on or after 1 July 2014).

In December 2013, the International Accounting Standards Board 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 International Accounting Standards Board 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). The Authority is currently evaluating the impact of the improvements on its financial statements.

• Improvements to IFRSs 2011-2013 (effective for annual periods beginning on or after 1 July 2014).

In December 2013, the International Accounting Standards Board 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 International Accounting Standards Board 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). The Authority is currently evaluating the impact of the improvements on its financial statements.

(ii) Standards and Interpretations not adopted by the EU

• IFRS 14 ''Regulatory Deferral Accounts'' (effective for annual periods 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 previous accounting policies, both on initial adoption of IFRS and in subsequent financial statements. The Authority is currently evaluating the impact of the standard on its financial statements.

2. BASIS OF PREPARATION (continued)

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

(ii) Standards and Interpretations not adopted by the EU (continued)

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).

  In December 2014, the International Accounting Standards Board issued narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28. These amendments introduce clarifications to the requirements when accounting for investment entities, while they provide relief in particular circumstances, which will reduce the costs of applying the Standards. The Authority is currently evaluating the impact of the standard on its financial statements.

- Amendment to IFRS 11 "Accounting for acquisitions of Interests in Joint Operations" (effective for annual periods beginning on or after 1 January 2016).

  The amendment clarify that same general accounting concept is applied in accounting for business combinations or the acquisition of additional interests in joint operations that result in retaining joint control. The additional interest acquired in the joint operation should be measured at fair value. The previously acquired interest in the joint operation should not be remeasured. The Authority is currently evaluating the impact of the standard on its financial statements.

- Amendments to IAS 1: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016).

  Amendments to IAS 1: Disclosure Initiative address the disclosure requirements in existing Standards and develop principles for disclosures in the notes in the financial statements. The Authority is currently evaluating the impact of the standard on its financial statements.

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016).

  The amendments aim to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The Authority is currently evaluating the impact of the standard on its financial statements.

- IAS 27 (Amendments) ''Equity method in separate financial statements'' (effective for annual periods beginning on or after 1 January 2016).

  The Amendments allow entities to account for their investments in subsidiaries, joint ventures and associates under the equity method in their separate financial statements. The Authority is currently evaluating the impact of the standard on its financial statements.

2. BASIS OF PREPARATION (continued)

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

(ii) Standards and Interpretations not adopted by the EU (continued)

- IAS 16 and IAS 41 (Amendments) ''Bearer plants'' (effective for annual periods beginning on or after 1 January 2016).

  The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. The Authority does not expect the adoption of these amendments in future periods to have a material effect on its financial statements.

- IAS 16 and IAS 38 (Amendments) ''Clarification of acceptable methods of depreciation and amortisation'' (effective for annual periods beginning on or after 1 January 2016).

  The amendments to IAS 38 «Intangible Assets» establish the presumption that the use of revenue-based methods to calculate the amortisation of intangible assets is not appropriate. This presumption can only be rebutted when revenue and the consumption of the economic benefits embodied in an intangible asset are highly correlated or when the intangible assets used as a measure of revenue. The amendments to IAS 16 «Property, plant and equipment» clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate for Property, Plant and Equipment. The Authority does not expect the adoption of these amendments in future periods to have a material effect on its financial statements.

- Annual Improvements to IFRSs 2012–2014 Cycle (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2016).

  Annual Improvements to IFRSs 2012–2014 Cycle was issued by the IASB on 25 September 2014, a collection of amendments to IFRSs, in response to four issues addressed during the 2012-2014 cycle. The amendments reflect issues identified by the IASB during the project cycle that began in 2012, and that were subsequently included in the Exposure Draft of proposed amendments to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle (published in September 2014). The issues addressed in this cycle include the following: IFRS 5 Changes in methods of disposal, IFRS 7 Servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements, IAS 19 Discount rate and IAS 34 Disclosure of information 'elsewhere in the interim financial report'. The Authority is currently evaluating the impact of the standard on its financial statements.

- IFRS 15 «Revenue from contracts with customers» (effective for annual periods beginning on or after 1 January 2017).

  The new standard may have a significant effect on how and when entities will recognise revenue from contracts with customers. IFRS 15 replaces the IAS 11 "Construction contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC-31 "Revenue - Barter Transactions Involving Advertising Services". The standard provides a single, principles based model to be applied to all contracts with customers and two approaches to the recognition of revenue: at a point in time or over time. The Authority is currently evaluating the impact of the standard on its financial statements.

- IFRS 9 «Financial Instruments» (the International Accounting Standards Board decided temporarily to request the application of this standard for annual periods beginning on or after 1 January 2018).

On 24 July 2014, the International Accounting Standards Board (IASB) published the final version of IFRS 9 "Financial Instruments" which will replace the requirements of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 abolishes the four categories of classification of financial instruments and financial assets are classified under one of the three measurement categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

2. BASIS OF PREPARATION (continued)

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

(ii) Standards and Interpretations not adopted by the EU (continued)

The new standard is effective for periods beginning on or after 1 January 2018 with early adoption permitted, if the Authority decides so, subject to its adoption by the competent EU bodies. IFRS 9 changes significantly the way provisions for impairment are calculated, since it involves losses in relation to events that have occurred, as well as part of losses that are expected to occur in the future ("expected credit loss"). Particular criteria are established to determine for which loans expected credit losses that may occur in the next 12 months will be recognised and for which loans expected credit losses that may occur by the final payment of these loans will be recognised. The Authority is currently evaluating the impact of the standard on its financial statements.

(d) Use of estimates and judgments

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 judgments 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.

  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.

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgments (continued)

- 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 statement of 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 judgment 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.

- 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.

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgments (continued)

- 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.

(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 Cyta operates and in which the elements of its financial statements are measured.

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
Subsidiaries are entities controlled by Cyta. Control exists where Cyta is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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 or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee. 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
Joint arrangements are arrangements of which Cyta has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- 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, subscriber television services 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.

- 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 a 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 Fund are making contributions amounting to 5%.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanent employee retirement benefit scheme (continued)

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 statement of profit or loss over a period equal to the average remaining working life of Cyta's employees. The latest actuarial valuation was conducted on 31 December 2014.

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 part-time and/or permanent hourly paid employee. Employees'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 in the period in which it incurred.

Debtors and provision 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. The provision for bad and doubtful debts represents the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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 profit or loss in the period in which they are incurred.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax (continued)

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 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.

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 monthly 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 - 20
Transmission equipment	5 - 10
Line network	7 - 40
Mobile telephone service network	3 - 8
Security and fire alarm systems	5 - 10
Satellite earth stations	7 - 15
Submarine cables	15 - 25
Motor vehicles	8
Office furniture and equipment	8
Terminal equipment and tools	3 - 10
Computer peripherals	5
Mainframe computer and information systems	5 - 7
Electromechanical equipment	10 - 20
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 each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 the statement of 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.

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 life.

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 the statement of profit or loss when the asset is derecognised.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 the statement of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iii) Loans granted (continued)

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 future 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 under 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 under ''Available for sale'' category during the current year and for the next two following accounting periods are stated at fair value.

- 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 directly attributable 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 reclassified to 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 reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) Investments (continued)

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 the statement of 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

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 nonperformance risk.

Cyta measures the fair value of an instrument using the quoted price in an active market for that instrument when this is available. 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.

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(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;
- 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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

	2014 €΄000	2013 €΄000
Fixed Telephony	79.997	87.624
Mobile Telephony	152.626	164.604
Other Services	163.864	182.033
	396.487	434.261

5. OPERATING EXPENSES

	2014 €΄000	2013 €΄000
Calls terminated to other networks	11.558	10.902
Supplementary pensions and other benefits to pensioners	2.809	2.648
Rent	2.642	2.639
Management consultancy fees	3.139	3.991
Cost of terminal equipment sold	23.163	17.775
Stationery and printing	533	678
Electricity and water	11.402	12.921
Maintenance costs	25.664	26.314
Mobile telephony licence fees	4.437	4.276
Leased circuits rentals	2.536	2.871
Outpayments to telecommunication organisations	16.665	23.276
Staff costs	119.790	125.527
Advertising expenses	8.513	13.208
Cytavision licences	27.929	25.623
Other expenses	12.487	12.166
Provision for doubtful debts (Note 21)	1.907	4.107
Costs relating to defined benefit plan (Note 8)	2.503	4.207
Amortisation of intangible assets and shop goodwill (Note 14)	10.039	12.183
Depreciation (Note 13)	34.701	44.581
	322.417	349.893
Less: Wages and other costs that are capitalised or repayable by third parties	(7.688)	(9.198)
	314.729	340.695

6. OTHER OPERATING EXPENSES

	2014 €´000	2013 €´000
Impairment charge of cash and cash equivalent (1)	-	29.992
Write-off of obsolete fixed assets	415	410
Cost of voluntary retirement scheme (2)	40.469	-
	40.884	30.402

(1) 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.

(2) 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 at 23 May 2014, which is the expiry date for the submission of applications. The employees who elected to retire by taking the VRS, apart from the fundamental pension benefits, they were compensated with an additional amount due to their early retirement which was considered as a ''career loss''. This amount 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 until 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.

7. OTHER INCOME

	2014 €´000	2013 €´000
Bad debts recovered (Note 21)	81	177
Sundry operating income	1.403	2.447
Gain from sale of property, plant and equipment	59	164
Income from investments	90	57
Rental income	48	54
	1.681	2.899

8. PENSION FUNDS

(a) Defined Benefit Plan

The latest actuarial valuation was carried out as at 31 December 2014. The assets used for the purposes of the actuarial valuation were extracted from the financial statements of Cyta's employees defined benefit plan for the year ended 31 December 2014.

Based on the amendments to IAS 19 (Amendment), actuarial gains/ (losses) as from 2013 onwards, are recognised in the statement of other comprehensive income while previously, Cyta used to recognise actuarial gains/ (losses) in the profit or loss over a period equal to the average remaining working life of Cyta's employees.

8. PENSION FUNDS (continued)

(a) Defined Benefit Plan (continued)

Cyta's net pension fund (liability)/asset regarding defined benefits towards Pension Fund is as follows:

	2014 €´000	2013 €´000
Long - term Pension Fund (liability)/ asset	(208.416)	64.697
	(208.416)	64.697

The fund offers retirement benefits to monthly employees and their dependants. The fund operates independently of the finances of Cyta. According to the regulations of the scheme, Cyta is liable to make contributions to the fund which are determined by periodic actuarial valuations. The contributions represent a percentage of the pensionable salary of employees-members of the fund. Additionally, Cyta is liable to contribute to the fund for any deficits which may arise from the actuarial valuation.

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

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

(a) Annual pension equal to 1/800 of the pensionable salary of the member for each month of service with a maximum of 400/800, additional 13th month's pension each year, equal to the 1/12 of the annual pension and a lump sum equal to the annual pension multiplied by fourteen and split the resulting sum by three (Note: For some transitional periods after 2005 the coefficient factor for the calculation of the lump sum amount was gradually increased from 14/3 up to 15,5/3 depending on the retirement age which also was increased in the same transitional period from the 60th to the 63rd year of age.

(b) As from 1 January 2013 onwards, with the enactment of ''the Pension Benefits for Government Employees and Employees of Public Sector including Local Authorities (Provisions of General Application) Law of 2012'' (N.216(I)/2012), the retirement benefits to Members are calculated as follows:

Part A - (corresponds to the pensionable service of the members until 31 December 2012 and the benefits earned from this service):

(i) annual pension of one over eight hundred (1/800) of annual pensionable earnings at the date of retirement, for every completed month of his pensionable service, and

(ii) a lump sum equal to the annual pension multiplied by fourteen (14) and split the resulting sum by three (3).

The lump sum paid to each employee for his/her service before 1 January 2013, is calculated as follows:

(a) for an employee who had completed the sixty-first (61st) year of age and has an eligible pension service of four hundred and twelve (412) months or more, before the 1st January 2013, amount paid equals to the annual pension multiplied by fourteen and a half (14 ½) and divided the result by three (3),

(b) for an employee who had completed the sixty-second (62nd) year of age and has an eligible pension service of four hundred and twenty four (424) months or more, before the 1st January 2013, amount paid equals to the annual pension multiplied by fifteen (15) and divided the result by three (3), and

8. PENSION FUNDS (continued)

(a) Defined Benefit Plan (continued)

(c) for an employee who had completed the sixty-third (63rd) year of age and has an eligible pension service of four hundred and thirty six (436) months or more, before the 1st January 2013, amount paid equals to the annual pension multiplied by fifteen and a half (15 ½) and divided the result by three (3)

Part B - (corresponds to the pensionable service of the members as from 1 January 2013 and the benefits earned from this service):

(i) annual pension based on the coefficient of one over eight hundred (1/800) of the average gross pensionable emoluments for the total months of a member's pensionable service, up to his/her retirement date, adjusted with the value of the applicable insurance unit of the Social Insurance Fund, for each completed month of their pensionable service, and

(ii) a lump sum equal to the annual pension multiplied by fourteen (14) and split the resulting sum by three (3):

An employee may choose between the payment of the whole lump sum amount as described earlier, or the conversion of this amount to fixed monthly amount, or the payment of part of this amount at a rate of twenty-five percent (25%) or fifty percent (50%) or seventy-five percent (75%) and the actuarial conversion of the balance in fixed monthly amount.

The fixed monthly amount is calculated by taking the lump sum subject to conversion, divided by the factor as defined in Table 1 of ''The Pension Benefits for Government Employees and Employees of Public Sector including Local Authorities (Provisions of General Application) Law of 2012'', and based on the age of the employee at retirement, to calculate the annual amount which is then divided by twelve (12), to give the fixed monthly amount.

In addition to the above general rules relating to the calculation of the member's pension benefits, the Fund's Regulations include a plethora of other provisions which relate to early retirements, retirements due to disability, retirements for health purposes, transfer of pensions to widows/widowers and orphans, etc.

The amounts which appear in the statement of financial position regarding retirement benefits that arise from the pension fund are in accordance with the actuarial valuation as at 31 December 2014 for the defined benefit plan and is as follows:

	2014 €´000	2013 €´000
Present value of obligations	782.319	569.861
Fair value of plan assets	(573.903)	(634.558)
Net liability/ (asset) in statement of financial position	208.416	(64.697)

The amounts which appear in the statement of profit or loss regarding the defined benefit plan are in accordance with the actuarial valuation as at 31 December 2014 and are as follows:

	2014 €´000	2013 €´000
Current service cost (Note 5)	2.503	4.207
Net interest on the net benefit asset (Note 10)	(2.540)	(2.525)
Total (income)/ expense recognised in profit or loss	(37)	1.682

8. PENSION FUNDS (continued)

(a) Defined Benefit Plan (continued)

Movements in net asset recognised in statement of financial position:

	2014 €´000	2013 €´000
Net asset in statement of financial position at the beginning of the period	(64.697)	(61.053)
Actual Contributions paid by Cyta	(13.001)	(14.359)
Total actuarial losses recognised in other comprehensive income	286.151	9.033
Total expense recognised in statement of profit or loss	(37)	1.682
Net liability/ (asset) in statement of financial position	208.416	(64.697)

Movement in the present value of benefit obligation:

	2014 €´000	2013 €´000
Defined benefit obligation at the beginning of the year	569.861	639.567
Current service cost	2.503	4.207
Interest cost	20.723	22.482
Employee contributions	3.798	4.127
Benefits paid from the Pension Fund	(75.522)	(24.630)
Actuarial loss/ (gain) -financial assumptions	166.423	(98.066)
Actuarial loss -demographic assumptions	5.667	-
Actuarial loss -experience	88.866	22.174
Defined benefit obligation at the end of the year	782.319	569.861

Movement in the fair value of plan assets:

	2014 €´000	2013 €´000
Fair value of plan assets at the beginning of the year	634.558	700.620
Expected return on plan assets	23.263	25.007
Employer contributions	13.001	14.359
Employee contributions	3.798	4.127
Benefits paid from the Pension Fund	(75.522)	(24.630)
Actuarial loss	(25.195)	(84.925)
Fair value of plan assets at the end of the year	573.903	634.558

The cumulative amount recognised in the statement of other comprehensive income as at 31 December 2014 is €270.192.499 deficit (2013: €15.958.507 surplus).

Remeasurements:

	2014 €´000	2013 €´000
(Loss)/ gain in liability remeasurement	(260.956)	75.892
Return on plan assets excluding amounts included in interest income	(25.195)	(84.925)
Total actuarial loss recognised in other comprehensive income	(286.151)	(9.033)

8. PENSION FUNDS (continued)

(a) Defined Benefit Plan (continued)

Actual return on plan assets:

	2014 €´000	2013 €´000
Expected return on assets	23.263	25.007
Actuarial losses on assets	(25.195)	(84.925)
	(1.932)	(59.918)

Plan assets comprise:

	2014		2013	
	€´000	%	€´000	%
Property	39.725	6,92	39.990	6,3
Bonds -Government	177.825	30,99	222.463	35,06
Bonds -other	13.828	2,41	21.242	3,35
Shares listed	28.346	4,94	25.969	4,09
Shares unlisted	-	-	7.810	1,23
Other investments measured at fair value	30.064	5,24	30.872	4,87
Loans receivable	29.643	5,17	30.989	4,88
Structured products	7.395	1,29	10.831	1,71
Cash and cash equivalents	191.894	33,44	186.399	29,37
Other receivables and prepayments	56.170	9,79	59.037	9,3
Other payables	(987)	(0,17)	(1.044)	(0,16)
	573.903	100,00	634.558	100,00

The main actuarial assumptions used for the actuarial valuation were:

	2014 % p.a.	2013 % p.a.
Discount Rate	2,05%	3,71%
Price Inflation	2,00%	2,00%
Expected return on investments	2,05%	3,71%
Total salary increases	2015-2017: 0,00%	2014-2017: 0,00%
	2018: 1,00%	2018: 1,00%
	2019: 1,50%	2019: 1,50%
	2020: 2,00%	2020: 2,00%
	2021+: 2,50%	2021+: 2,50%
Pension increases	2015-2017: 0,00%	2014-2017: 0,00%
	2018-2020: 1,00%	2018-2020: 1,00%
	2021+: 1,50%	2021+: 1,50%
Increase on maximum insurable earnings limit	3,00%	3,00%
Mortality	96% of EVK 2000	EVK 2000
Plan duration	15,90	15,79

8. PENSION FUNDS (continued)

(a) 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 2014	Impact 2013
	%	%	%
Discount Rate	0,5	(7,60)	(6,70)
	(0,5)	8,60	7,50
Price Inflation	0,5	6,60	5,30
	(0,5)	(5,90)	(4,70)
Salaries	0,5	2,90	2,70
	(0,5)	(2,70)	(2,50)
Pensions	0,5	0,00	2,40
	(0,5)	3,50	(2,30)

Current year's assumptions regarding future mortality rates are according to the mortality table EVK 2000, which is based on Swiss mortality.

The estimated regular statement of profit or loss charge for the financial year 2015 based on the amended IAS 19 is as follows:

	2015
	€ ΄000
Current service cost	6.294
Net interest charge	4.179
Total	10.473

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

Based on the actuarial valuation prepared for the year ended 31 December 2014, the expected contributions to be paid to the defined pension plan for the financial year 2015 are €9.132.716.

Based on the actuarial valuation prepared for the year ended 31 December 2014, the expected benefits to be paid from the defined pension plan for the financial year 2015 are €30.542.812.

(b) Provident fund of Hourly paid employees

The provident fund of Hourly paid employees was established on the 14th of October 2008. Member 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' contribution is at 5% of their monthly salaries and employer's contribution is at 5%. Employer's contribution in the year 2014 amounted to €602.329 (2013: €283.008).

9. OPERATING PROFIT

	2014 €´000	2013 €´000
Operating profit is stated after (crediting)/ charging the following items:		
Profit from sale of property, plant and equipment (Note 7)	(59)	(164)
Amortisation of mobile telephony licence (Note 14)	1.089	1.089
Amortisation of computer software (Note 14)	8.931	11.076
Amortisation of shop goodwill (Note 14)	18	18
Depreciation of property, plant and equipment (Note 13)	34.701	44.581
Auditors' remuneration for the statutory audit of annual accounts	30	30
Voluntary retirement scheme cost (Note 6)	40.469	-
Impairment charge -investments in subsidiaries (Note 11)	-	24.735
Impairment charge of cash and cash equivalent (Note 6)	-	29.992

10. FINANCE INCOME AND EXPENSES

	2014 €´000	2013 €´000
Interest income	11.566	12.357
Net interest on the net defined benefit asset (Note 8)	2.540	2.525
Exchange profit	4.755	833
Effective interest rate on held to maturity investments	417	10
Finance income	19.278	15.725
Net foreign exchange transaction losses	3.139	1.443
Bank charges and other interest	98	159
Finance expenses	3.237	1.602
Net finance income	16.041	14.123

Interest revenue is analysed as follows:

	2014 €´000	2013 €´000
Bank deposits	7.950	8.810
Other loans and receivables	39	6
Held-to-maturity investments	3.577	3.541
	11.566	12.357

11. NET LOSS FROM INVESTING ACTIVITIES

	2014 €´000	2013 €´000
Loss from sale of available-for-sale financial assets (1)	638	-
Impairment charge - investments in subsidiaries (2)	-	24.735
	638	24.735

(1) The loss from sale of available-for-sale financial assets relates to loss from the conversion of capital securities CCS1 and CCS2 of Hellenic Bank held by Cyta in ordinary shares of the aforementioned Bank.

11. NET LOSS FROM INVESTING ACTIVITIES (continued)

(2) During the year ended 31 December 2014, Cyta did not proceed with additional impairment of its investment in Digimed Communications Limited. During the year ended 31 December 2013, Cyta has impaired its investment in Digimed Communications Limited by €24.734.522. The impairment in 2013 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

	2014 **€´000**	**2013** **€´000**
Income tax - current for the year	2.192	9.770
Income tax - prior years	-	(573)
Defence contribution - current for the year	2.924	3.025
Deferred tax - charge (Note 26)	4.169	5.121
Charge for the year	9.285	17.343

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

	2014 **€´000**	**2013** **€´000**
Accounting profit before tax	56.885	54.788
Tax calculated at the applicable tax rates	7.111	6.849
Tax effect of expenses not deductible for tax purposes	6.537	14.537
Tax effect of allowances and income not subject to tax	(11.456)	(11.611)
Defence contribution -current year	2.924	3.025
Deferred tax	4.169	5.121
Prior year taxes	-	(573)
Overseas tax in excess of credit claim used during the year	-	(5)
Tax charge	9.285	17.343

Cyta's profits are subject to income tax at the rate of 12,5% (2013:12,5%). On 18 April 2013 legislation was enacted by the House of Representatives to increase the corporation 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% (2013:30%). 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 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 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
Balance at 1 January 2014	85.071	23.769	3.027	1.029.538	11.677	6.984	32.407	1.192.473
Additions	242	2.529	3	20.254	-	44	1.141	24.213
Disposals/ Withdrawals	-	-	-	(16.210)	(277)	(197)	(2.020)	(18.704)
Transfers	9	(4.739)	68	4.637	-	20	5	-
Balance at 31 December 2014	85.322	21.559	3.098	1.038.219	11.400	6.851	31.533	1.197.982
Depreciation								
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
Balance at 1 January 2014	35.264	-	1.935	764.712	10.170	6.053	28.947	847.081
Depreciation for the year (Note 9)	2.116	-	126	30.631	357	225	1.246	34.701
On disposals/ withdrawals	-	-	-	(14.432)	(258)	(193)	(1.976)	(16.859)
Transfers	-	-	-	(5)	-	-	5	-
Balance at 31 December 2014	37.380	-	2.061	780.906	10.269	6.085	28.222	864.923
Carrying amounts								
Balance at 31 December 2014	47.942	21.559	1.037	257.313	1.131	766	3.311	333.059
Balance at 31 December 2013	49.807	23.769	1.092	264.826	1.507	931	3.460	345.392
Balance at 1 January 2013	51.761	35.957	1.219	273.538	1.664	1.096	4.346	369.581

(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 (2013: €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 2013	22.388	239.558	164	262.110
Additions	-	7.643	-	7.643
Disposals/ Withdrawals	-	(183)	-	(183)
Transfers	-	1.028	-	1.028
Balance at 31 December 2013	22.388	248.046	164	270.598
Balance at 1 January 2014	22.388	248.046	164	270.598
Additions	-	5.046	-	5.046
Disposals/ Withdrawals	-	(860)	-	(860)
Balance at 31 December 2014	22.388	252.232	164	274.784
Amortisation				
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
Balance at 1 January 2014	11.495	226.282	72	237.849
On disposals/ withdrawals	-	(833)	-	(833)
Amortisation for the year (Note 9)	1.089	8.932	18	10.039
Balance at 31 December 2014	12.584	234.381	90	247.055
Carrying amounts				
Balance at 31 December 2014	9.804	17.851	74	27.729
Balance at 31 December 2013	10.893	21.764	92	32.749
Balance at 1 January 2013	11.982	24.704	110	36.796

15. INVESTMENT IN SUBSIDIARY

	2014 €´000	2013 €´000
Balance at 1 January	85.388	110.123
Additions	15.000	-
Impairment charge	-	(24.735)
Balance at 31 December	100.388	85.388

The details of the subsidiaries are as follows:

Name	Country of incorporation	Holding 2014 %	Holding 2013 %	2014 €´000	2013 €´000
Digimed Communications Limited	Cyprus	100	100	100.388	85.388
				100.388	85.388

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.

The Board of Directors of Digimed Communications Limted, through special resolutions, decided on 10 June, 26 August, 23 December and 30 December 2014, to increase Cyta's share in Digimed Communications Limited by 8.771.927 ordinary shares of nominal value €1,71 each and total amount of €15.000.000.

During the year ended 31 December 2014, Cyta did not proceed with additional impairment of its investment in Digimed Communications Limited. During the year ended 31 December 2013, Cyta has impaired its investment in Digimed Communications Limited by €24.734.522. The impairment in 2013 was the result of the negative financial performance of the company that had led to the reduction of its net assets compared to the initial cost of the investment.

16. INVESTMENTS IN ASSOCIATED UNDERTAKINGS

	2014 €´000	2013 €´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 2014 %	Holding 2013 %	2014 €´000	2013 €´000
Cyta Hellas A.E.	Greece	Broadband Services	3,47	3,84	1.480	1.480
					1.480	1.480

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 €´000	2013 €´000
Balance at 1 January	8.255	3.757
Additions	2.657	6.179
Disposals	(1.822)	(1.709)
Revaluation difference transferred to equity	(1.060)	28
Balance at 31 December	8.030	8.255
Less non-current portion	(8.008)	(6.410)
Current portion	22	1.845

Financial assets available for sale are as follows:

(i) Cyta holds 75.815 shares of nominal value 1 Euro each in Eutelsat Communications. Eutelsat Communications is listed in Paris Stock Exchange Euronext. The total value of Cyta's investment as at 31 December 2014 was €2.031.842 (2013: €1.718.726).

(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 NASDAQ stock exchange. The total value of Cyta's investment as at 31 December 2014 was US dollars208.254 (€171.539) (2013: €221.429).

(iii) In accordance with the provisions of the Bailing in of Bank of Cyprus Public Company Limited Decree of 2013 and the conversion of 47,5% of Bank's bailed in eligible deposits, 20.315.907 Bank of Cyprus ordinary shares of nominal value of €1 each were issued to Cyta. 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 using a level 3 valuation both for the purposes of initial recognition of the shares and as of 31 December 2013. On 16 December 2014, these shares were listed on the Cyprus Stock Exchange and are traded in an active market. Due to the fact that the shares have a quoted price in an active market, their fair value has been transferred from Level 3 to Level 1 of the fair value hierarchy as at 31 December 2014. The fair value of the shares as at 31 December 2014 has been valued at €0,216 (2013: €0,22) per share and their total value amounts to €4.388.236 (2013: €4.469.500).

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

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. The Convertible Capital Securities 2 bear annual interest at the rate of 10%. 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% (8% after 29 May 2014).

As at 9 December 2013, the interest payments were mandatorily 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

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

ordinary shares was set at €0,10 per share. Additionally, on 29 August 2014 and 26 October 2014, the CCS1 were converted into ordinary shares so that the Capital Adequacy requirements will be maintained above 8%. The price of the mandatory conversion of CCS1 into ordinary shares was set at €0,10 per share. As a result of the conversion, the value of the ordinary shares held by Cyta as at 31 December 2014, amounts to €1.417.081.

The quoted price of CCS1 and CCS 2 at 31 December 2014 was 50 cents (2013: 54 cents) and 50 cents (2013: 60 cents) respectively. The fair value of the securities at 31 December 2014 amounts to €21.600 (2013: €1.845.289).

Available-for-sale financial assets, mainly comprised of 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.

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

18. HELD-TO-MATURITY INVESTMENTS

	2014 €´000	2013 €´000
Balance at 1 January	72.779	42.020
Additions	-	30.749
Effective interest rate on held to maturity investments	417	10
Balance at 31 December	73.196	72.779

	Fair values 2014 €´000	Cost 2014 €´000	Fair values 2013 €´000	Cost 2013 €´000
Government bonds	34.760	34.142	34.343	34.142
Cyta Hellas convertible debentures	38.436	38.436	38.436	38.436
	73.196	72.578	72.779	72.578

Bonds maturing:	2014 €´000	2013 €´000
Within one year	27.418	-
Between two and five years	40.287	60.699
After five years	5.491	12.080
Total	73.196	72.779

18. HELD-TO-MATURITY INVESTMENTS (continued)

Held to maturity investments are as follows:

(i) Cyta holds Cyprus government bonds of nominal value €20.830.000 maturing on 4 January 2015, €5.000.000 nominal value bonds maturing on 25 February 2016 and €9.000.000 nominal value bonds 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 and its subsidiary, Cyta Hellas, to finance partly its 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 convertible bonds with a repayment date up to 31 December 2020.

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

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

19. LOANS RECEIVABLE

	2014 €´000	2013 €´000
Loans receivable	1.004	1.975
	1.004	1.975
Current portion	(410)	(664)
Non-current portion	594	1.311

The loans are repayable as follows:

Within one year	410	664
Between two and five years	594	1.311
	1.004	1.975

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 seven year period.

20. INVENTORIES

	2014 €´000	2013 €´000
Materials and supplies	7.654	6.064
	7.654	6.064

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

21. TRADE AND OTHER RECEIVABLES

	2014 €´000	2013 €´000
Trade receivables	122.705	103.395
Telecommunication organisations	3.214	2.390
Finance lease receivable	21.333	19.016
Less: Provision for impairment of receivables	(19.775)	(18.503)
Trade receivables - net	127.477	106.298
Receivables from related companies (Note 30)	18.805	15.710
Deposits and prepayments	10.436	11.077
Receivables for repayment work in progress	563	1.485
Other receivables	1.094	926
Less: Provision for impairment of other receivables	(6)	(6)
Total trade and other receivables	158.369	135.490
Less non-current receivables	(14.950)	(23.572)
Current receivables	143.419	111.918

Concentration of credit risk with respect to trade receivables is 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 scope of recorded provisions. Due to these factors, Management believes that there is no additional inherent risk in Cyta's trade receivables, beyond the amounts provided for the loss on collection.

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 receivables arise from long term concession of irrevocable rights over the telecommunications infrastructure and are analysed as follows:

	Total future minimum lease receivables	
	2014 €´000	2013 €´000
Not more than 1 year	17.215	12.944
More than 1 year and not more than 5 years	4.118	6.072
Future finance lease receivables	21.333	19.016

21. TRADE AND OTHER RECEIVABLES (continued)

The fair values of lease receivables approximate to the carrying amounts at the reporting date as presented above.

Included in Cyta's trade receivable balances are balances with a carrying amount of €41.762.541 (2013: € 36.665.555) 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:

	2014 €´000	2013 €´000
Up to 30 days	5.242	541
30-180 days	12.038	1.338
More than 180 days	24.483	34.786
	41.763	36.665

Movement in provision for impairment of receivables:

	2014 €´000	2013 €´000
Balance at 1 January	(18.509)	(15.710)
Impairment losses recognised on receivables (Note 5)	(1.907)	(4.107)
Amount written off as uncollectible	716	1.485
Bad debts recovered previously provided for (Note 7)	(81)	(177)
Balance at 31 December	(19.781)	(18.509)

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of €1.591.008 (2013: €484.094) 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

	2014 €´000	2013 €´000
Balance at 1 January	101.665	100.704
Movement of the year	(478)	228
Interest charged	388	733
Balance at 31 December	101.575	101.665

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 the Treasury Bills of 12 July 2012 through a private placement with a yield equal to 5 %. On 7 October 2014 with its maturity, the treasury bill was renewed and split into three new bills. Up until today, the bills are renewed at each expiry period. The annual average yield of the bills for the year 2014 was 4%.

The movement for the year is due to the repayment of principal or interest received previously capitalised.

23. CASH AND CASH EQUIVALENTS

	2014 €´000	2013 €´000
Cash at bank and in hand	157.028	179.536
	157.028	179.536

The effective interest rate on short term bank deposits was 0,65% - 5,25% (2013: 0,55% - 5,25%) and these deposits have a maturity of 6-34 months (2013: 6-12 months).

Cash at bank and in hand as at 31 December 2014 include commitments amounting to €22.922.072 (2013: €20.761.313). Specifically, guarantees of €5.061.929 (2013: €600.000) for financing facilities to Cyta Hellas, €1.503.000 (2013: €4.185.000) for contracts of Cyta with UEFA, €134.795 (2013: €0) for guarantees issued for Cyta's contracts and €16.222.348 (2013: €15.976.313) for low-interest housing and student loans given to Cyta's employees through Bank Employees Cooperative Savings Bank (STYTET) Ltd existed.

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

	2014 €´000	2013 €´000
Cash and cash equivalents	157.028	179.536
Less:	(27.543)	(48.773)
Bank deposits with original maturity over 3 months	129.485	130.763

23. CASH AND CASH EQUIVALENTS (continued)

As at 31 December 2013, bank deposits with original maturity over 3 months included 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 maturity of six, nine and twelve months and with an option for renewal of an additional period with the same duration. As at 31 December 2014, a time deposit of €1.785.000 remained, which was released on 30 January 2015.

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

24. OTHER RESERVES

	Fair value reserve - available-for-sale financial assets	Actuarial (losses)/gains reserve	Total
	€´000	**€´000**	**€´000**
Balance at 1 January 2013	269	24.992	25.261
Revaluation	28	-	28
Remeasurement of defined benefit obligation	-	(9.033)	(9.033)
Balance at 31 December 2013	297	15.959	16.256
Balance at 1 January 2014	297	15.959	16.256
Revaluation	(1.060)	-	(1.060)
Loss transferred to net profit due to disposal	1.473	-	1.473
Remeasurement of defined benefit obligation	-	(286.151)	(286.151)
Balance at 31 December 2014	710	(270.192)	(269.482)

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 have been disposed of or are 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 are 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

	2014 €´000	2013 €´000
Short-term portion of loans		
Loans from foreign financial institutions	49	339
Long-term portion of loans		
Loans from foreign financial institutions	-	49
Total	49	388
Maturity of non-current borrowings		
Between one to two years	-	49

The loans from foreign financial institutions are repayable between the years 2014 and 2015 and bear interest ranging from 2% to 11,62% per annum.

The exposure of Cyta to interest rate risk in relation to financial instruments is disclosed 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 2013	6.736
Charged to:	
Statement of profit or loss (Note 12)	5.121
Balance at 31 December 2013	11.857
Balance at 1 January 2014	11.857
Charged to:	
Statement of profit or loss (Note 12)	4.169
Balance at 31 December 2014	16.026

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

	2014 €´000	2013 €´000
Trade payables	15.014	12.948
Overseas telecommunication organisations	2.272	5.922
Foreign suppliers	7.447	7.603
Deposits from clients	3.499	3.874
Social insurance and other taxes	3.608	6.842
V.A.T.	17.077	16.227
Guarantees payable	195	195
Accruals	8.196	9.602
Other creditors	4.269	6.260
Special contribution to the defence fund on deemed distribution	-	3.054
Amounts payable to related companies (Note 30)	1.996	694
	63.573	73.221

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 disclosed in note 34 of the financial statements.

28. DEFERRED INCOME

	2014 €´000	2013 €´000
Prepayments from clients	158	1.514
Deferred income	14.517	11.507
	14.675	13.021
Deferred income more than one year	(5.551)	(4.915)
Deferred income within one year	9.124	8.106

29. REFUNDABLE TAX

	2014 €´000	2013 €´000
Income tax - payable	68	1.275
Income tax - receivable	(2.222)	(1.957)
Special contribution for defence - payable	3	3
	(2.151)	(679)

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:

	2014 €´000	2013 €´000
Salaries and other benefits	626	628
Contributions to Funds	15	39
	641	667

(ii) Directors' remuneration

The total remuneration of the Directors was as follows:

	2014 €´000	2013 €´000
Directors' remuneration	25	17
	25	17

(iii) Sales of goods and services

Name	Nature of transactions	2014 €´000	2013 €´000
Cyta (UK) Limited	Trade	48	85
Cyta Hellas A.E.	Technical support and trade	6.374	3.388
Cyta Hellas A.E.	Finance	-	1.430
Cytacom Solutions Limited	Trade	397	7
Digimed Communications Limited	Technical support and trade	40	30
Bestel Communications Limited	Trade	-	1
Cyta Global Hellas S.A.	Trade	5	32
Iris Gateway Satellite Services Limited	Trade	525	215
		7.389	5.188

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

(iv) Purchases of goods and services

Name	Nature of transactions	2014 €´000	2013 €´000
Cyta (UK) Limited	Trade	314	215
Cyta Hellas A.E.	Trade	979	222
Cytacom Solutions Limited	Trade	546	729
Digimed Communications Limited	Trade	197	138
Cyta Global Hellas S.A.	Trade	10	280
Emporion Plaza Limited	Trade	3	-
Iris Gateway Satellite Services Limited	Trade	232	236
		2.281	1.820

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

30. RELATED PARTY TRANSACTIONS (continued)

(v) Receivables from related companies (Note 21)

Name	Nature of transactions	2014 €´000	2013 €´000
Digimed Communications Ltd	Technical support and trade	163	304
Cytacom Solutions Limited	Trade	2.701	2.679
Emporion Plaza Ltd		1	1
Iris Gateway Satellite Services Limited	Trade	366	69
Cyta (UK) Limited	Trade	11	45
Cyta Global Hellas S.A.	Trade	3	-
Cyta Hellas A.E.	Technical support and trade	15.560	11.112
Cyta Hellas A.E.	Finance	-	1.500
		18.805	15.710

(vi) Payables to related companies (Note.27)

Name	Nature of transactions	2014 €´000	2013 €´000
Digimed Communications Limited	Trade	32	36
Cytacom Solutions Limited	Trade	332	241
Emporion Plaza Limited	Trade	3	-
Iris Gateway Satellite Services Limited	Trade	63	53
Cyta Global Hellas S.A.	Trade	178	28
Cyta (UK) Limited	Trade	309	82
Cyta Hellas A.E.	Trade	1.079	254
		1.996	694

31. PENALTIES

During the year ended 31 December 2014, the following penalties have been imposed/reassessed:

	Note	2014 €´000	2013 €´000
Primetel Public Company Ltd	9	-	663
Cyprus Radiotelevision Authority	10	2	-
Commisioner of Electronic Communications	11	5	-
Commisioner of Electronic Communications	12	50	-
Primetel Public Company Ltd	13	1.016	-
		1.073	663

31. PENALTIES (continued)

1. On 11 September 2012, the Commission for the Protection of Competition ("CPC") reassessed 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's reassessment 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 8 October 2012, CPC imposed a penalty of €960.000 following the reassessment 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.

4. On 8 October 2012, CPC reassessed 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.

5. On 10 December 2012, CPC imposed a fine to Cyta amounting to €2.150.680, after a complaint lodged by 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 the administrative fine, revived.

6. 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.

7. On 31 October 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.

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

9. 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.

10. On 21 November 2014, the Cyprus Radio Television Authority imposed an administrative fine of €2.000 for infringement of Regulation 34 (1) (d) of the Radio and Television Organisations Regulations of 2000 (PI 10/2000 article) due to the transmission of programs relating to criminal or terrorist acts. The fine was paid on 30 December 2014.

11. On 10 February 2014, with its decision the Office of the Commissioner of Electronic Communications and Postal Regulation (OCECPR) imposed a fine of €5.000 to Cyta for infringement of Collocation and Sharing Facilitation Decree towards Cablenet. The fine was paid on 22 May 2014.

31. PENALTIES (continued)

12. On 24 February 2015, with its decision the Office of the Commissioner of Electronic Communications and Postal Regulation (OCECPR) imposed a fine of €50.000 to Cyta as a result of the resolution of the dispute with MTN. The dispute related to MTN's request for the review of the annual pipelines use fees charged by Cyta and the amendment of the Framework Agreement for the collocation to Cyta's pipelines system in order to comply with the Provision of Collocation and Facility Sharing Decree (247/2013 CCP). For this amount, a provision was recognised in Cyta's financial statements for the year 2014 along with the corresponding expense.

13. On 18 March 2015, CPC imposed a fine of €1.016.425 to Cyta for infringement of the law in relation to unfair prices charged and Cyta's refusal to accept the gradual and/or partial repayment of debt and/or concession of repayment facilities of Primetel's obligations regarding the Minerva cable capacity.

32. DIVIDEND PAID TO THE CYPRUS GOVERNMENT

	2014 €´000	2013 €´000
Dividend paid	30.600	-
Defence contribution on deemed distribution	-	3.054
	30.600	3.054

As from 15 November 2011 Telecommunications Services (Amended) Law of 2011 article 17A has been amended and provides that dividends paid by Cyta should not exceed half of the profit after tax of the previous financial year.

The amount of the dividend, as well as the timing of the payment, are determined by the Council of Ministers, following 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 in which they are decided.

In the year 2014 an amount of €30.600.000 was paid as dividend to Cyprus Government Treasury, following the Council of Ministers ('the Cabinet') decision on 23 October 2013 and following the approval of Cyta's Board of Directors on 2 April 2014, according to the Telecommunication Services Laws, as amended with the Telecommunication Services (Amended) (No 2) Law of 2006 (section 117 (I)/2006).

The amount of dividend for 2014 was set taking into account the profits for the financial year 2012, as well as other provisions of the aforementioned law in relation to Cyta's liquidity, its ability to pay the amount and the amount that Cyta is committed to pay for the Voluntary Retirement Scheme.

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

Special contribution for defence on deemed dividend for the year 2013 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 were deemed to be distributed and the corresponding special defence contribution was paid in 2014.

33. COMMITMENTS

Capital commitments

Contractual Commitments in respect of capital expenditure as at 31 December 2014 but not yet incurred, amounted to €35.335.615 (2013: €9.742.886). From the aforementioned amount, €7.318.961 is payable in foreign currency (2013: €0). Foreign currency amounts have been converted into euro at the rates of exchange prevailing at the end of the year.

The entire amount of contractual commitments as at 31 December 2014 will be repaid on completion of the relevant projects within 2015 except for the amount of €6.106.155 which will be repaid in later periods.

Operating lease commitments

Cyta as lessee

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

	2014	**2013**
	€´000	**€´000**
Within one year	1.444	1.955
Between one and five years	2.622	3.323
After five years	977	1.116
	5.043	6.394

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.

34. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments by category and fair values

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

31 December 2014	Available-for-sale financial assets €´000	Held-to-maturity investments €´000	Loans and receivables €´000	Total €´000
Financial assets measured at fair value				
Equity securities	8.030	-	-	8.030
	8.030	-	-	8.030
Financial assets not measured at fair value				
Trade and other receivables	-	-	147.933	147.933
Loans granted	-	-	1.004	1.004
Cash and cash equivalents	-	-	157.028	157.028
Treasury bill - 13 weeks	-	101.575	-	101.575
Government debt securities	-	34.760	-	34.760
Corporate debt securities	-	38.436	-	38.436
	-	174.771	305.965	480.736
Total	8.030	174.771	305.965	488.766

	Borrowings and other financial liabilities €´000	Total €´000
Financial liabilities not measured at fair value		
Borrowings	49	49
Trade and other payables (excluding statutory liabilities and deferred income)	31.193	31.193
Total	31.242	31.242

34. FINANCIAL RISK MANAGEMENT (continued)

31 December 2013	Available-for-sale financial assets €´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

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

(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 reporting 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)

(i) Credit risk (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:

	2014 €´000	2013 €´000
Available-for-sale financial assets	8.030	8.255
Held-to-maturity investments	73.196	72.779
Trade and other receivables	127.576	108.196
Finance lease receivable	21.333	19.016
Receivables from related companies	18.805	15.710
Cash and cash equivalents	157.028	179.536
Treasury bill - 13 weeks	101.575	101.665
Loans receivable	1.004	1.975
	508.547	507.132

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:

	2014 €´000	2013 €´000
Fully performing trade receivables - net		
Counterparties without external credit rating		
Group 1	2.415	7.761
Group 2	46.599	65.650
Group 3	3.897	11.456
	52.911	84.867
Fully performing other receivables - net		
Group 4	106	477
Group 5	13.543	2.405
	13.649	2.882

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]

	2014 €´000	2013 €´000
Caa1	-	19.614
Caa3	57.679	83.262
Without external credit rating [2]	99.241	76.555
	156.920	179.431
Available for sale debt securities		
Caa3	22	1.845
	22	1.845

(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 2014	**Carrying amounts**	**Contractual cash flows**	**Between 3-12 months**	**Between 1-5 years**
	€´000	**€´000**	**€´000**	**€´000**
Loans from foreign financial institutions	49	51	51	-
Trade and other payables	53.381	53.381	53.381	-
Payables to related companies	1.996	1.996	1.996	-
	55.426	55.428	55.428	-

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

(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 2014 would have increased equity by €402 thousand (2013: €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:

	2014	**2013**
	€´000	**€´000**
Fixed rate instruments		
Financial assets	192.655	212.545
Variable rate financial instruments		
Financial assets	38.436	38.436
Financial liabilities	(49)	(388)
	231.042	250.593

34. FINANCIAL RISK MANAGEMENT (continued)

(iii) Market price risk (continued)

An equivalent decrease in interest rates will result in an equal and opposite impact on the profit for the year.

Sensitivity analysis
An increase of 100 basis points in interest rates at 31 December 2014 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**	
	2014 €´000	**2013 €´000**	**2014 €´000**	**2013 €´000**
Variable rate instruments	384	380	384	380
	384	380	384	380

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 functional 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 2014	**United States Dollars €´000**	**United Kingdom Pounds €´000**	**Other currencies €´000**
Assets			
Trade and other receivables	26.714	9.660	6.428
Bank deposits	1.585	-	-
Investments	171	-	-
	28.470	9.660	6.428
Liabilities			
Trade and other payables	(3.763)	(313)	(4.615)
	(3.763)	(313)	(4.615)
Net exposure	24.707	9.347	1.813

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)

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 2014 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 profit or loss	
	2014	**2013**
	€´000	**€´000**
United States Dollars	2.471	1.402
United Kingdom Pounds	935	(9)
Other currencies	181	(51)
	3.587	1.342

(iv) Operational risk

(a) Operating 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.

During 2014, the Cyprus banking sector undertook significant measures in view of and as a result of the EU-wide comprehensive assessment which consisted of thorough asset quality reviews and stress tests, and as a result it was sufficiently recapitalised. Nevertheless, the banking sector in Cyprus continues to face challenges due to the high level of non-performing loans and the limited availability of credit.

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).

34. FINANCIAL RISK MANAGEMENT (continued)

(iv) Operational risk (continued)

(a) Operating environment of Cyta (continued)

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.

(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 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 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 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)

(b) Disclosure of general events (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 defence 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.

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 and 2014, the Eurogroup endorsed the disbursement of the scheduled tranches of financial assistance to Cyprus.

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.

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 the financial asset	**Gross amount of recognised financial asset**	**Gross amount of recognised 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 penalties receivable of €3.404.452 with penalties 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 amounts to €1.821.617 and are presented in the statement of financial position as at 31 December 2013 as payables. The underlying amount was repaid fully in March 2015.

Description of financial asset	Gross amount of recognised financial asset	Gross amount of recognised 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	20.843	(20.843)	-

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), belongs to the Government and as a result were excluded from the Recapitalisation Decrees.

Due to the significant uncertainty as to 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 and 2014 of €389.179 were offsetted with the bank balance of €20.843.494 which was presented in cash and cash equivalents, in the statement of financial position as at 31 December 2014.

According to the decision published by the Arbitration on 17 April 2015, which was filed against Cyta in relation to the termination of the LEFCO supply agreement on 12 April 2012, the Arbitrator accepted Cyta's defence and the decision taken was in Cyta's favor. According to this decision and the positive outcome of the case, Cyta is called to return to the Ministry of Communications and Works the amounts of €18.426.393 and €1.732.154 which were paid by the government for LEFCO and which Cyta managed to recover them following court litigations in Italy with the plaintiff company. Also Cyta is called to undertake the operation and communication with the plaintiff company for the system removal and the payment by the plaintiff company of the arbitration expenses. As at 31 December 2014, the decision for the offsetting of the legal expenses suffered by Cyta of €5.684.905 with the amount to be paid to the Ministry is still pending.

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 at the reporting date.

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).

31/12/2014	Level 1	Level 2	Level 3	Total
	€´000	**€´000**	**€´000**	**€´000**
Financial assets				
Available-for-sale financial assets	8.030	-	-	8.030
Total	8.030	-	-	8.030

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

<u>Transfers out of Level 3</u>
During 2013, following the Eurogroup's decision in March, Cyta acquired 20.315.907 shares of Bank of Cyprus, which were valued as Level 3 since these shares were not listed on an exchange and there were no recent observable arm's length transactions in the shares. On 16 December 2014, these shares were listed on the Cyprus Stock Exchange and are traded in an active market. Due to the fact that the shares now have a quoted price in an active market, their fair value has been transferred from Level 3 to Level 1 of the fair value hierarchy as at 31 December 2014.

Cyta measures the fair value of an instrument using the quoted price in an active market for that instrument when this is available. 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

35. FAIR VALUES(continued)

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.

36. CONTINGENT LIABILITIES

As at 31 December 2014 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 €5.720.840 (2013: € 5.346.631).

As at 31 December 2014 there were pending claims against Cyta in relation to its activities. Based on legal advice, the Directors believe that adequate defences 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. REISSUE OF FINANCIAL STATEMENTS DATED 9 JUNE 2015

These financial statements modify and replace the financial statements approved and signed on 9 June 2015, due to the fact that Cyta has prepared consolidated financial statements as required by International Financial Reporting Standard 10 ''Consolidated financial statements''.

As a result, Cyta has amended the financial statements dated 9 June 2015 so as to clarify that consolidated financial statements as required by International Financial Reporting Standard 10 ''Consolidated financial statements'' (see note 2) have been prepared. The amendment was limited solely to this issue.

38. 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 2014 are the following:

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. Additionally, cable capacity of a total value of €5.351.150 was purchased by Cyta Hellas on 28 April 2015. The duration of the leases expire in June 2037.

The financial statements were approved by the Board of Directors on 30 June 2015.

Offices and Cytashops

Head Offices

Telecommunications Street, Strovolos, P.O.Box 24929,
CY-1396 Lefkosia, Cyprus

Telephone: + 357 22701000
Fax: + 357 22494940
Website: www.cyta.com.cy

Call Centre: 132

Lefkosia

11, M. Paridi & Chilonos Corner, P.O.Box 24755, CY-1303 Lefkosia
Tel: + 357 22702020

cytashop

- **Onasagorou** - 26 & 28 Onasagorou Street
- **Strovolos** - 14, Strovolou Avenue, Myrtiana Court
- **Lykavitos** - 5, Naxou Street
- **Egkomi** - 1, 28th October Avenue, “Engomi Business Centre”
- **Lakatameia** - 62, Arch. Makarios III Avenue
- **Latsia** - 18, Arch. Makarios III Avenue
- **The Mall of Cyprus** - 3, Verginas Street, “Shacolas Emporium Park”
- **Kakopetria** - 28, Costa Christodoulou Street

Lemesos

89, Athinon Street, P.O.Box 50147, CY-3601 Lemesos
Tel: 25705050

cytashop

- **Main** - 89, Athinon Street
- **Omonoia** - 7, Vasileos Pavlou Street
- **Linopetra** - 28, Kolonakiou Avenue
- **Agias Fylaxeos** - 232, Agias Fylaxeos Street
- **Platres** - 8D, Olympou Street

Larnaka

7, Z. Pierides Street, P.O.Box 40102, CY-6301 Larnaka
Tel: 24704040

cytashop

- **Main** - 7, Z. Pierides Street
- **Agioi Anargyroi** - 4, Alex. Panagouli Avenue
- **Faneromenis** - 178, Faneromenis Avenue

Pafos

11, Griva Digheni Avenue, P.O.Box 60043, CY-8100 Pafos
Tel: 26706060

cytashop

- **Main** - 11, Grivas Dighenis Avenue
- **Kings Avenue Mall** - 2, Apostle Paul & Tomb of the Kings Corner
- **Polis Chrysochous** - 16, Archbishop Makarios III Avenue

Ammochostos

Edison Street *
Tel: 23862500
Temporarily
124, Eleftherias Avenue, Deryneia, P.O.Box 33355, CY-5313 Paralimni
Tel: 23703030

cytashop

- **Main** - 124 Eleftherias Avenue, Deryneia

Keryneia*

5A, 28th October Avenue
Tel: 27452438

Morfou*

18, 25th March Street
Tel: 22742055

Lefka*

Lefka
Tel: 22817459

** Not in operation due to the Turkish military occupation of the area.*

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