CYPRUS TELECOMMUNICATIONS AUTHORITY

FINANCIAL STATEMENTS

For the year ended 31 December 2015

CYPRUS TELECOMMUNICATIONS AUTHORITY

FINANCIAL STATEMENTS

For the year ended 31 December 2015

C O N T E N T S

CYPRUS TELECOMMUNICATIONS AUTHORITY

OFFICERS AND PROFESSIONAL ADVISORS

Board of Directors

Chairman	Christos Patsalides
Vice-Chairman	Andreas Marangos
Members	Nicolas Georghiades Giannos Stavrinides Emily Yioliti Tasos Anastasiou Neophytos Lambertides Frangiskos Frangou Antonis Antoniou
Secretary	Petros Hadjiantoniou
Independent Auditors	KPMG Limited Certified Public Accountant and Registered Auditors 14 Esperidon 1087 Nicosia Cyprus
Legal advisors	A.C. Hadjioannou & Co Law Firm
Registered office	Telecommunications Street Strovolos, P.O. Box 24929 1396 Nicosia Cyprus

INDEPENDENT AUDITORS' REPORT

TO THE 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 5 to 77, which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Public Corporate Bodies (Audit of Accounts) Laws of 1983-2007 and 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 that are free from material misstatement, whether due to fraud or error.

Independent 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 about whether the financial statements are free from material misstatement.

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

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

Basis for qualified opinion

As stated in note 2(a) to the financial statements, the Authority has not prepared consolidated financial statements as required by the International Financial Reporting Standard 10 "Consolidated Financial Statements" until the date of our report. In our opinion, the presentation of consolidated information is necessary for a proper understanding of the financial position, the financial performance and the cash flows of the Authority and its subsidiaries.

Qualified opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Telecommunications Services Law, Cap. 302.

Report on other legal and regulatory requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, L.42(I)/2009, as amended from time to time ("Law 42(I)/2009"), we report the following:

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

Other Matter

This report, including the opinion, has been prepared for and only for Cyta's Board of Directors, as a body, the Minister of Finance, the House of Representatives and the Auditor General of the Republic in accordance with the Telecommunications Services Law Cap. 302, the Public Corporate Bodies (Audit of Accounts) Laws of 1983-2007 and in accordance with Section 34 of Law 42(I)/2009, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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, 13 June 2016

CYPRUS TELECOMMUNICATIONS AUTHORITY

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 5 to 77 for the year ended 31 December 2015 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 14 June 2016

CYPRUS TELECOMMUNICATIONS AUTHORITY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 €´000	2014 €´000
Operating Revenue	4	**372.402**	**396.487**
Operating expenses	5	(284.890)	(314.729)
Gross profit		**87.512**	**81.758**
Other operating expenses	6	(1.741)	(40.862)
Other income	7	1.369	1.659
Profit from operating activities	9	**87.140**	**42.555**
Penalties	31	(2.905)	(1.073)
Finance income		11.721	19.278
Finance expenses		(6.371)	(3.237)
Net finance income	10	**5.350**	**16.041**
Net loss from investing activities	11	(19.457)	(638)
Profit before tax		**70.128**	**56.885**
Tax	12	(11.363)	(9.285)
Profit for the year		**58.765**	**47.600**
Other comprehensive income/(expense)			
Items that will never be reclassified to profit or loss:			
Remeasurement of defined benefit plan obligation	8	19.709	(286.151)
		19.709	(286.151)
Items that are or may be reclassified to profit or loss:			
Available-for-sale financial assets - Fair value losses	17	(45)	(1.060)
Available-for-sale financial assets - Profit transferred to net profit due to disposal	24	-	1.473
Available-for-sale financial assets - Profit transferred to net profit due to impairment	24	1.322	-
		1.277	413
Other comprehensive income/(expense) for the year		**20.986**	**(285.738)**
Total comprehensive income/(expense) for the year		**79.751**	**(238.138)**

The notes on pages 11 to 77 are an integral part of these financial statements.

CYPRUS TELECOMMUNICATIONS AUTHORITY

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 €´000	2014 €´000
Assets			
Non-current assets			
Property, plant and equipment	13	352.317	333.059
Intangible assets	14	31.348	27.729
Investment in subsidiary	15	90.188	100.388
Investment in associated undertaking	16	1.480	1.480
Available-for-sale financial assets	17	6.051	8.009
Held-to-maturity investments	18	13.935	13.930
Trade and other receivables	21	32.016	46.797
Loans receivable	19	299	594
Total non-current assets		**527.634**	**531.986**
Current assets			
Inventories	20	9.600	7.654
Trade and other receivables	21	142.755	150.009
Loans receivable	19	282	410
Available-for-sale financial assets	17	-	22
Held-to-maturity investments	18	13.976	20.830
Treasury bills	22	41.380	101.575
Refundable tax	29	2.247	2.222
Cash at bank and in hand	23	227.054	157.028
Total current assets		**437.294**	**439.750**
Total assets		**964.928**	**971.736**

The notes on pages 11 to 77 are an integral part of these financial statements.

CYPRUS TELECOMMUNICATIONS AUTHORITY

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2015

	Note	2015 €΄000	2014 €΄000
Equity			
Fair value reserve - available-for-sale financial assets	24	1.987	710
Actuarial loss reserve	24	(250.483)	(270.192)
Retained earnings		934.573	938.406
Total equity		**686.077**	**668.924**
Liabilities			
Non-current liabilities			
Defined benefit plan net liability	8	174.143	208.416
Deferred tax liabilities	26	19.138	16.026
Deferred income	28	6.190	5.551
Total non-current liabilities		**199.471**	**229.993**
Current liabilities			
Short term portion of long-term loans	25	-	49
Trade and other payables	27	59.378	63.575
Deferred income	28	8.637	9.124
Tax liability	29	767	71
Dividend payable to the Republic of Cyprus	32	10.598	-
Total current liabilities		**79.380**	**72.819**
Total liabilities		**278.851**	**302.812**
Total equity and liabilities		**964.928**	**971.736**

The financial statements were approved by the Board of Directors on 13 June 2016.

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

CYPRUS TELECOMMUNICATIONS AUTHORITY

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Note	Other reserves €´000	Retained earnings €´000	Total €´000
Balance at 1 January 2014		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	32	-	(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**
Comprehensive income				
Profit for the year		-	58.765	58.765
Other comprehensive income for the year		20.986	-	20.986
Total comprehensive income for the year		**20.986**	**58.765**	**79.751**
Contributions by and distributions to owners				
Dividend paid to the Republic of Cyprus	32	-	(62.598)	(62.598)
Total distributions to owners of Cyta		**-**	**(62.598)**	**(62.598)**
Balance at 31 December 2015		**(248.496)**	**934.573**	**686.077**

Entities/Organisations 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 17% will be payable on such deemed dividend to the extent that the ultimate shareholders at the end of the period of two years from the end of the year of assessment to which the profits refer are both Cyprus tax resident and Cyprus domiciled. 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 for the account of the owners.

CYPRUS TELECOMMUNICATIONS AUTHORITY

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 €´000	2014 €´000
Cash flows from operating activities			
Profit for the year		**58.765**	**47.600**
Adjustments for:			
Depreciation of property, plant and equipment	13	33.823	34.701
Unrealised exchange profit		(656)	(1.961)
Amortisation of mobile telephony licence	14	1.090	1.089
Amortisation of software	14	8.180	8.932
Amortisation of shop goodwill	14	19	18
Loss/(profit) from the sale of property, plant and equipment		1.089	(59)
Loss from the sale of available-for-sale financial assets	11	-	638
Effective interest rate on held to maturity investments	10	(46)	(417)
Impairment charge - available-for-sale financial assets	11	3.257	-
Impairment charge - investments in subsidiaries	15	16.200	-
Income from investments	7	(58)	(90)
Interest income	10	(8.568)	(11.566)
Interest expense	10	170	98
Defined benefit plan expense/ (income)	8	10.473	(37)
Employer's contributions to defined benefit plan	8	(25.037)	(13.001)
Income tax expense	12	11.363	9.285
Net cash from operating activities before working capital changes		**110.064**	**75.230**
Increase in inventories		(1.946)	(1.590)
Decrease/(increase) in trade and other receivables		22.292	(20.306)
Decrease in trade and other payables		(4.086)	(10.626)
Increase in deferred income		152	1.654
Cash generated from operating activities		**126.476**	**44.362**
Tax paid		(7.580)	(6.588)
Net cash from operating activities		**118.896**	**37.774**

The notes on pages 11 to 77 are an integral part of these financial statements.

CYPRUS TELECOMMUNICATIONS AUTHORITY

STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2015

	Note	2015 €΄000	2014 €΄000
Cash flows from investing activities			
Payment for acquisition of intangible assets	14	(12.821)	(5.046)
Payment for acquisition of property, plant and equipment	13	(56.797)	(24.213)
Payment for purchase of available-for-sale financial assets	17	-	(2.658)
Payment for acquisition of investments in subsidiaries	15	(6.000)	(15.000)
Payment for acquisition of investments held-to-maturity	18	(13.935)	-
Loans repayments received		423	971
Treasury Bills	22	60.195	90
Proceeds from disposal of intangible assets		12	26
Proceeds from disposal of property, plant and equipment		2.528	1.904
Proceeds from sale of available-for-sale financial assets		-	2.658
Proceeds from expiry of investments held-to-maturity	18	20.830	-
Interest received	10	8.568	11.566
Income from investments	7	58	90
Bank deposits with original maturity over 3 months	23	(107.754)	21.230
Net cash used in investing activities		**(104.693)**	**(8.382)**
Cash flows from financing activities			
Repayment of borrowings		(49)	(339)
Interest paid		(170)	(98)
Dividends paid to the Republic of Cyprus	32	(52.000)	(30.600)
Net cash used in financing activities		**(52.219)**	**(31.037)**
Net decrease in cash and cash equivalents		**(38.016)**	**(1.645)**
Cash and cash equivalents at beginning of the year	23	129.485	130.764
Effect of exchange rate fluctuations on cash held		288	366
Cash and cash equivalents at end of the year	23	**91.757**	**129.485**

Cash and cash equivalents are defined by:

Cash at bank and in hand (Note 23)	227.054	157.028
Bank deposits with original maturity over 3 months (Note 23)	(135.297)	(27.543)
	91.757	129.485

The notes on pages 11 to 77 are an integral part of these financial statements.

CYPRUS TELECOMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Cyprus Telecommunications Authority ("Cyta") is a Public Corporate Body established by Law 67 of 1954 (Cap. 302), as amended by Laws 20/1960, 34/1962, 25/1963, 54/1977, 98/1988, 21/1989, 39(I)/1995, 20(I)1998, 159(I)/2000, 149(I)2001, 136(I)2002, 13(I)/2002, 19(I)/2002, 7(I)/2004, 164(I)2004, 51(I)/2006, 117(I)/2006 and 151(I)/2011. It is managed by a Board of Directors, consisting of a Chairman, Vice-Chairman and seven members, who are appointed by the Council of Ministers.

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

The principal activity of Cyta, which is unchanged from last year, is the provision, maintenance and development of a 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 Administration Act175/2014, issued pursuant to the Regulators Privatisation Law, N.28 (I) / 2014, which was published in the Official Gazette of the Republic on 28 March 2014. On 14 April 2016, the decree entitled "the Law on Privatisation of Regulatory Affairs (Amendment) Law of 2016" was enacted by the House of Representatives. The law provides for the suspension of the application of the provisions of the basic law to Cyta until 31 December 2017. The President of the Republic filed a petition to the Supreme Court regarding the compatibility of this law with the Constitution. The petition to the Supreme Court is pending.

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") with the exception of the preparation of consolidated financial statements as required by the International Financial Reporting Standard 10 “Consolidated Financial Statements”.

(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 and the defined benefit liability which is recognised as plan assets, less the present value of the defined benefit obligation. The methods used for determining fair values are explained in detail in Note 3.

2. BASIS OF PREPARATION (continued)

(c) Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU)

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 2015. This adoption did not have a material effect on the financial statements of Cyta.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2015. 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" and IFRS 15: "Revenue from contracts with customers" 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) 'Defined Benefit Plans: Employee Contributions' (effective for annual periods beginning on or after 1 February 2015).

  These amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, they permit a practical expedient if the amount of the contributions is independent of the number of years of service. The amendments are intended to provide relief in that entities are allowed to deduct contributions from service cost in the period in which the service is rendered. Cyta 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 as adopted by the European Union (EU) (continued)

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

- Annual Improvements to IFRS 2010-2012 (effective for annual periods beginning on or after 1 February 2015).

  These amendments impact seven standards. The amendments to IFRS 2 amend the definitions of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' that previously formed part of the definition of 'vesting condition'. The amendments to IFRS 3 clarify that contingent consideration which is classified as an asset or a liability should be measured at fair value at each reporting date. The amendments to IFRS 8, require disclosure of judgments made by management in applying the aggregation criteria to operating segments. They also clarify that an entity is only required to provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. Amendments to IFRS 13 clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial. The amendments to IAS 16 and IAS 38 clarify that when an item of property, plant and equipment or an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. Finally, the amendments to IAS 24 clarify that when an entity is providing key management personnel services to the reporting entity or to the parent of the reporting entity it is considered a related party of the reporting entity. Cyta 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 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Cyta 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 as adopted by the European Union (EU) (continued)

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

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

  The amendments introduce changes in various areas. In relation to materiality the amendments clarify that information should not be obscured by aggregating or by providing immaterial information, that materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply. In relation to the statement of financial position and statement of profit or loss and other comprehensive income, the amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and provide additional guidance on subtotals in these statements. They also clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss. In relation to the notes to the financial statements the amendments add additional guidance of ordering the notes so as to clarify that understandability and comparability should be considered when determining the order of the notes in order to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. Cyta is currently evaluating the impact of the standard on its financial statements.

- Annual Improvements to IFRSs 2012-2014 Cycle (effective for annual periods beginning on or after 1 January 2016)

  The amendments impact four standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from 'held for sale' to 'held for distribution' or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of 'information disclosed elsewhere in the interim financial report'. Cyta 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 as adopted by the European Union (EU) (continued)

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

- 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).

  In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. However, in relation to intangible assets, the IASB stated that there are limited circumstances when the presumption can be overcome. This is applicable when the intangible asset is expressed as a measure of revenue and it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated. Cyta does not expect the adoption of these amendments in future periods to have a material effect on its financial statements.

- IFRS 11 (Amendments) 'Accounting for acquisitions of interests in Joint Operations' (effective for annual periods beginning on or after 1 January 2016).

  This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles of business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. Cyta is currently evaluating the impact of the standard 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 is expected to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation. IFRS 14 will permit an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for "regulatory deferral account balances" in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Cyta is currently evaluating the impact of the standard on its financial statements.

2. BASIS OF PREPARATION (continued)

(c) Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU) (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).

  The amendments will address issues that arose in the context of applying the consolidation exception for investment entities. The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. In addition, it clarifies that a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. Furthermore it is clarified that when applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. Finally, it confirmed that an investment entity measuring all of its subsidiaries at fair value is required to provide disclosures relating to investment entities as required by IFRS 12. Cyta is currently evaluating the impact of the standard on its financial statements.

- IAS 7 (Amendments) 'Disclosure Initiative' (effective for annual accounting periods beginning on or after 1 January 2017).

  The amendments are intended to clarify IAS 7 and improve information provided to users for an entity's financing activities. The amendments will require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (a) changes from financing cash flows; (b) changes arising from obtaining or losing control of subsidiaries or other businesses; (c) the effect of changes in foreign exchange rates; (d) changes in fair values; and (e) other changes. Cyta is currently evaluating the impact of the standard on its financial statements.

- IAS 12 (Amendments) 'Recognition of Deferred Tax Assets for Unrealised Losses' (effective for annual periods beginning on or after 1 January 2017).

  The amendments will give clarifications in relation to the recognition of a deferred tax asset that is related to a debt instrument measured at fair value. Additionally, it clarifies that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. Finally, it clarifies that an entity assesses a deferred tax asset in combination with other deferred tax assets. Finally, where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. Cyta 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 as adopted by the European Union (EU) (continued)

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

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018).

  IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. Cyta is currently evaluating the impact of the standard on its financial statements.

- IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018).

  IFRS 9 replaces the existing guidance in IAS 39. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Cyta is currently evaluating the impact of the standard on its financial statements.

- IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019).

  IFRS 16 will supersede IAS 17 and related interpretations. The new standard will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however will remain largely unchanged and the distinction between operating and finance leases is retained. Cyta is currently evaluating the impact of the standard on its financial statements.

(d) Use of estimates and judgements

The preparation of financial statements in accordance with IFRSs requires from Management the exercise of judgement, to make estimates and assumptions that influence the application of Cyta's accounting policies and the reported amounts of assets, 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.

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

Information about judgements in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements as well as information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- 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 statement of 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 (Note 21).

- 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 judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Cyta recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made (Note 12).

- 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 judgement 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 (Note 35).

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

- 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 (Note 8).

- Impairment of available-for-sale financial assets
  Cyta follows the guidance of IAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, Cyta evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow (Note 11).

- 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 is 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.

Joint arrangements
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.

The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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 for 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:

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

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

  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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- Operating revenue (continued)

  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 recognised 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.

  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 collectability of the related receivable is reasonably assured.

- 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

Recruitment before the 31st October 2011
Cyta provides defined benefits to its permanent employees recruited before 31 October 2011, in the form of a lump sum amount and a benefit on retirement, payable on 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.

The contributions to the plan are 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. Additionally, a separate study for the funding of the actuarial deficits is carried out which involves annual payment to the Pension Fund as contribution to the deficit. 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)

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return of plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. Cyta determines the net interest expense/(income) on the net defined benefit liability/ (asset) for the period, by applying the discount rate used to measure the defined benefit liability/ (asset), taking into account any changes in the net defined benefit liability/ (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan are recognised in the statement of profit or loss.

IAS 19 does not require the distinction between current and non-current assets and liabilities arising from post-employment benefits from the service. Cyta recognises the net liability of the Pension Fund as a non-current liability since the distinction between current and non-current liabilities arising from the defined benefit plan may sometimes be arbitrary.

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.

Recruitment after the 31st October 2011
Cyta provides a defined contribution plan to its permanent employees recruited after 31 October 2011. The assets of the defined contribution plan are held in a separate trustee-administered fund.

Employer's contributions cost is charged in the statement of profit or loss during the year.

Retirement benefit scheme of hourly paid employees
Cyta operates a defined contribution plan 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 plan 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 5% of their monthly salaries and employer’s contribution is also 5%. Employer’s contribution is charged in the statement of profit or loss at the reporting period.

Debtors and provisions for bad debts
Trade receivables are stated at their nominal values plus interests less any provision for bad debts which is considered to be their fair value. Bad debts are written off to the statement of profit or loss and an additional 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority and Cyta intends to settle its current tax assets and liabilities on a net basis.

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

	Years
Freehold buildings	20 - 50
Buildings on leasehold land	3 - 33
Prefabricated buildings	5
Fixed line telephone and broadband 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	3 - 6

No depreciation is provided on land and works of art.

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

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

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

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

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

Deferred income

Deferred income represents income receipts which relate to future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mobile Telephony License

Costs that are directly associated with mobile telephony licenses 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 license 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 lives.

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by Cyta and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of 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, and are recognised in profit or loss when the asset is derecognised.

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

Leasing

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

Cyta as lessor

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)
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. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

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 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. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectability. All loans are recognised when cash is advanced to the borrower.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) Investments (continued)

Cyta classifies its investments in equity and debt securities in the following categories: loans and receivables, held-to-maturity investments and available for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every 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.

- 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 expressed the 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 included in equity are reclassified to profit or loss.

- Loans and receivables

  Investments with fixed or determinable payments that are not quoted in an active market and are not classified as financial assets at fair value through profit or loss or as financial assets available-for-sale.

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 Cyta has access at that date. The fair value of a liability reflects its non-performance risk.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

- Loans and receivables (continued)
  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. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

  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 at bank and in hand
Cash at bank and in hand comprise of cash at bank and in hand, short-term bank deposits with an average maturity less than 90 days, and bank overdrafts. Short-term bank deposits with an average maturity between 3-12 months are included in the short-term bank deposits and in investing activities for cash flow purposes.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised when:

- the contractual 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 or has a contractual obligation to pay the cash flows to a third party 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.

Any interest in such derecognized financial assets that is created or retained by Cyta is recognised as a separate asset or liability.

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 financial assets

Cyta assesses at each reporting date whether there is objective evidence that a financial asset, other than financial assets at fair value through profit or loss, or a group of financial assets, other than financial assets at fair value through profit or loss is impaired. Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to Cyta on terms that Cyta would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in the expected cash flows from a group of financial assets.

In the case of available-for-sale equity securities, 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.

For financial assets measured at amortised cost, Cyta considers evidence of impairment for these assets both at an individual and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets *(continued)*

In respect of available for sale equity securities, impairment losses are measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. Impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

In respect of available for sale debt securities, impairment losses are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognised in profit or loss. 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; otherwise, impairment losses are reversed in other comprehensive income.

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).

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets (other than inventories and deferred tax 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. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to be benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting financial instruments

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

Inventories

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

The principal methods for determining cost are as follows:

(i) Additions are valued at weighted-average cost, which includes purchase cost and other attributable expenses.

(ii) Recoveries of equipment are valued at original cost less accumulated depreciation.

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

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

Provisions

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

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

	2015 €´000	2014 €´000
Fixed Telephony	74.051	79.997
Mobile Telephony	141.572	152.626
Other Services	156.779	163.864
	372.402	396.487

5. OPERATING EXPENSES

	2015 €´000	2014 €´000
Calls terminated to other networks	11.834	11.558
Supplementary pensions and other benefits to pensioners	3.387	2.809
Rent	2.501	2.642
Management consultancy fees	2.852	3.139
Cost of terminal equipment sold	20.833	23.163
Stationery and printing	538	533
Electricity and water	9.151	11.402
Maintenance costs	27.381	25.655
Mobile telephony licence fees	4.460	4.437
Leased circuits rentals	2.208	2.536
Outpayments to telecommunication organisations	14.573	16.665
Staff costs	94.156	119.790
Advertising expenses	8.602	8.513
Cytavision licences	23.109	27.929
Other expenses	12.462	12.496
Provision for doubtful debts (Note 21)	4.176	1.907
Current service cost for the defined benefit plan (Note 8)	6.294	2.503
Amortisation of intangible assets and goodwill (Note 14)	9.289	10.039
Depreciation (Note 13)	33.823	34.701
	291.629	322.417
Less: Wages and other costs that are capitalised or repayable by third parties	(6.739)	(7.688)
	284.890	314.729

CYPRUS TELECOMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. OTHER OPERATING EXPENSES

	2015 €΄000	2014 €΄000
Write-off of obsolete fixed assets	1.447	393
Cost of voluntary retirement scheme (1)	294	40.469
	1.741	40.862

(1) 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 maximum compensation of €125.000. Up until 31 December 2014, 519 employees retired in three phases (30 June 2014, 30 September 2014 and 30 December 2014) with a total cost of €40.468.861 and another three employees retired on 30 June 2015 with a total cost of €293.996.

7. OTHER INCOME

	2015 €΄000	2014 €΄000
Bad debts recovered	207	81
Sundry operating income	824	1.381
Gain from sale of property, plant and equipment	-	59
Dividend from subsidiary company	232	-
Income from investments	58	90
Rental income	48	48
	1.369	1.659

8. PENSION FUNDS

(a) Defined Benefit Plan

The latest actuarial valuation was carried out as at 31 December 2015. The assets used for the purpose of the actuarial valuation were as extracted from the financial statements of Cyta's Employees Defined Benefit Plan for the year ended 31 December 2015.

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 liability for retirement benefits towards the Pension Fund is as follows:

	2015 €΄000	2014 €΄000
Long - term Pension Fund liability	174.143	208.416
	174.143	208.416

The Fund offers retirement benefits to monthly employees and their dependents. 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 be indicated by the actuarial valuation.

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

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

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),

8. PENSION FUNDS (continued)

(a) Defined Benefit Plan (continued)

(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

(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 his/her 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", depending 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 defined benefit plan are in accordance with the actuarial valuation as at 31 December 2015 for the defined benefit plan and are as follows:

CYPRUS TELECOMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. PENSION FUNDS (continued)

(a) Defined Benefit Plan (continued)

	2015 €΄000	2014 €΄000
Present value of obligations	739.969	782.319
Fair value of plan assets	(565.826)	(573.903)
Net liability in the statement of financial position	174.143	208.416
Funding level	76%	73%

The amounts which appear in the statement of profit and loss regarding retirement benefits that arise from the defined benefit plan are in accordance with the actuarial valuation as at 31 December 2015 for the defined benefit plan and are as follows:

	2015 €΄000	2014 €΄000
Current service cost (Note 5)	6.294	2.503
Net interest on the net benefit asset (Note 10)	4.179	(2.540)
Total expense/(income) recognised in profit or loss	10.473	(37)

Movements in net liability recognised in statement of financial position:

	2015 €΄000	2014 €΄000
Net liability/(asset) in statement of financial position at the beginning of the year	208.416	(64.697)
Actual Contributions paid by Cyta	(25.037)	(13.001)
Total actuarial (gains)/losses recognised in other comprehensive income/(expense)	(19.709)	286.151
Total expense/(income) recognised in statement of profit or loss	10.473	(37)
Net liability in statement of financial position	174.143	208.416

8. PENSION FUNDS (continued)

(a) Defined Benefit Plan (continued)

Movement in the present value of benefit obligation:

	2015 €΄000	2014 €΄000
Defined benefit obligation at the beginning of the year	782.319	569.861
Current service cost	6.294	2.503
Interest cost	15.725	20.723
Employee contributions	2.969	3.798
Benefits paid by the Pension Fund	(32.446)	(75.522)
Actuarial (gain)/loss - financial assumptions	(58.423)	166.423
Actuarial loss - demographic assumptions	-	5.667
Actuarial loss – experience assumption	23.531	88.866
Defined benefit obligation at the end of the year	739.969	782.319

Movement in the fair value of plan assets:

	2015 €΄000	2014 €΄000
Fair value of plan assets at the beginning of the year	573.903	634.558
Expected return on plan assets	11.546	23.263
Employer contributions	25.037	13.001
Employee contributions	2.969	3.798
Benefits paid by the Pension Fund	(32.446)	(75.522)
Actuarial loss	(15.183)	(25.195)
Fair value of plan assets at the end of the year	565.826	573.903

The cumulative amount recognised in the statement of other comprehensive income as of 31 December 2015 was €250.483.234 deficit (2014: €270.192.499 deficit).

Remeasurements:

	2015 €΄000	2014 €΄000
Gain/(loss) on liability remeasurement	34.892	(260.956)
Return on plan assets excluding amounts included in interest income	(15.183)	(25.195)
Total actuarial gain/(loss) recognised in other comprehensive income	19.709	(286.151)

8. PENSION FUNDS (continued)

(a) Defined Benefit Plan (continued)

Actual return on plan assets:

	2015 €΄000	2014 €΄000
Expected return on plan assets	11.546	23.263
Actuarial losses on plan assets	(15.183)	(25.195)
	(3.637)	(1.932)

Plan assets of the Fund are as follows:

	2015 €΄000	%	2014 €΄000	%
Property	44.544	7,87	39.725	6,92
Bonds - government	128.778	22,76	177.825	30,99
Bonds - other	11.572	2,05	13.828	2,41
Shares - listed	22.383	3,96	28.346	4,94
Other investments measured at fair value	28.463	5,03	30.064	5,24
Loans receivable	28.483	5,03	29.643	5,17
Structured products	4.350	0,77	7.395	1,29
Cash and cash equivalents	254.731	45,02	191.894	33,44
Other receivables and prepayments	4.039	0,71	56.170	9,79
Other payables	(4.029)	(0,71)	(987)	(0,17)
Hedge funds	42.512	7,51	-	-
	565.826	100	573.903	100

The Fund did not hold any financial instruments, real estate or other property of the Group.

8. PENSION FUNDS (continued)

(a) Defined Benefit Plan (continued)

The main actuarial assumptions used for the actuarial valuation were:

	2015 % p.a.	2014 % p.a.
Discount Rate	2,53%	2,05%
Price Inflation	2,00%	2,00%
Expected return on investments	2,53%	2,05%
Total Salary Increases	2016-2017: 0,00%	2015-2017: 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	2016-2017: 0,00%	2015-2017: 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	96% of EVK 2000
Plan duration	16,02	15,90

The discount rate, which based on the revised IAS 19 is the same as the expected average return on assets, was extracted from the yield curve of the iBoxx indicator in Euro (composite AA) with a time horizon of 16,02 years (2014: 15,90 years) which is also the calculated duration of the Fund obligations.

Future mortality assumptions for the current year are based on the published mortality table EVK 2000 which is based on Switzerland's mortality rates. This table, reduced by 40%, is the one used to describe the mortality rates of the members of the Fund after retirement. The average life expectancy according to that table at the age of 65 (normal retirement age) is 17,87 years for men and 20,67 years for women.

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.

CYPRUS TELECOMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. PENSION FUNDS (continued)

(a) Defined Benefit Plan (continued)

	Present value of defined benefit obligation		
	Change	Impact 2015	Impact 2014
	%	%	%
Discount Rate	0,50	(7,00)	(7,60)
	(0,50)	7,50	8,60
Price Inflation	0,50	6,10	6,60
	(0,50)	(5,40)	(5,90)
Salaries	0,50	2,50	2,90
	(0,50)	(2,40)	(2,70)
Pensions	0,50	0,00	0,00
	(0,50)	3,40	3,50

The estimated statement of profit or loss charge for the financial year 2016 based on the amended IAS 19 is as follows:

	2016
	€΄000
Current service cost	5.565
Net interest charge	3.958
Total	9.523

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 2015, the expected contributions to be paid to the defined benefit plan for the financial year 2016 is €35.393.646.

Based on the actuarial valuation prepared for the year ended 31 December 2015, the expected benefits to be paid by the defined benefit plan for the financial year 2016 is €30.459.635.

(b) Provident Fund of Hourly paid Employees

The provident fund of Hourly paid employees was established on the 14th of October 2008 for its members. Members of the fund is every hourly paid employee of Cyta that has completed 18 years of life and has at least 18 months of consecutive employment as part time and/or permanent hourly paid employee. Employees' contribution is 5% of their monthly salaries and employer's contribution is at 5%. Employer's contribution in the year 2015 amounted to €313.045 (2014: €301.788).

(c) Provident Fund of Permanent Monthly Employees of Cyta

On November 10, 2015, the provident fund was incorporated for the employees of the Provident Fund of Permanent Monthly Employees of Cyta who were recruited on 1 November 2011 and 1 January 2012. Registration to the Fund is compulsory for the employees who were recruited under the category of Permanent Monthly Employee at Cyta on 1 November 2011 onwards, and who had completed their 18th year of life and have at least six months of continuous service at Cyta.

8. PENSION FUNDS (continued)

(c) Provident Fund of Permanent Monthly Employees of Cyta (continued)

Members' contributions
Members recruited at Cyta from 1 November 2011 to 31 January 2012, for the period from the registration of the Fund and up to forty (40) months after its registration, will pay to the Fund as a personal contribution the ten percent (10%) of their basic monthly earnings (basic salary and price index).

At the end of the above specified period of (40) months, each Member will pay to the Fund as a personal contribution the five per cent (5%) of his/her basic monthly earnings (basic salary and price index) or such percentage of five per cent (5%) up to ten percent (10%) as selected by the Member.

Members who are recruited at Cyta from 1 February 2012 onwards will pay to the Fund as a personal contribution the five per cent (5%) of their basic monthly earnings (basic salary and price index), or such a percentage of five per cent (5%) up to ten percent (10%) as selected by the Member.

Cyta Contributions
For Members recruited at Cyta from 1 November 2011 to 31 January 2012, Cyta will pay to the Fund the (20%) of the Members' basic monthly earnings (basic salary and price index) as a contribution, for the period from the Fund's registration up to forty (40) months after its registration.

At the end of the above specified period of (40) months, Cyta will pay to the Fund the (10%) of the basic monthly earnings (basic salary and index price) of the Members as a contribution.

For Members recruited at Cyta from 1 February 2012 onwards, Cyta will pay to the Fund the (10%) of the basic monthly earnings (basic salary and price index) of the Members as a contribution, after completing six months of continuous service as Members at Cyta.

The total contributions of the employer in the year 2015 were €14.454 (2014: €-).

9. OPERATING PROFIT

	2015 €΄000	2014 €΄000
Operating profit is stated after (crediting)/ charging the following items:		
Loss/(profit) from sale of property, plant and equipment	1.089	(59)
Amortisation of mobile telephony licence (Note 14)	1.090	1.089
Amortisation of computer software (Note 14)	8.180	8.932
Amortisation of shop goodwill (Note 14)	19	18
Depreciation of property, plant and equipment (Note 13)	33.823	34.701
Auditors' remuneration for the statutory audit of annual accounts	38	38
Voluntary retirement scheme cost (Note 6)	294	40.469
Impairment charge on available-for-sale financial assets (Note 11)	3.257	-
Impairment charge - investments in subsidiaries (Note 11)	16.200	-

CYPRUS TELECOMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

10. FINANCE INCOME AND EXPENSES

	2015 €΄000	2014 €΄000
Interest income	8.568	11.566
Net interest on the net defined benefit asset (Note 8)	-	2.540
Exchange profit	3.107	4.755
Effective interest rate on held to maturity investments	46	417
Finance income	11.721	19.278
Exchange loss	2.022	3.139
Bank charges and other interest	170	98
Net interest on the net defined benefit asset (Note 8)	4.179	-
Finance expenses	6.371	3.237
Net finance income	5.350	16.041

Interest revenue is analysed as follows:

	2015 €΄000	2014 €΄000
Bank deposits and current accounts	5.967	7.950
Other loans and receivables	1.550	1.679
Held-to-maturity investments	1.051	1.937
	8.568	11.566

11. NET LOSS FROM INVESTING ACTIVITIES

	2015 €΄000	2014 €΄000
Loss from sale of available-for-sale financial assets (1)	-	638
Impairment charge - available-for-sale financial assets (2)	3.257	-
Impairment charge - investments in subsidiaries(3)	16.200	-
	19.457	638

(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.

(2) The impairment charge of available-for-sale financial assets, relates to loss from the decrease in the fair value of the shares that Cyta holds in Hellenic Bank and Bank of Cyprus that was considered as significant and prolonged and was recognised according to the provisions of IAS 39.

(3) During the year ended 31 December 2015, Cyta proceeded with an additional impairment of its investment in Digimed Communications Limited by €16.200.000. The impairment is due to the negative performance of its investment in Cyta Hellas, up to 31 December 2015. This negative performance is a consequence of the negative results of Cyta Hellas and the negative impact of the economic environment in Greece, which led to a decrease in its own capital compared to the cost of the initial investment.

12. TAXATION

	2015 €´000	2014 €´000
Income tax – current year	6.168	2.192
Defence contribution – current year	2.083	2.924
Deferred tax - charge (Note 26)	3.112	4.169
Charge for the year	11.363	9.285

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

	2015	2015 €´000	2014	2014 €´000
Accounting profit before tax		70.128		56.885
Tax calculated at the applicable tax rates	12,50%	8.766	12,50%	7.111
Tax effect of expenses not deductible for tax purposes	13,56%	9.506	11,58%	6.589
Tax effect of allowances and income not subject to tax	(14,67)%	(10.288)	(20,23)%	(11.508)
Tax effect of actuarial losses	(2,89)%	(2.027)	-%	-
Defence contribution - current year	2,97%	2.083	5,14%	2.924
Deferred tax	4,44%	3.112	7,33%	4.169
Prior year taxes	0,30%	211	-%	-
Tax charge	16,20%	11.363	16,32%	9.285

The corporation tax rate is 12,5%.

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%. 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 17%.

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

Based on the changes in IAS 19 (Amendment), actuarial gains/(losses) from 2013 onwards are recognised in the statement of other comprehensive income while previously were recognised in the statement of profit or loss over a period equal to the average remaining working life of Cyta’s employees. Following the Tax Department’s approval by letter dated 10 June 2015, Cyta continues to treat actuarial gains/(losses) on the basis of IAS 19 before its amendment for the purpose of determining its taxable income. The tax effect of actuarial losses for the year 2015 amounts to €2.027.435. At 31 December 2015, the residual amount of actuarial losses available for offsetting against future gains amounts to €221.961.041. No deferred tax was recognized for these actuarial losses due to a possible change in Cyta's operating environment as described in Note 1.

CYPRUS TELECOMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Assets under construction	Buildings on leasehold land	Telecommunication plant and equipment	Motor vehicles	Furniture, fixtures and office equipment	Computer hardware and systems	Total
	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000
Cost								
Balance at 1 January 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
Balance at 1 January 2015	85.322	21.559	3.098	1.038.219	11.400	6.851	31.533	1.197.982
Additions	81	22.345	54	32.213	-	72	2.032	56.797
Disposals/ Withdrawals	-	-	(8)	(64.292)	(1.084)	-	(701)	(66.085)
Transfers	(10)	-	10	(848)	-	-	(4)	(852)
Balance at 31 December 2015	85.393	43.904	3.154	1.005.292	10.316	6.923	32.860	1.187.842
Depreciation								
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
Balance at 1 January 2015	37.380	-	2.061	780.906	10.269	6.085	28.222	864.923
Depreciation for the year (Note 9)	2.024	-	143	29.935	318	198	1.205	33.823
On disposals/ withdrawals	-	-	(4)	(60.680)	(1.084)	-	(700)	(62.468)
Transfers	-	-	-	(749)	-	-	(4)	(753)
Balance at 31 December 2015	39.404	-	2.200	749.412	9.503	6.283	28.723	835.525
Carrying amounts								
Balance at 31 December 2015	45.989	43.904	954	255.880	813	640	4.137	352.317
Balance at 31 December 2014	47.942	21.559	1.037	257.313	1.131	766	3.311	333.059
Balance at 1 January 2014	49.807	23.769	1.092	264.826	1.507	931	3.460	345.392

13. PROPERTY, PLANT AND EQUIPMENT (continued)

(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 (2014: €261.315) included in the financial statements, were in the course of being registered in the name of Cyta as at 31 December 2015.

14. INTANGIBLE ASSETS

	Mobile Telephony Licence €´000	Computer software €´000	Shop Goodwill €´000	Total €´000
Cost				
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
Balance at 1 January 2015	22.388	252.232	164	274.784
Additions	-	12.821	-	12.821
Transfers	-	852	-	852
Disposals/ Withdrawals	-	(48)	-	(48)
Balance at 31 December 2015	22.388	265.857	164	288.409
Amortisation				
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
Balance at 1 January 2015	12.584	234.381	90	247.055
On disposals/ withdrawals	-	(36)	-	(36)
Amortisation for the year (Note 9)	1.090	8.180	19	9.289
Transfers	-	753	-	753
Balance at 31 December 2015	13.674	243.278	109	257.061
Carrying amounts				
Balance at 31 December 2015	8.714	22.579	55	31.348
Balance at 31 December 2014	9.804	17.851	74	27.729
Balance at 1 January 2014	10.893	21.764	92	32.749

15. INVESTMENT IN SUBSIDIARY

	2015 €´000	2014 €´000
Balance at 1 January	100.388	85.388
Additions	6.000	15.000
Impairment charge	(16.200)	-
Balance at 31 December	90.188	100.388
Accumulated impairment	65.861	49.661

The details of the subsidiaries are as follows:

Name	Country of incorporation	Holding 2015 %	Holding 2014 %	2015 €´000	2014 €´000
Digimed Communications Limited	Cyprus	100	100	90.188	100.388
				90.188	100.388

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.

On 21 April 2015, with a special resolution, the Board of Directors of Digimed Communications Limited, decided to increase its share capital by 1.000 ordinary shares with nominal value of €1.71 each at a total premium of €2.498.290 for a total consideration of €2.500.000.

On 28 July 2015, with a special resolution, the Board of Directors of Digimed Communications Limited, decided to increase its share capital by 1.000 ordinary shares with nominal value of €1.71 each at a total premium of €2.498.290 for a total consideration of €2.500.000.

On 28 December 2015, with a special resolution, the Board of Directors of Digimed Communications Limited, decided to increase its share capital by 1.000 ordinary shares with nominal value of €1.71 each at a total premium of €998.290 for a total consideration of €1.000.000.

During the year ended 31 December 2015, Cyta proceeded with an additional impairment of its investment in Digimed Communications Limited by €16.200.000. The impairment is due to the negative performance of its investment in Cyta Hellas, up to 31 December 2015. This negative performance is a consequence of the negative results of Cyta Hellas and the negative impact of the economic environment in Greece, which led to a decrease in its own capital compared to the cost of the initial investment.

Cyta's approach to the above valuation is the assessment of comparable multipliers, such as EBITDA, subscribers and turnover and future cash flows discounted at their present value using a post-tax discount rate that reflects current estimates of the market for the time value of money and investment-related risks.

16. INVESTMENTS IN ASSOCIATED UNDERTAKINGS

	2015 €΄000	2014 €΄000
Balance at 1 January	1.480	1.480
Balance at 31 December	1.480	1.480

The details of the investment are as follows:

Name	Country of incorporation	Principal activities	Holding 2015 %	Holding 2014 %	2015 €΄000	2014 €΄000
Cyta Hellas S.A.	Greece	Broadband Services	3,37	3,47	1.480	1.480
					1.480	1.480

Cyta has the following contractual arrangements in relation to Cyta Hellas:

(1) Letter of support to a specific credit institution for a credit facility of €15 million granted to Cyta Hellas. The credit facility was fully repaid in July 2015.

(2) Corporate guarantee to a specific institution for a credit facility of €3.4 million granted to Cyta Hellas. At 31 December 2015 and at the date of approval of the financial statements, the loan agreement is serviced by Cyta Hellas.

(3) Letter of support to a specific credit institution for a credit facility of €15 million granted to Cyta Hellas. At the date of approval of the financial statements the pending facility for which the company is in legal dispute with the bank amounts to €6 million.

(4) Letter of support to a specific credit institution for a credit facility of €15 million granted to Cyta Hellas. At the date of approval of the financial statements, the company is in legal dispute with the bank.

(5) Nine guarantees in a specific bank for a specific project of €4.4 million which were renewed until 31 July 2016.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 €΄000	2014 €΄000
Balance at 1 January	8.031	8.255
Additions	-	2.658
Disposals	-	(1.822)
Impairment charge	(1.935)	-
Revaluation difference transferred to equity	(45)	(1.060)
Balance at 31 December	6.051	8.031
Less: non-current portion	(6.051)	(8.009)
Current portion	-	22

Financial assets available for sale consist of:

(i) Cyta holds 75.815 shares of nominal value €1 each in Eutelsat Communications. Eutelsat Communications is listed in the Paris Stock Exchange Euronext. The total value of Cyta's investment as at 31 December 2015 was €2.092.494 (2014: €2.031.842).

(ii) Cyta holds 150.909 shares of nominal value US$ 0,01 each in Pendrell Corporation Ltd (formerly known ICO Global Communications (Holdings) Limited). The company is listed in the NASDAQ stock exchange and the total value of Cyta's investment at 31 December 2015 was US$ 75.454 (€69.305) (2014: €171.539).

(iii) Cyta holds 20.315.907 Bank of Cyprus ordinary shares of nominal value of €1 each. The underlying shares were acquired from the compulsory conversion of the 47,5% of the uninsured deposits held in Bank of Cyprus as of 26 March 2013. The company is listed on the Cyprus Stock Exchange. The total value of Cyta's investment as at 31 December 2015 was €3.006.754 (2014: €4.388.236).

(iv) As at 31 December 2014, Cyta held 33.740.030 shares of nominal value €0,01 each in Hellenic Bank. Hellenic Bank is listed in the Cyprus Stock Exchange. The underlying securities were acquired during 2014 from the compulsory conversion of the non-cumulative convertible capital securities. On 27 February 2015, the nominal value of the underlying shares increased from €0,01 to €0,50 each. As a result, Cyta holds 674.800 shares of nominal value €0,50 each in Hellenic Bank. The total value of Cyta's investment as at 31 December 2015 was €863.744 (2014: €1.417.081).

Additionally, Cyta holds 43.199 Convertible Capital Security 1 (CCS1) of nominal value €1 each and 1 Convertible Capital Security 2 (CCS2) of nominal value €1 in Hellenic Bank. The total value of Cyta's investment in the underlying securities as at 31 December 2015 was €17.712 (2014: €21.600).

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%.

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 20 May 2014). Up until 31 December 2015, there was no interest payment due to the non-existence of adequate reserves for distribution.

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

(v) As at 31 December 2015, Cyta holds 1.000 shares of nominal value €1 each in Eurescom GmbH (European Institute for Research and Strategic Studies in Telecommunications). Eurescom is a leading European provider of management and support services in the high-tech area, with a focus on information and communications technologies. Eurescom is not listed and its shares are owned by various telecommunication companies including Cyta. Shares in Eurescom represent investment in non-marketable equity instruments that do not have a quoted price in an active market and whose fair value cannot be measured reliably therefore are measured at cost less impairment.

Available-for-sale financial assets, mainly comprise 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.

18. HELD-TO-MATURITY INVESTMENTS

	2015 €´000	2014 €´000
Balance at 1 January	34.760	34.343
Additions	13.935	-
Matured bonds	(20.830)	-
Effective interest rate on held to maturity investments	46	417
Balance at 31 December	27.911	34.760

	Fair values 2015 €´000	Cost 2015 €´000	Fair values 2014 €´000	Cost 2014 €´000
Government bonds	13.976	13.801	34.760	34.142
Cyprus Government Eurobonds	13.935	13.935	-	-
	27.911	27.736	34.760	34.142

Bonds maturity:	2015 €´000	2014 €´000
Within one year	13.976	20.830
Between two and five years	-	13.930
After five years	13.935	-
Total	27.911	34.760

18. HELD-TO-MATURITY INVESTMENTS (continued)

Held to maturity investments consist of:

(i) On 31 December 2014, Cyta held Cyprus government bonds of nominal value €20.830.000 which matured on 4 January 2015.

On 31 December 2015, Cyta held Cyprus government bonds of nominal value €5.000.000 maturing on 25 February 2016 and nominal value of €9.000.000 maturing on 9 June 2016. The total cost to Cyta for the purchase of the above bonds amounts to €13.800.797 (2014: €34.142.358).

(ii) On 4 November 2015, Cyta acquired 13.935 Eurobonds of the Republic of Cyprus of nominal value €100 each and total cost of €13.935.000. The value of the Eurobonds as at 31 December 2015 amounts to €13.935.000. These Eurobonds are traded on the Frankfurt Stock Exchange and the negotiation price on 31 December 2015 was €103.8.

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

	2015 €΄000	2014 €΄000
Loans receivable	581	1.004
	581	1.004
Current portion	(282)	(410)
Non-current portion	299	594
The loans are repayable as follows:		
Within one year	282	410
Between two and five years	299	594
	581	1.004

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

	2015 €´000	2014 €´000
Materials and supplies	9.600	7.654
	9.600	7.654

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

21. TRADE AND OTHER RECEIVABLES

	2015 €´000	2014 €´000
Trade receivables	116.803	122.705
Telecommunication organisations	2.066	3.214
Finance lease receivable	15.799	21.333
Less: Provision for impairment of receivables	(20.032)	(19.775)
Trade receivables - net	114.636	127.477
Receivables from related companies (Note 30)	13.444	18.806
Deposits and prepayments	10.936	10.436
Receivables for repayment work in progress	501	563
Convertible bonds of Cyta Hellas (1)	31.847	38.436
Other receivables	3.413	1.094
Less: Provision for impairment of other receivables	(6)	(6)
Total trade and other receivables	174.771	196.806
Less non-current receivables	(32.016)	(46.797)
Current receivables	142.755	150.009

(1) The Convertible Bonds of Cyta Hellas have been transferred from the category of held-to-maturity investments to the category of trade and other receivables according to the provisions of IAS 39 due to the fact that these bonds are not traded in an active market. The Bonds are presented at amortised cost using the effective yield method.

On 4 December 2012, a €55m contract was signed between Cyta and its subsidiary, Cyta Hellas, for the partial financing of the business and operational needs of Cyta Hellas. In return, Cyta Hellas will issue 50 convertible bonds with a repayment period from 30 June 2015 to 31 December 2022. The bond loan will bear annual interest at the rate of 3-month Euribor plus 4%. By 31 December 2014, an amount of €38.435.950 was transferred to Cyta Hellas for the purchase of 35 bonds with a repayment date up to 31 December 2020. In 2015, 6 bonds of €6.589.020 had been repaid.

Credit risk concentrations in relation to amounts due from customers are limited due to the large number of Cyta’s customers operating in different markets. Cyta's historical experience in collection of accounts receivable falls within the recorded allowances of the book entries. Due to these factors, Management believes that no additional inherent risk beyond the amounts provided for the loss on collection is inherent in Cyta’s trade receivables.

21. TRADE AND OTHER RECEIVABLES (continued)

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	
	2015	2014
	€´000	€´000
Not more than 1 year	13.503	17.215
More than 1 year and not more than 5 years	2.296	4.118
Future finance lease receipts	15.799	21.333

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

Included in Cyta's trade receivable balance are debtors with a carrying amount of €72.382.499 (2014: €41.762.541) 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:

	2015	2014
	€´000	€´000
Up to 30 days	12.553	5.242
30-180 days	9.290	12.038
More than 180 days	50.539	24.483
	72.382	41.763

Movement in provision for impairment of receivables:

	2015	2014
	€´000	€´000
Balance at 1 January	(19.782)	(18.509)
Impairment losses recognised on receivables (Note 5)	(4.176)	(1.907)
Amount written off as uncollectible	3.918	634
Revaluation of balances in foreign currency	2	-
Balance at 31 December	(20.038)	(19.782)

21. TRADE AND OTHER RECEIVABLES (continued)

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of €1.251.883 (2014: €1.591.008) 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 BILLS

	2015 €´000	2014 €´000
Balance at 1 January	101.575	101.665
Additions	383.787	-
Maturity	(443.982)	(478)
Interest charged	-	388
Balance at 31 December	41.380	101.575
Less non-current portion	-	-
Current portion	41.380	101.575

As at 31 December 2015, Cyta holds the following treasury bills:

(1) 26-week Treasury Bill amounting to €9.878.820 with an annual yield of 2,40% and maturity on 8 January 2016.

(2) 26-week Treasury Bill amounting to €3.870.487 with an annual yield of 2,40% and maturity on 8 January 2016.

(3) 13-week Treasury Bill amounting to €9.959.270 with an annual yield of 1,60% and maturity on 8 January 2016.

(4) 13-week Treasury Bill amounting to €6.930.934 with an annual yield of 1,58% and maturity on 8 January 2016.

(5) 13-week Treasury Bill amounting to €7.968.432 with an annual yield of 1,55% and maturity on 8 January 2016.

(6) 13-week Treasury Bill amounting to €2.771.793 with an annual yield of 1,17% and maturity on 5 February 2016.

23. CASH AT BANK AND IN HAND

	2015 €΄000	2014 €΄000
Cash in hand	107	108
Cash at bank	226.947	156.920
	227.054	157.028

The effective interest rate on short term bank deposits was 0,10% - 3,35% (2014: 0,65% - 5,25%) and these deposits had a maturity of 6-12 months (2014: 6-34 months).

Cash at bank as at 31 December 2015 include commitments amounting to €13.484.435 (2014: €22.922.072). Specifically, guarantees of €4.884.639 (2014: €5.061.929) for financing facilities to Cyta Hellas, €108.000 (2014: €1.503.000) for contracts of Cyta with UEFA, €186.247 (2014: €134.795) for guarantees issued for Cyta's contracts and €8.305.548 (2014: €16.222.348) 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 at bank and in hand include the following:

	2015 €΄000	2014 €΄000
Cash at bank and in hand	227.054	157.028
Less:		
Bank deposits with original maturity over 3 months	(135.297)	(27.543)
	91.757	129.485

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

24. OTHER RESERVES

	Fair value reserve - available-for-sale financial assets €´000	Actuarial loss reserve €´000	Total €´000
Balance at 1 January 2014	297	15.959	16.256
Revaluation	(1.060)	-	(1.060)
Profit 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)
Balance at 1 January 2015	710	(270.192)	(269.482)
Revaluation	(45)	-	(45)
Losses transferred to net profit due to impairment	1.322	-	1.322
Remeasurement of defined benefit obligation	-	19.709	19.709
Balance at 31 December 2015	1.987	(250.483)	(248.496)

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 losses reserve represents accumulated losses on the defined benefit fund that have been recognised in other comprehensive income. Actuarial losses derive from 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

	2015 €´000	2014 €´000
Short term portion of long-term loans		
Loans from foreign financial institutions	-	49
	-	49

The loans from foreign financial institutions were fully repaid during the year under review.

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

26. DEFERRED TAX

The movement on the deferred taxation account is as follows:

Deferred tax liability

	Accelerated tax depreciation €´000
Balance at 1 January 2014	11.857
Charged to:	
Statement of profit or loss (Note 12)	4.169
Balance at 31 December 2014	16.026
Balance at 1 January 2015	16.026
Charged to:	
Statement of profit or loss (Note 12)	3.112
Balance at 31 December 2015	19.138

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 are recognised to the extent that it is probable that future taxable profits 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 and Cyta intends to settle its current tax assets and liabilities on a net basis.

27. TRADE AND OTHER PAYABLES

	2015 €´000	2014 €´000
Trade payables	17.118	15.014
Overseas telecommunication organisations	2.458	2.272
Foreign suppliers	14.253	7.447
Deposits from clients	3.336	3.499
Social insurance and other taxes	2.992	3.185
V.A.T.	9.076	17.077
Guarantees payable	195	195
Accruals	4.814	8.198
Other creditors	4.449	4.691
Amounts payable to related companies (Note 30)	687	1.997
	59.378	63.575

CYPRUS TELECOMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

27. TRADE AND OTHER PAYABLES (continued)

Accruals include an amount of €5.000 (2014: €1.821.617) relating to penalties imposed by the Office of the Commissioner of Electronic Communications and Postal Regulation (OCECPR) and Commission for the Protection of Competition (CPC) respectively. Details of the penalties are disclosed in Note 31 of the financial statements.

The fair value 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

	2015 €΄000	2014 €΄000
Prepayments from clients	142	158
Deferred income	14.685	14.517
	14.827	14.675
Deferred income more than one year	(6.190)	(5.551)
Deferred income within one year	8.637	9.124

29. TAX LIABILITY/ (REFUNDABLE TAX)

	2015 €΄000	2014 €΄000
Income tax - payable	767	68
Income tax - receivable	(2.247)	(2.222)
Special contribution for defence - payable	-	3
	(1.480)	(2.151)

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:

(i) Key management personnel compensation

The compensation of key management personnel is as follows:

	2015 €´000	2014 €´000
Salaries and other benefits	326	626
Contributions to Funds	7	15
	333	641

(ii) Directors' remuneration

The total remuneration of the Directors was as follows:

	2015 €´000	2014 €´000
Directors' remuneration	23	25
	23	25

(iii) Sales of goods and services

Name	Nature of transactions	2015 €´000	2014 €´000
Cyta (UK) Limited	Trade	15	48
Cyta Hellas S.A.	Technical support and trade	2.486	6.374
Cytacom Solutions Limited	Trade	477	397
Digimed Communications Limited	Technical support and trade	37	40
Cyta Global Hellas S.A.	Trade	10	5
Iris Gateway Satellite Services Limited	Trade	758	525
		3.783	7.389

30. RELATED PARTY TRANSACTIONS (continued)

(iv) Purchases of goods and services

Name	Nature of transactions	2015 €΄000	2014 €΄000
Cyta (UK) Limited	Trade	146	314
Cyta Hellas S.A.	Trade	260	979
Cytacom Solutions Limited	Trade	1.009	546
Digimed Communications Limited	Trade	151	197
Cyta Global Hellas S.A.	Trade	312	10
Emporion Plaza Limited	Trade	-	3
Iris Gateway Satellite Services Limited	Trade	259	232
		2.137	2.281

(v) Acquisition of fixed assets

Name	Nature of transactions	2015 €΄000	2014 €΄000
Cyta Hellas S.A.	Trade	20.687	-
		20.687	-

On 26 February 2015, Cyta acquired through a finance lease, cable capacity of a total value of €15.336.000 which was calculated based on market prices. In addition, cable capacity of a total value of €5.351.150 was purchased by Cyta on 28 April 2015. On 24 February 2015, Cyta's Board of Directors decided to set off the amount due to Cyta Hellas from acquiring the asset against convertible bonds 1- 6 of Cyta Hellas, with a nominal value of €6.589.020 and interest receivable.

(vi) Receivables from related companies (Note 21)

Name	Nature of transactions	2015 €΄000	2014 €΄000
Digimed Communications Ltd	Technical support and trade	281	163
Cytacom Solutions Limited	Trade	2.633	2.701
Emporion Plaza Ltd	Trade	1	1
Iris Gateway Satellite Services Limited	Trade	778	366
Cyta (UK) Limited	Trade	26	12
Cyta Global Hellas S.A.	Trade	5	3
Cyta Hellas S.A.	Technical support and trade	9.720	15.560
		13.444	18.806

30. RELATED PARTY TRANSACTIONS (continued)

(vii) Payables to related companies (Note 27)

Name	Nature of transactions	2015 €´000	2014 €´000
Digimed Communications Limited	Trade	47	32
Cytacom Solutions Limited	Trade	512	332
Emporion Plaza Limited	Trade	3	3
Iris Gateway Satellite Services Limited	Trade	71	64
Cyta Global Hellas S.A.	Trade	41	178
Cyta (UK) Limited	Trade	13	309
Cyta Hellas S.A.	Trade	-	1.079
		687	1.997

(viii) Interest income (Note 21)

Name	Nature of transactions	2015 €´000	2014 €´000
Cyta Hellas S.A.	Finance	1.518	1.640
		1.518	1.640

The above amount represents the interest income from the convertible bonds of Cyta Hellas (Note 21).

31. PENALTIES

During the year ended 31 December 2015, the following penalties have been imposed/reassessed:

	Note	2015 €´000	2014 €´000
Cyprus Radiotelevision Authority	1	-	2
OCECPR	2	-	5
OCECPR	3	-	50
Primetel Public Company Ltd	4	-	1.016
Commissioner of the Protection of Competition (CPC)	5	2.900	-
OCECPR	6	5	-
		2.905	1.073

(1) On 29 October 2014, Cyprus Radiotelevision Authority imposed an administrative fine of €2.000 for violating the Regulation 34(1)(d) of Radio and Television Broadcasting Organisations Regulations of 2000 (PI 10/2000 article) due to the broadcast of programs relating to criminal or terrorist acts.

31. PENALTIES (continued)

(2) 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.

(3) 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 a dispute with MTN. The dispute related to MTN's request for the review of the annual pipelines usage 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).

(4) 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.

(5) On 13 May 2015, CPC imposed a fine of €2.900.000 to Cyta for infringement of the Protection of Competition Law and the relevant article of the Treaty on the Function of the European Union in relation to the agreements with the company Forthnet regarding the television content of Novacinema and Novasports transmitted through the Cytavision platform.

(6) On 9 March 2016, with its decision the Office of the Commissioner of Electronic Communications and Postal Regulation (OCECPR) imposed a fine of €5.000 to Cyta for non-compliance with the provisions of the Decree for the establishment of a cost calculation methodology and methodology for the accounting segregation (320/2008 CCP).

32. FINAL DIVIDEND DECLARED TO THE REPUBLIC OF CYPRUS

	2015 €΄000	2014 €΄000
Final dividend declared	62.598	30.600
	62.598	30.600

Since 15 November 2011 the 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 (the 'Cabinet'), 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.

32. FINAL DIVIDEND DECLARED TO THE REPUBLIC OF CYPRUS (continued)

In the year 2015 an amount of €62.598.346 (an amount of €39.008.046 from the profits of 2013 and an amount of €23.590.300 from the profits of 2014) was approved for payment to the Cyprus Government Treasury, following the Council of Ministers ('the Cabinet') decision on 14 December 2015 and following the approval of the Board of Directors on 22 December 2015, according to the Telecommunication Services Law of 2006, as amended (Article 17). On 28 December 2015, Cyta paid the amount of €52.000.000 to the Cyprus Government Treasury with the remaining amount of €10.598.346 to be settled in 2016.

During the year 2014, the amount of €30.600.000 was paid as dividend to the Cyprus Government Treasury, after the Council of Ministers' 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 Telecommunications Services (Amended) (No.2) Law of 2006 (section 117 (I)/2006).

The amount of dividend for 2014 was set after taking into account the surplus 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 above amount and the amount that Cyta is committed to pay for the Voluntary Retirement Scheme.

33. COMMITMENTS

Capital commitments

Contractual Commitments in respect of capital expenditure as at 31 December 2015 but not yet incurred, amounted to €11.333.709 (2014: €35.335.615). From the aforementioned amount, €795.785 is payable in foreign currencies (2014: €7.318.961). 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 at 31 December 2015 will be repaid on completion of the relevant projects within 2016 except for the amount of €931.382 which will be repaid in later periods.

Operating lease commitments

Cyta as lessee

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

	2015 €΄000	2014 €΄000
Within one year	1.783	1.444
Between one and five years	3.073	2.622
After five years	576	977
	5.432	5.043

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 following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities which are not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2015	Carrying amount				Fair value			
	Available-for-sale €´000	Held to maturity €´000	Loans and receivables €´000	Total €´000	Level 1 €´000	Level 2 €´000	Level 3 €´000	Total €´000
Financial assets measured at fair value								
Equity securities	6.032	-	-	6.032	6.032	-	-	6.032
Debt securities	18	-	-	18	18	-	-	18
	6.050	-	-	6.050	6.050	-	-	6.050
Financial assets not measured at fair value								
Trade and other receivables	-	-	163.835	163.835				
Loans granted	-	-	581	581				
Investments	1	-	-	1				
Cash at bank and in hand	-	-	227.054	227.054				
Treasury bills	-	41.380	-	41.380				
Government debt securities	-	27.911	-	27.911				
Corporate debt securities	-	-	31.847	31.847				
	1	69.291	423.317	492.609				
Total	6.051	69.291	423.317	498.659				

34. FINANCIAL RISK MANAGEMENT *(continued)*

	Borrowings and other financial liabilities €´000	Total €´000
Financial liabilities not measured at fair value		
Trade and other payables (excluding statutory liabilities and deferred income)	42.496	42.496
Total	42.496	42.496

CYPRUS TELECOMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. FINANCIAL RISK MANAGEMENT *(continued)*

31 December 2014	Carrying amount				Fair value			
	Available-for-sale €´000	Held to maturity €´000	Loans and receivables €´000	Total €´000	Level 1 €´000	Level 2 €´000	Level 3 €´000	Total €´000
Financial assets measured at fair value								
Equity securities	8.008	-	-	8.008	8.008	-	-	8.008
Debt securities	22	-	-	22	22	-	-	22
	8.030	-	-	8.030	8.030	-	-	8.030
Financial assets not measured at fair value								
Trade and other receivables	-	-	186.370	186.370				
Loans granted	-	-	1.004	1.004				
Investments	1	-	-	1				
Cash at bank and in hand	-	-	157.028	157.028				
Treasury bills	-	101.575	-	101.575				
Government debt securities	-	34.760	-	34.760				
Corporate debt securities	-	-	38.436	38.436				
	1	136.335	382.838	519.174				
Total	8.031	136.335	382.838	527.204				

34. FINANCIAL RISK MANAGEMENT *(continued)*

	Borrowings and other financial liabilities €´000	Total €´000
Financial liabilities not measured at fair value		
Borrowings	49	49
Trade payables (excluding statutory liabilities and deferred income)	35.115	35.115
Total	35.164	35.164

34. FINANCIAL RISK MANAGEMENT *(continued)*

(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.

Trade and other receivables

Cyta's exposure to credit risk is mainly influenced by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and the country in which customers operate.

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:

	2015 €′000	2014 €′000
Available-for-sale financial assets	6.051	8.031
Held-to-maturity investments	27.911	34.760
Trade and other receivables	154.630	166.012
Finance lease receivable	15.799	21.333
Receivables from related companies	13.444	18.806
Cash at bank	226.947	156.920
Treasury bills	41.380	101.575
Loans receivable	581	1.004
	486.743	508.441

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:

34. FINANCIAL RISK MANAGEMENT *(continued)*

(i) Credit risk *(continued)*

	2015 €΄000	2014 €΄000
Trade receivables not overdue or impaired- net		
Counterparties without external credit rating		
Group 1	10.965	2.415
Group 2	33.632	46.599
Group 3	3.786	3.897
	48.383	52.911
Other receivables not overdue or not impaired - net		
Group 4	498	106
Group 5	42.070	51.979
	42.568	52.085

The table below presents an analysis of Cyta's bank deposits 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)

	2015 €΄000	2014 €΄000
A1	40	-
A2	10.000	-
A3	527	-
Caa2	12.624	-
Caa3	96.227	57.679
Without external credit rating (2)	107.529	99.241
	226.947	156.920
Available for sale debt securities		
Caa2	18	-
Caa3	-	22
	18	22

(1) The remaining amount in the statement of financial position of the item "Cash at bank and in hand" is cash in hand.

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

34. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

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 non-overdue and non-impaired financial assets 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 minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and are undiscounted, and include estimated interest payments:

31 December 2015	Carrying amounts €´000	Contractual cash flows €´000	3 months or less €´000	Between 3-12 months €´000	Between 1-5 years €´000
Trade and other payables	41.614	41.614	-	41.614	-
Payables to related companies	687	687	-	687	-
	42.301	42.301	-	42.301	-

34. FINANCIAL RISK MANAGEMENT (continued)

(ii) Liquidity risk (continued)

31 December 2014	Carrying amounts €΄000	Contractual cash flows €΄000	3 months or less €΄000	Between 3-12 months €΄000	Between 1-5 years €΄000
Loans from foreign financial institutions	49	51	-	51	-
Trade and other payables	32.923	32.923	-	32.923	-
Payables from related companies	1.997	1.997	-	1.997	-
	34.969	34.971	-	34.971	-

(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.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Sensitivity analysis

An increase in equity prices by 5% at 31 December 2015 would have increased equity by €303 thousand (2014: €402 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.

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

	2015 €΄000	2014 €΄000
Fixed rate instruments		
Financial assets	274.414	276.144
Variable rate financial instruments		
Financial assets	31.847	38.436
Financial liabilities	-	(49)
	306.261	314.531

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

34. FINANCIAL RISK MANAGEMENT (continued)

(iii) Market price risk (continued)

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2015 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	
	2015	2014	2015	2014
	€´000	€´000	€´000	€´000
Variable rate instruments	318	384	318	384
	318	384	318	384

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 2015	United States Dollars €´000	British Pounds €´000	Other currencies €´000
Assets			
Trade and other receivables	19.718	17	5.502
Bank deposits	322	-	-
Investments	69	-	-
	20.109	17	5.502
Liabilities			
Trade and other payables	(4.074)	(25)	(2.387)
	(4.074)	(25)	(2.387)
Net exposure	16.035	(8)	3.115

34. FINANCIAL RISK MANAGEMENT (continued)

(iii) Market price risk (continued)

31 December 2014	United States Dollars €´000	British 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

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2015 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	
	2015 €´000	2014 €´000
United States Dollars	1.604	2.471
British Pounds	(1)	935
Other currencies	312	181
	1.915	3.587

(iv) Operational risk

Operating environment of Cyta

The Cyprus economy has been adversely affected by the economic crisis in recent years. The negative consequences have to some extent been addressed after negotiations and the conclusion of relevant agreements with the European Commission, the European Central Bank and the International Monetary Fund ("IMF") for financial assistance which depended on the creation and implementation of an Economic Adjustment Program for the country. The plan also resulted in the restructuring of the two largest banks in Cyprus through "bail in".

34. FINANCIAL RISK MANAGEMENT (continued)

(iv) Operational risk (continued)

The Cyprus Government successfully accomplished earlier than expected the Economic Adjustment Program and left the program on 7 March 2016, using only €7.25 billion of the total €10 billion provided by the Program. On the basis of the new European regulations, Cyprus will continue to be supervised by its lenders with six-month post-program visits until 75% of its financial assistance has been repaid.

Although there are signs of improvement mainly in the macroeconomic environment of the country's economy, significant challenges remain that could affect Cyta's cash flow forecasts and the assessment of the impairment of its financial and non-financial assets.

The uncertain economic conditions in Cyprus as described above, have affected:

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

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.

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 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.

34. FINANCIAL RISK MANAGEMENT (continued)

(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 financial assets	Gross amount of recognized financial asset	Gross amount of recognized financial liability offset in the statement of financial position	Net amount of financial liability presented in the statement of financial position
	€΄000	€΄000	€΄000
Cash at bank and in hand	17.679	(23.607)	(5.928)

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 presented 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 Central Bank of Cyprus, the amount of guarantees payable for LEFCO of €23.607.091 as at 31 December 2015 (2014: €20.843.494), together with the net bank interest of 2013 of €394.634, of 2014 of €389.179 and those on 31 December 2015 of €293.768, were offset with the bank balance of €17.678.946 (2014: €20.843.494) which was presented in cash and cash equivalents, in the statement of financial position as at 31 December 2015.

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 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, which was completed in 2015. The amount presented as a financial liability includes amounts paid by Cyta for legal fees that Cyta claims and an amount to be reimbursed to Selex for a guarantee increase without a corresponding payment. As at 31 December 2015, the decision to offset legal fees suffered by Cyta amounting to €5.570.542 with the amount to be paid to the Ministry, is pending. On 11 March 2016 the amount of € 16.229.238 was paid to the Ministry against the final amount. The debate on the final arrangements is still in progress.

34. FINANCIAL RISK MANAGEMENT (continued)

Capital management
Cyta manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization 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.

The fair value of financial instruments traded on active markets, such as commercial and available-for-sale equity-marketable securities, is based on stock prices at the reporting date. The market price used for the financial assets held by the Company is the bid price. The appropriate stock price for financial liabilities is the current bid price.

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).

31/12/2015	Level 1 €΄000	Level 2 €΄000	Level 3 €΄000	Total €΄000
Financial assets				
Available-for-sale financial assets	6.050	-	1	6.051
Total	6.050	-	1	6.051

31/12/2014	Level 1 €΄000	Level 2 €΄000	Level 3 €΄000	Total €΄000
Financial assets				
Available-for-sale financial assets	8.030	-	1	8.031
Total	8.030	-	1	8.031

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 maximize the use of relevant observable inputs and minimize 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. Equity investments for which fair values cannot be measured reliably are recognized at cost less impairment.

35. FAIR VALUES (continued)

The financial assets presented in Level 3, relate to the 1,000 shares Cyta holds in Eurescom GmbH and which represent investments in non-marketable securities with no quoted price in an active market and whose fair value cannot be measured reliably, therefore they are valued at cost less impairment.

36. CONTINGENT LIABILITIES

As at 31 December 2015 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 €16.884.435 (2014: € 22.922.072).

The Tax Department sent to Cyta a Tax Notice for the non-withholding of tax on employee earnings and income tax for 2009 of €8.444.256 and €576.476 respectively, plus interest and penalties until the end of April 2016. Cyta filed an objection to the totals of the taxes in question by sending letters dated 28 January 2016 and 26 February 2016 respectively. In both cases, the correctness of the amounts is under dispute. Cyta believes that there is sufficient defense against these claims and therefore no provision has been made in the financial statements.

As at 31 December 2015 there were pending claims against Cyta in relation to its activities. Based on legal advice, the Directors believe that adequate defense exists against any claim sought and they do not expect Cyta to suffer any loss. Accordingly no provision has been made in the financial statements in respect of this matter.

37. EVENTS AFTER THE REPORTING PERIOD

Significant events after the reporting period that are relevant to the understanding of the financial statements for the year ended 31 December 2015 are as follows:

The Board of Directors of Cyta Hellas, at its meeting on 5 April 2016, submitted a request to Cyta for the release of €2 million from Cyta's budget to cover Cyta Hellas's needs. Cyta’s Board of Directors, at its meeting on 5 April 2016, was informed about the decision of Cyta Hellas and decided to submit a request to the Ministry of Finance for the release of the €2 million. The Ministry of Finance, by letter dated 20 April 2016, approved the release of €2 million for the needs of Cyta Hellas. Following the above, Cyta Hellas received €1 million on 21 April 2016.

On 14 April 2016, the decree entitled "The Law on Privatisation of Regulatory Affairs (Amendment) Law of 2016" was enacted by the House of Representatives. The law provides for the suspension of the application of the provisions of the basic law to Cyta until 31 December 2017. The President of the Republic filed a petition to the Supreme Court regarding the compatibility of this law with the provisions of the Constitution. The petition to the Supreme Court is pending.

Decisions and decrees of the Office of the Commissioner of Electronic Communications and Postal Regulation (OCECPR) have reduced wholesale voice call termination rates on mobile networks as well as wholesale fixed network termination rates on a stable basis with effect from 2016. Broadband access charges have also been reduced (Bitstream) with retrospective effect from 2015.

Following a European Union regulation, international roaming charges for mobile telephony have been reduced with effect from 2016.

The financial statements were approved by the Board of Directors on 13 June 2016.