

PRIMETEL PLC

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2010

PRIMETEL PLC

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PRIMETEL PLC**BOARD OF DIRECTORS, PROFESSIONAL ADVISERS AND
REGISTERED OFFICE**

Board of Directors	Pericles Manglis (Chairman) Hermes Stephanou (Managing Director) Philippos Vatiliotis Nicos Ellinas Ioannis Tirkides Andreas Christodoulides Andreas Eleftheriadis (appointed on 1 January 2010) Alexis Photiades (appointed on 1 January 2010)
Secretary	A.A.A. Regent Consultants Limited
Independent Auditors	KPMG Limited
Legal advisers	Chrysses Demetriades & Co Andreas Karydes
Bankers	Bank of Cyprus Public Company Limited
Registered office	141 Omonoias Ave., The Maritime Center, 3045 Limiassol
Registration number	139104

PRIMETEL PLC
CHAIRMAN'S STATEMENT

Dear Shareholders,

2010 was a year full of challenges. The main financial indicators of the company reflect the changes and achievements during the year. The overall improvement and development of our operations, although not matched with relative profitability, are considered satisfactory, given the prevailing economic crisis which had a negative impact on the turnover and the profitability of the company.

The Company managed to increase its turnover to €327 million from €32,3 million last year, an increase of 1,35%. Loss from operations was €2 million, compared to a profit of €424 thousands last year. The net financing costs were €3,1 million, increasing by €1,7 million compared to last year, mainly because of the necessary investment for the implementation of the development plan of the company, which has negatively affected profitability. The year ended with a net loss of €5,2 million compared to losses of €8,7 million last year.

During the year, important developments and events have marked the ongoing course and progress of the company, with most important being the unprecedented worldwide economic crisis, which of course could not leave the Cyprus Economy unaffected.

Various factors, like the lack of International capacity, resulting from the delays in commissioning the Hawk cable system, after the refusal of Geroskipou Municipality to grant the construction license for the landing station, had an adverse impact on the company's performance.

During 2010, the construction of the landing station was completed, in the area of Anatoliko in Paphos. The necessary equipment and the Hawk cable system were installed, connecting our station with Marseille in France, which is expected to become operational by the end of April 2011. With the operation of the system, the capacity of the company's international network will be increased by 5 Gbps, creating prospects for further increases in the offered internet speeds.

As part of the continuous growth and expansion of services and activities, the Company took the important decision to enter the mobile telephony sector with the installation and operation of a Mobile Virtual Network. The services will be available as from mid May 2011.

With PrimeTel now entering the mobile telephony market and aiming to further enhancing the level of service provided to its customers, the company has extended its network of customer service locations by four.

In its effort for the expansion of its activities and the development of new services, the Company hired two high level executives in the positions of Commercial General Manager and Technical General Manager.

Aiming to the further enrichment of its television content, the Company has secured the exclusive rights to broadcast the home games of five Cypriot football teams (APOLLON Lemesou, APOP Kinyra Pegeias, AEP, APEP and ARIS Lemesou).

Another important decision taken during 2010, was the termination of the cooperation with LTV, for the supply of television content, mainly athletic and entertainment (LTV, LTV2, LTV3, ALFA, LTV Sports1 and LTV Sports2), as the continuation of this cooperation was considered to be unprofitable for the Company.

The continuous increase in the speed of internet access has become a must. In response to this reality, the company has upgraded the access network to the premises of customers with the installation of VDSL equipment and the gradual roll out of a complete network of optical fiber to the Home (FTTH) so as to be able to offer speeds exceeding 100Mbps per subscriber.

Our objective for year 2011 is to increase the geographic coverage of our broadband network and the introduction of new services such as the mobile telephony and the landing of new marine cables in the company's landing station. These activities are expected to bring about a substantial increase in the number of subscribers and the revenues of the company.

On behalf of the Board of Directors, I wish to express many thanks to the Management, the personnel, the customers and the shareholders of the Company for their continuous support and confidence.

Pericles Manglis
Chairman

PRIMETEL PLC

**DECLARATION OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR
THE FINANCIAL STATEMENTS**

In accordance with Article 9 of the Transparency Requirements Law 2010 (Mobile Values to Negotiation in Regulated Market) we, the members of the Board of Directors and other people responsible for the preparation of the Financial Statements of the group, for the year ended 31 December 2010, to the best of our knowledge and belief, declare that:

- a) The annual financial statements which are presented on pages 10 to 56,
 - i. have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union in accordance with the provisions of Article 9, section (4) of the Law, and
 - ii. provide a true and fair view of the assets and liabilities, the financial position and the profit or loss of PrimeTel Plc and the companies which are included in the consolidated and separate financial statements as a whole and
- b) The report of the Board of Directors provides a fair view of the developments and the performance as well as the position of PrimeTel Plc, and the companies which are included in the consolidated financial statements and separate financial statements, as a whole, together with a description of the main risks and uncertainties thereon.

The Members of the Board of Directors

.....
Pericles Manglis
Chairman

.....
Hermes Stephanou
Managing Director

.....
Philippos Vatiltiotis

.....
Nicos Ellinas

.....
Ioannis Tirkides

.....
Andreas Christodoulides

.....
Alexis Photiades

.....
Andreas Eleftheriades

Person responsible for the preparation of the annual financial statements

.....
Loucas Hadjiloucas
Financial Manager

Limassol, 21 April 2011

PRIMETEL PLC

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Primetel Plc (the 'Company') presents to the members their Annual Report together with the audited financial statements of the Group and the Company for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company continued to be the provision of services of Telephony, Internet and IPTV through autonomous fiber-optic network. These services are offered to individuals, enterprises and other telecommunications carriers, as well as to other providers of Network Services.

The main activity of the subsidiary company M&S Medproperties Limited is the leasehold of land while the subsidiary company Silverlink Limited remained dormant.

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE COMPANY

The Group's financial condition as presented in the financial statements is not considered satisfactory for the year. The Board of Directors expects an expansion of the activities of the Group in other relevant sectors such as the mobile telephony and the national and international network, that are expected to contribute substantially to the performance of the Company

INCOME

The turnover of the Group for the year ended 31 December 2010 amounted to €32.738.008 compared to €32.308.438 for the year 2009.

FINANCIAL RESULTS

The results of the Group and the Company for the year ended 31 December 2010 are set out on page 10 and 14, respectively.

The Board of Directors proposes that the loss for the year that is attributable to the members of the parent company be transferred to the revenue reserve.

Deviation from the indicative results

The loss of the Group after taxation as shown above was increased in relation to the indicative results announced by the Group by €2.144. The difference is due to the following reasons:

	€
Increase in the cost of sales	1.818
Loss for the year from disposal of subsidiary Company	2.365
Share of loss from subsidiary company	2.150
Deferred taxation of subsidiary company written off	(4.189)
Total difference	<u>2.144</u>

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend and the net loss for the year is transferred to the reserves.

BOARD OF DIRECTORS

The members of the Board of Directors as at 31 December 2010 and at the date of this report are shown on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2010.

On 1 January 2010 Messrs Andreas Eleftheriades and Alexis Photiades were appointed members of the Company's Board of Directors.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors during the year and up to the date of this report.

PRIMETEL PLC**REPORT OF THE BOARD OF DIRECTORS**

For the year ended 31 December 2010

MAIN RISKS AND UNCERTAINTIES

The most significant risks faced by the Group and the actions taken to manage these risks, are described in note 28 of the financial statements.

FUTURE DEVELOPMENTS

The Board of Directors anticipates significant increase in the activities of the Company in the near future from new services.

The Group continues to increase its clientele especially in the retail sector of the market.

SHARE CAPITAL

On 17 September 2010 the shareholders of the Company approved with special resolution the reduction of the share capital of the company. The nominal value of the share, decreased from € 0,17 to €0,05. The surplus from the reduction was transferred in reserves.

On 28 March 2011 191.219.828 new shares of €0,05 each, resulted from the exercise of rights.

REASERCH AND DEVELOPMENT

The Company invests in the design and administration of network systems and software billing services, central systems and databases especially for the development of the Triple Play Platform. Furthermore, the Company designs systems needed for internal use.

CORPORATE GOVERNANCE

Primetel PLC is committed to the community and the need to offer environmentally friendly solutions. Fully aware that the practices of a company are affected and at the same time affect the community, PrimeTel continues to be engaged in supporting sports events, environmental issues as well as other social events.

PRIMETEL PLC**REPORT OF THE BOARD OF DIRECTORS****PARTICIPATION OF DIRECTORS IN THE COMPANY'S SHARE CAPITAL**

The percentage of share capital of the Company held directly or indirectly by each member of the Board of Directors, (according to article 4(b) Directive DI190-2007-04 as at 31 December 2010 and 16 April 2011 (5 days before the date of notice for convening the Annual General Meeting) were as follows:

	31 December 2010 %	30 days before the date of the notice for convening the Annual General Meeting %
Pericles Manglis	25,58	39,71
Hermes Stephanou	8,62	13,90
Philippos Vatiliotis	0,64	1,19
Nicos Ellinas	0,05	0,05
Andreas Christodoulides	0,04	0,02
Ioannis Tirkides	0,00	0,00
Alexis Photiades	0,63	0,31
Andreas Eleftheriades	0,28	0,14

The percentage of Mr. Periclis Manglis and Mr. Hermes Stephanou include their direct and indirect participation in the Company.

PRIMETEL PLC

REPORT OF THE BOARD OF DIRECTORS

SIGNIFICANT CONTRACTS AND TRANSACTIONS WITH RELATED PARTIES AND MANAGEMENT

The main terms of agreements with related parties are:

- Agreement with Logica Developments Limited for the rental of offices at 141 Omonia Avenue. The Maritime Center, 3045 Limassol. The rent is € 34.359 per month.
- Agreement with the Francoudi & Stephanou Group of Companies: Primetel Plc provides services of electronic communications to the Group.
- Agreement with Francoudi & Stephanou Limited for the provision of management services to the Company. The monthly charge is €10,000.
- Agreement with Lametus Holding Limited for consultancy services with a monthly fee of € 17.000.
- Agreement with Vatiliotis and Vatiliotou Consultancy Services Ltd for the provision of advisory services and technical services for the installation of network at a monthly rate of €6.843.
- Agreement with Federated Agencies Limited for the rental of a shop in Nicosia at €1.128 monthly. The agreement was terminated on 30 July 2010.
- Agreement with Teledev East Limited for the rental of a building in Nicosia at €9,739 monthly.

BRANCHES

The Company has nine branches, three in Nicosia, three in Limassol, two in Larnaca and one in Paphos.

Statement on Corporate Governance

According to Paragraphs (a) to (ia) of Article 5 of Directive DI190-2007-04 (contents of the Annual Financial Report) issued in accordance with the Transparency Requirements Law (Traded Securities to Regulated Market, N. 19 (I) / 2007) as adopted by the SEC Board the company states the following:

Par. (a) (b) (c)

Although the Company is not obliged to follow the Corporate Governance Code (the ‘‘Code’’), since its shares are traded in the Alternative market in accordance with the rules of the Cyprus Stock Exchange, it seeks to apply the rules and regulations of the Code to the extent permitted by the current circumstances.

To this extent the Board of Directors has appointed the three committees that are stipulated by the Code and has issued the terms of reference of each one, which are met as provided. The composition of the committees which does not in fact follow the rules of the Code, is as follows:

Remuneration Committee

The Remuneration Committee consists of Messrs. Pericles Manglis (President), Hermes Stephanou (Member) and Ioannis Tirkides (Member).

Audit Committee

The Audit Committee consists of Messrs. Ioannis Tirkides (President) and Pericles Manglis (Member).

Nominations Committee

The Nominations Committee consists of Messrs. Hermes Stephanou (President), Philippos Vatiliotis (Member) and Nicos Ellinas (Member).

PRIMETEL PLC

REPORT OF THE BOARD OF DIRECTORS

Par. (d)

The Financial Manager of the Company in consultation with the Board of Directors shall ensure through effective internal control procedures and risk management for the drafting and the preparation of periodic information required from listed companies.

Par. (e)

List of persons who hold significant share capital:

The persons listed below held directly or indirectly (under Article 5 is (e) of the Directive DI190-2007 to 2004) significant share (more than 5%) in the capital of the Company on December 31, 2010 and 16 April 2011 (five days before the date of approval of the Board) were the following:

	31/12/2010	16/4/2011
	%	%
Thunderworx Limited	30,60	15,30
Manglis (Holdings) Limited	16,16	31,93
Celltech Limited	15,28	25,82
Teledev East Limited	8,83	4,41
HNS Limited	6,75	6,75

Par. (f) (g)

The Company has not issued any preference shares and there are no restrictions in the voting rights of the ordinary shares.

Par. (h)

The appointment and replacement of Board members is the responsibility and authority of the Annual General Meetings. The Articles of Association is amended after approval by special resolution at an Extraordinary General Meeting of shareholders.

Par. (i)

The Board of Directors upon approval of shareholders may make an issue or repurchase of Company shares. The issue of any new shares is subject to further provisions of the Articles of Association, current law and the principle of equal treatment for existing shareholders

Par. (j)

The Company was incorporated under the Companies Act.

Par (ia)

The Board of Directors consists of 8 members and meets at regular intervals. The responsibilities of the Board include the approval of strategy of the over being of the development of the Company and reviews the implementation of investment policy. The remuneration of Board members is presented in Note 9 of the financial statements.

PRIMETEL PLC**REPORT OF THE BOARD OF DIRECTORS****POST BALANCE SHEET EVENTS**

Events after the reporting period are presented in Note 3 of the financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Group, KPMG Limited have expressed their willingness to continue in office and a resolution authorising the Board of Directors to fix their remuneration will be submitted to the forthcoming Annual General Meeting.

By order of the Board,
A.A.A. Regent Consultants Limited
Secretary

Limassol, 21 April 2011

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

PRIMETEL PLC

Report on the Consolidated and Company's Separate Financial Statements

We have audited the accompanied consolidated financial statements of **Primetel Plc** (the "Company") and its subsidiaries (the "Group") and the Company's separate financial statements on pages 10 to 56, which comprise the statement of financial position as at 31 December 2010, the statements of comprehensive income 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 Cyprus Companies Law, Cap 113, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
PRIMETEL PLC

Opinion

In our opinion, the consolidated and the Company's separate financial statements give a true and fair view of the financial position of **Primetel Plc** as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal and regulatory requirements

Pursuant to the requirements of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts, 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 the Group Company.
- The 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 Cyprus Companies Law, Cap. 113, in the manner so required.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Panicos G. Loizou
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

Berengaria Building
25 Spyrou Araouzou Street
3036 Limassol
Cyprus

Limassol 21 April 2011

PRIMETEL PLC**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2010**

	Note	2010 €	2009 €
Turnover	5	32.738.008	32.302.438
Cost of sales		<u>(20.764.626)</u>	<u>(18.028.475)</u>
Gross profit		11.973.382	14.273.963
Other income from operations	6	440.671	252.566
Selling and distribution expenses		(1.720.277)	(2.218.439)
Administration expenses		<u>(12.715.521)</u>	<u>(11.883.942)</u>
Operating profit		(2.021.745)	424.148
Impairment of goodwill	14	-	(4.580.285)
Other operating expenses	7	<u>(3.510)</u>	<u>(1.772.038)</u>
Operating loss before financing income/(expenses)	8	<u>(2.025.255)</u>	<u>(5.928.175)</u>
Finance income	10	2.118	249.201
Finance expenses	10	<u>(3.106.769)</u>	<u>(1.653.404)</u>
Net finance expenses		<u>(3.104.651)</u>	<u>(1.404.203)</u>
Share of loss from associated company	17	<u>(-)</u>	<u>(1.849)</u>
Loss before taxation		(5.129.906)	(7.334.227)
Taxation	11	<u>(100.924)</u>	<u>(1.346.812)</u>
Loss for the year		(5.230.830)	(8.681.039)
Total comprehensive (loss)/ profit for the year		<u><u>(5.230.830)</u></u>	<u><u>(8.681.039)</u></u>
Basic and fully diluted loss per share (cent)	12	<u><u>(2.74)</u></u>	<u><u>(4.55)</u></u>

The notes on pages 18 to 56 form an integral part of these financial statements.

PRIMETEL PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Note	2010 €	2009 €
Assets			
Property, plant and equipment	13	32.295.368	26.530.863
Intangible assets	14	25.866.908	25.316.795
Investment in associated company	16	-	265.260
Other investments	17	28.131	15.631
Total of non current assets		<u>58.190.407</u>	<u>52.128.549</u>
Inventories	18	1.274.350	2.001.516
Trade and other receivables	19	10.298.485	10.360.964
Taxation refundable	27	-	148
Cash at bank and in hand	20	<u>332.764</u>	<u>1.160.418</u>
Total current assets		<u>11.905.599</u>	<u>13.523.046</u>
Total assets		<u>70.096.006</u>	<u>65.651.595</u>
Equity			
Share capital	21	9.560.991	32.507.371
Accumulated losses			
From ordinary operations		(19.176.562)	(13.945.732)
From acquisition of enterprises		(14.245.087)	(14.245.087)
From share capital reduction		22.946.380	-
Other reserves		<u>4.747.001</u>	<u>4.747.001</u>
Total equity attributable to shareholders of the Company		3.832.723	9.063.553
Minority interest		<u>4.000</u>	<u>4.000</u>
Total equity		<u>3.836.723</u>	<u>9.067.553</u>
Liabilities			
Long-term loans	22	27.734.741	32.859.898
Bonds	23	4.978.320	4.972.985
Deferred tax liability	24	778.360	682.549
Deferred income	25	-	4.441
Trade and other payables	25	<u>-</u>	<u>252.309</u>
Total non-current liabilities		<u>33.491.421</u>	<u>38.772.182</u>
Bank overdrafts and current portion of long-term loans	22	10.064.155	3.355.472
Trade and other payables	25	22.690.867	14.456.388
Taxation due	26	<u>12.840</u>	-
Total current liabilities		<u>32.767.862</u>	<u>17.811.860</u>
Total liabilities		<u>66.259.283</u>	<u>56.584.042</u>
Total equity and liabilities		<u>70.096.006</u>	<u>65.651.595</u>

The consolidated financial statements were approved by the Board of Directors on 21 April 2011.

Pericles Manglis
.....
Chairman

Hermes Stephanou
.....
Managing Director

The notes on pages 18 to 56 form an integral part of these financial statements.

PRIMETEL PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITYFor the year ended 31 December 2010

	Note	Share capital €	Reserve from issue of shares at a premium €	Reserve from conversion of share capital into Euro €	Accumulated losses €	Minority interest €	Total €
Balance at 1 January 2009		32.304.584	4.645.038	122.571	(19.410.246)	142.305	17.804.252
Loss for the year		-	-	-	(8.658.063)	4.024	(8.681.039)
Acquisition of minority interest		-	-	-	(95.510)	(146.329)	(241.839)
Issue of shares		202.787	-	-	-	-	202.787
Subsidiary minority interest	21	-	-	-	-	4.000	4.000
Expenses for issue of share capital and listing on Cyprus Stock Exchange		-	(20.608)	-	-	-	(20.608)
Balance at 31 December 2009		32.304.584	4.645.038	122.571	(28.190.819)	4.000	9.067.553
Balance at 1 January 2010		32.304.584	4.645.038	122.571	(28.190.819)	4.000	9.067.553
Loss for the year		-	-	-	(5.230.830)	-	9.067.553
Reduction in Nominal Value of share	21	(22.946.380)	-	-	22.946.380	-	-
Balance at 31 December 2010		<u>9.560.991</u>	<u>4.624.430</u>	<u>122.571</u>	<u>(10.475.269)</u>	<u>4.000</u>	<u>3.836.723</u>

The reserve from the issue of share capital at a premium and the reserve from the conversion of share capital are not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable for the account of the shareholders.

In the accumulated losses an amount of €14.245.087 consists of the difference between the acquisition cost and the book value of the activities and assets of the company Thunderworx Limited, that took place on 31 December 2005, which was written off.

PRIMETEL PLC

CONSOLIDATED STATEMENT OF CASH FLOWSFor the year ended 31 December 2010

	Note	2010 €	2009 €
Cash flow from operating activities			
(Loss)/profit for the year		(5.230.830)	(8.681.039)
Adjustment for:			
Depreciation of property plant and equipment	13	3.359.346	2.920.501
Amortisation of computer software	14	719.563	687.623
Amortising of rights of use	14	3.892.786	1.656.131
(Profit)/loss from the sale of property plant and equipment	6&7	(5.756)	(3.508)
Impairment of goodwill	14	-	4.580.285
Share of losses from associated company	17	-	1.849
Loss on disposal of investment in associate company	7	3.374	
Loss from the write off of plant and equipment	7	-	55.019
Loss from the write off of intangible assets	7	-	910
Interest income	10	(2.118)	(1.127)
Interest paid	10	2.427.221	1.404.912
Taxation	11	<u>100.924</u>	<u>1.346.812</u>
<i>Cash flows from operations before working capital changes</i>		5.264.510	3.968.368
Decrease/(Increase) in inventories		727.166	(160.002)
Decrease/(Increase) in trade other receivables		198.759	(2.706.909)
Increase in trade and other payables		<u>7.977.729</u>	<u>3.845.600</u>
Cash flow from operations		14.168.164	4.947.057
Tax paid		<u>7.875</u>	<u>(5.030)</u>
Net cash from operating activities		<u>14.176.039</u>	<u>4.942.027</u>
Cash flows from investing activities			
Payment for purchase of intangible assets	14	(5.292.774)	(11.979.190)
Payment for purchase of property plant and equipment	13	(9.135.241)	(11.156.376)
Acquisition of a subsidiary company	16	-	(39.052)
Other Investments	17	(12.500)	-
Proceeds from disposal of property, plant and equipment		11.178	695.773
Proceeds from sale of investments		261.886	-
Interest received		<u>2.118</u>	<u>1.127</u>
Net cash used in investing activities		<u>(14.165.333)</u>	<u>(22.477.718)</u>
Cash flows from financing activities			
Proceeds from issue of bonds			4.972.985
Repayment of borrowings		(2.065.809)	(1.124.668)
Proceeds from new borrowings		-	14.122.983
Interest paid		(2.421.886)	(1.404.912)
Expenses for issue of new shares and listing in the CSE		-	<u>(20.608)</u>
Net cash from financing activities		<u>(4.487.695)</u>	<u>16.545.780</u>
Net (decrease)/increase in cash and cash equivalent		<u>(4.476.989)</u>	<u>(989.911)</u>
Cash and cash equivalents at the beginning of the year		<u>506.450</u>	<u>1.496.361</u>
Cash and cash equivalent at the end of the year	20	<u>(3.970.539)</u>	<u>506.450</u>

The notes on pages 18 to 56 form an integral part of these financial statements.

PRIMETEL PLC**PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME**For the year ended 31 December 2010

	Note	2010 €	2009 €
Turnover	5	32.738.008	29.591.135
Cost of sales		<u>(20.764.626)</u>	<u>(17.654.855)</u>
Gross profit		11.973.382	11.936.280
Other income from operations	6	440.671	506.966
Selling distribution expenses		(1.720.277)	(2.563.794)
Administrative expenses		<u>(12.712.406)</u>	<u>(9.678.604)</u>
(Loss)/Profit from operating activities		(2.018.630)	200.848
Other expenses	7	<u>(5.223)</u>	<u>(1.714.516)</u>
Operating profit/(loss) before financing income/(expenses)	8	<u>(2.023.853)</u>	<u>(1.513.668)</u>
Financial income	10	2.118	248.539
Financial expenses	10	<u>(3.106.769)</u>	<u>(1.562.301)</u>
Net financing expenses		<u>(3.104.651)</u>	<u>(1.313.762)</u>
Loss before taxation		(5.128.504)	(2.827.430)
Taxation	11	<u>(100.924)</u>	<u>(1.401.550)</u>
Loss for the year		<u>(5.229.428)</u>	<u>(4.228.980)</u>
Total comprehensive (loss)/profit for the year		<u>(5.229.428)</u>	<u>(4.228.980)</u>
Basic and fully diluted (loss)/earnings per share (cent)	12	<u>(2,73)</u>	<u>(2,22)</u>

The notes on pages 18 to 56 form an integral part of these financial statements.

PRIMETEL PLC**PARENT COMPANY STATEMENT OF FINANCIAL POSITION****At 31 December 2010**

	Note	2010 €	2009 €
Assets			
Property, plant and equipment	13	31.995.368	25.837.971
Intangible assets	14	25.866.908	24.806.690
Investment in subsidiaries	15	306.000	6.060.083
Other Investments	17	<u>28.131</u>	<u>-</u>
Total non current assets		<u>58.196.407</u>	<u>56.704.744</u>
Investments	18	1.274.350	2.001.516
Trade and other receivables	19	10.287.515	8.297.173
Cash in hand and in bank	20	<u>332.764</u>	<u>955.012</u>
Total current assets		<u>11.894.629</u>	<u>11.253.701</u>
Total assets		<u>70.091.036</u>	<u>67.958.445</u>
Capital and reserves			
Share capital	21	9.560.991	32.507.371
Accumulated losses			
From ordinary operations		(14.624.059)	(9.394.631)
From acquisition of operations		(18.786.283)	(14.245.087)
From reduction in share capital		22.946.380	=
Other reserves		<u>4.747.001</u>	<u>4.747.001</u>
Total equity attributable to shareholders of the Company		<u>3.844.030</u>	<u>13.614.654</u>
Liabilities			
Long term loans	22	27.734.741	31.893.053
Bonds	23	4.978.320	4.972.985
Deferred tax liability	24	778.360	682.549
Trade and other payables	25	<u>-</u>	<u>252.309</u>
Total non-current liabilities		<u>33.491.421</u>	<u>37.800.896</u>
Current portion of long-term loans	23	10.064.155	2.589.351
Trade and other payables	26	22.678.636	13.945.652
Tax payable	27	<u>12.794</u>	<u>7.892</u>
Total current liabilities		<u>32.755.585</u>	<u>16.542.895</u>
Total liabilities		<u>66.247.006</u>	<u>54.343.791</u>
Total equity and liabilities		<u>70.091.036</u>	<u>67.958.445</u>

The financial statements were approved by the Board of Directors on 21 April 2011.

Pericles Manglis
.....
President

Hermes Stephanou
.....
Managing Director

The notes on pages 18 to 56 form an integral part of these financial statements.

PRIMETEL PLC**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2010**

	Note	Share capital €	Reserves from issue of shares €	Reserve from conversion of share capital into Euro €	Accumulated losses €	Total €
Balance at 1 January 2009		32.304.584	4.645.038	122.571	(19.410.738)	17.661.455
Loss for the year		-	-	-	(4.228.980)	(4.228.980)
Issue of shares	21	202.787	-	-	-	202.787
Expenses for issue of Share Capital and listing on Cyprus Stock Exchange		-	(20.608)	-	-	(20.608)
Balance at 31 December 2009		<u>32.304.584</u>	<u>4.645.038</u>	<u>122.571</u>	<u>(23.639.718)</u>	<u>13.614.654</u>
Balance at 1 January 2010		32.304.584	4.645.038	122.571	(23.639.718)	13.614.654
Loss for the year					(5.229.428)	(5.229.428)
Absorption of operations from subsidiary company Spidernet Services Limited	15				(4.541.196)	(4.541.196)
Reduction of nominal value of shares	21	(22.946.380)			22.946.380	
Balance at 31 December 2010		<u>9.560.991</u>	<u>4.624.430</u>	<u>122.571</u>	<u>(10.463.962)</u>	<u>3.844.030</u>

The reserve from issue of share capital at a premium and the reserve from the conversion of share capital are not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable for the account of the shareholders.

In the accumulated losses an amount of €14.245.087 consists of the difference between the acquisition cost and the book value of the activities and assets of the company Thunderworx Limited that took place on 31 December 2005, which was written off. It also includes losses of 4.541.196 from the absorption of operations of the subsidiary company Spidernet Services Ltd that took place on 1 January 2010.

The notes on pages 18 to 56 form an integral part of these financial statements.

PRIMETEL PLC

PARENT COMPANY CASH FLOWS STATEMENTFor the year ended 31 December 2010

	Note	2010 €	2009 €
Cash flow from operating activities			
(Loss)/profit for the year		(5.229.428)	(4.228.980)
Adjustments for:			
Depreciation of property plant and equipment	13	3.359.346	2.741.133
Amortisation of computer software	14	719.563	469.141
Amortising of rights of use	14	3.892.786	1.656.131
Loss from the sale/discards of property, plant and equipment	6&7	(5.756)	7
Loss from disposal on investment in associate company	7	5.223	-
Interest income	10	(2.118)	(863)
Interest paid	10	2.427.221	1.342.064
Taxation	11	<u>100.924</u>	<u>1.401.550</u>
<i>Cash flow from operations before working capital changes</i>		5.267.761	3.380.183
Increase in inventories		727.166	(160.002)
Increase in trade and other receivables		(279.252)	(1.744.282)
Increase in trade and other payables		<u>7.893.985</u>	<u>4.198.463</u>
Cash flow from operations		14.168.164	5.674.362
Tax paid		<u>7.875</u>	<u>(3.999)</u>
Net cash from operating activities		<u>14.176.039</u>	<u>5.670.363</u>
Cash flows from investing activities			
Payment for purchase of intangible assets	13	(5.292.774)	(11.889.393)
Payment for purchase of property, plant and equipment		(9.135.241)	(10.733.395)
Acquisition of a subsidiary company	14	-	(344.052)
Payments for other investments	17	(12500)	-
Absorption of operations by the subsidiary Spidernet Services Limited		(448.562)	-
Proceeds from disposal of property, plant and equipment		11.178	150
Proceeds from sale of investment in associated company		261.886	
Interest received		<u>2.118</u>	<u>863</u>
Net cash used in investing activities		<u>(14.613.895)</u>	<u>(22.965.827)</u>
Cash flows from financing activities			
Proceeds from issue of share capital and listing in CSE		-	(20.608)
Proceeds from borrowing		-	14.122.983
Proceeds from issue of bonds		-	4.972.985
Repayment of borrowing		(2.065.809)	(1.027.891)
Interest paid		(2.421.886)	(1.342.064)
Net cash from financing activities		<u>(4.487.695)</u>	<u>16.705.405</u>
Net (decrease)/increase in cash and cash equivalent		(4.925.551)	(590.059)
Cash and cash equivalent at the beginning of the year	21	<u>955.012</u>	<u>1.545.071</u>
Cash and cash equivalent at the end of the year	21	<u>(3.970.539)</u>	<u>955.012</u>

The notes on pages 18 to 56 form an integral part of these financial statements.

PRIMETEL PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2010

1. INCORPORATION AND PRINCIPAL ACTIVITIES

PrimeTel Co Limited (the "Company") was incorporated in Cyprus on 18 June 2003 as a private company with limited liability in accordance with the Cyprus Companies Law Cap.113. It's registered office is at Omonias Avenue 141, The Maritime Center, 3045 Limassol. On 28 March 2006 by a special resolution it was renamed to PrimeTel Limited. On June 4th 2007, after a special resolution, the Company became Public in accordance with the Companies Law Cap. 113 and renamed PrimeTel Public Company Limited. Then on 30 August 2007 it was renamed PrimeTel PLC. On 14 July 2009 the Company was listed in the Alternative Market of the Cyprus Stock Exchange.

The principal activities of the Company continue to be the services of Voice, Data and Video though autonomous fiber-optic network. Telephony, broadband network and the Digital Television are some of the services provided by the Company to individuals, enterprises and other telecommunications carriers as well as to companies that provide network services in Cyprus.

On 27 December 2008 the Company acquired 95,86% of the share capital of Spidernet Services Limited. On 20 October 2008 Spidernet Services Limited acquired fully the issued share capital of D.S.P. Netway Limited.

On 2 April 2009 the Company acquired the remaining 4,14% of its subsidiary company Spidernet services Limited.

On 6 November 2009 the Company acquired 100% of the share capital of M & S Medropteries Limited with principal activity the leasehold of land.

On 1st January 2010, the subsidiary company, Spidernet Services Limited, and its subsidiaries ICC Edunet Limited, GO.COM.CY Limited and DSP Netway Limited merged with the Company under Article 30 (a) (iii) of the Income Tax Act. The subsidiaries have transferred all of their assets and liabilities to PrimeTel PLC (the "Company").

On 17 September 2010, the shareholders of the Company approved by a special resolution the reduction of the share capital of the Company as announced on 16 August 2010. The nominal value of the share was reduced from € 0,17 to € 0,05. The surplus from the reduction was transferred to reserves. The subsidiary company Silver Link Investments Limited remained dormant.

2. BASIS OF PREPARATION**(a) Statement of compliance**

The consolidated and separate financial statements have been prepared in accordance to the International Financial Reporting Standard (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law Cap 113 and the Cyprus Stock Exchange Laws and Regulations.

(b) Basis of presentation

- (i) The consolidated financial statements of the Company as at 31 December 2010 include the Company and its subsidiaries (together are referred as the "Group").
- (ii) The consolidated and separate financial statements have been prepared under the historical cost convention, except as mentioned differently.

PRIMETEL PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2010

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

Since 1 January 2010, the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations. This adoption did not have a material effect on the Financial Statements of the Company: The following Standards, Amendments to Standards and Interpretations have been issued but are not effective for the year ended December 31, 2010

(i) Standards and Interpretations adopted by the EU

- Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate).
- IFRS 1 (Amendment) Limited exemption for entities that adopt the IFRS by comparative disclosures of IFRS 7 for the first time (effective for annual periods beginning on or after 1 July 2010)
- IAS 24 'Related Party Disclosures "(revised) (effective for annual periods beginning on or after 1 January 2011).
- IAS 32 'Classification of issues of rights' (amendment) (effective for annual periods beginning on or after 1 February 2010).
- IFRIC 14 'Advances of minimum funding requirement (amendment) of (effective for annual periods beginning on or after 1 January 2011).
- IFRIC 19: "Repayment of financial liabilities to equity (effective for annual periods beginning on or after 1 July 2010).

PRIMETEL PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2010

(ii) Standards and Interpretations not adopted by the EU

- **IFRS 1 (Amendment): Hyper-inflation and Elimination of fixed dates for companies applying IFRS for the first time (effective for annual periods beginning on or after 1 July 2011).**
- **IFRS 7 (Amendment) Financial Instruments: Disclosures - Transfers of financial assets data (effective for annual periods beginning on or after 1 July 2011).**
- **IFRS 9 'Financial Instruments' (effective from 1 January 2013).**
- **IAS 12 'Deferred Tax' (Amendment) - Recovery of Assets (effective for annual periods beginning on or after 1 January 2012).**

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

The adoption of IFRS9 may induce changes to the classification and measurement of financial assets. The extent of the impact has not been determined.

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PRIMETEL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements

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

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

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

- *Provision for bad and doubtful debts*

The Group 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 comprehensive income. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

- *Provision for obsolete and slow-moving inventory*

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

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

- *Income taxes*

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes 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.

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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

- *Impairment of investments in subsidiaries/associates*

The Group 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 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.

- Valuation of non-listed investments

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

- *Impairment of intangible assets*

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 a 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, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

(e) Functional and presentation currency

The financial statements are presented in Euro (€) which is the functional currency of the Republic of Cyprus and in the case of the Group is the primary currency used that reflects better the economic substance of its activities.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of consolidation

The Group consolidated financial statements comprise of the financial statements of the parent Company and its subsidiaries. Subsidiaries are entities controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the date that control commences until the date control ceases. Intra-group balances, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquirer, plus any costs directly attributable to the business combination. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in statement of comprehensive income.

The interest of minority shareholders in the acquirer is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Segmental reporting

The Group is organized by business segments and this is the primary format for segmental reporting. Each business segment provides products or services which are subject to risks and returns that are different from those of other business segments. The Group operates only in Cyprus and for this reason operations are not analyzed by geographical segment.

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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation (continued)

Subsidiaries (continued)

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire, plus any costs directly attributable to the business combination. The acquirer's identifiable assets, liabilities and contingent liabilities that are exchanged are recognized at their fair values at the acquisition date, independently of the level of the probable rights of minority. Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in income statement.

Intra-group transactions, balances, and any unrealized income arising from intra-group transactions between companies of the Group are eliminated in preparing the consolidated financial statements. The unrealized expenses are also eliminated but only to the extent that there is no evidence of impairment on the value of the asset which is carried forward. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interest arises when a subsidiary company is not controlled wholly by the parent company. In this case the minority interest in the consolidated income statement represents the share of result for the year of the subsidiary company which is allocated to the shareholders.

Minority interest in the consolidated balance sheet represents the share of the net assets of the subsidiary company which is allocated to the shareholders. In the case that the subsidiary company has net liabilities the minority interest is eliminated to zero and any further loss of this company allocated only to the shareholders of the Company.

Associates

Associates are those entities in which the Group has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the Group holds the 20% to 50% of the voting power of another entity. Investments in associates are initially recognized at cost and are accounted for by the equity method. Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Revenue recognition

Revenue comprises the invoiced amount for the sale of products net of Value Added Tax, rebates and discounts. Revenues earned by the Group are recognized on the following basis:

- Rendering of services

Invoices from connection fees are recognized when significant risks and rewards of ownership have been transferred to the subscribers. The transfer is done when the connection is fully completed.

The rates of rent and communications are recognized on the accruals basis.

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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (continued)

- Sale of goods

Sales of goods are recognized when significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually when the Company has sold or delivered goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured.

- Rental income

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

- Dividend income

The dividend income is recognized when the right to received payment is established.

Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. In addition the Company contributes to a defined contribution scheme the percentage of which is determined by agreement made with the Unions and the assets of which are held in a separate trustee-administered fund. The scheme is funded by payments from employees and by the Company.

The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employee benefits relating to their services in the current and prior periods.

Segment reporting

The Group is organized by business segments and this is the primary format for segmental reporting. Each business segment provides products or services which are subject to risks and returns that are different from those of other business segments. The Group operates in Cyprus and overseas. The operations of the Group by segment are divided in the provision of services to individuals, to trade customers and to the providers of telecommunication services.

Finance income

Finance income includes interest income which is recognized based on accrual basis.

Financing expenses

Interest expense and other costs on borrowings to finance construction or production of qualifying assets are capitalized, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed. Apart from interest, finance expenses include bank charges and exchange differences.

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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

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 realized in the statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies are translated into Euro using the rate of exchange ruling at the balance sheet date. The exchange differences that arise are transferred to the statement of comprehensive income, and are presented separately when considered material.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is realized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally realized for all taxable temporary differences and deferred tax assets are realized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be realized. Such assets and liabilities are not realized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are realized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

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 they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized in the income statement on the straight-line method over the useful lives of each part of an item of property, plant and equipment. The annual depreciation rates used for the current and comparative periods are as follows:

	%
Property under construction	0
Additions and improvements to the rental properties	4 - 10
Fiber - Optic network	4
Motor vehicles	10 – 20
Telecommunication equipment	10-20
Machinery, plant, furniture, fittings and office equipment	10 - 331/3
Computers and electrical equipment	10 - 331/3

No depreciation is provided on land.

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

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

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

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

Intangible assets

(i) Rights of use of local and international networks

Expenditure incurred by the Company in respect of rights of use of local and international networks initially are capitalized and are depreciated to the statement of comprehensive income in a period of ten to seventeen years which represent the period in which the Company has the right to use these networks. The depreciation is included in the cost of sales.

(ii) Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets. Subsequently computer software is carried at cost less any accumulated amortization and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognized as an expense when incurred. Computer software costs are amortized using the straight-line method over their useful lives, in a period between three and ten years. Amortization commences when the computer software is available for use and is included within administrative expenses.

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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (continued)

(iii) Internally-generated intangible assets

An internally-generated intangible asset arising from the development of software programs of the Company and the Group is recognized only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortized in the consolidated and separate statement of comprehensive income on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognized, development expenditure is charged to the statement of comprehensive income in the period in which it is incurred.

Deferred income

Deferred income represents income receipts which relate to future periods.

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.

The Group as lesser

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group'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 the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized 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 recognized on a straight-line basis over the lease term.

Operating leases

Rentals payable under operating leases are charged to the statement of comprehensive income 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.

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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in income statement when there is objective evidence that the asset is impaired. The allowance recognized is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Financial derecognizing of assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group 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
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognized 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 derecognizing of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

(ii) Investments

Investments in subsidiaries

Where the Company owns, directly or indirectly, more than 50% of the voting rights, and/or exercises control over the financial and operational affairs of other companies, the investments are referred to as investments in subsidiary companies and are stated at cost in the financial statements of the parent company, less any provision for permanent diminution in value. Any diminution in relation to the net realizable value is debited to the statement of comprehensive income. Details of the investments in subsidiaries are presented in note 15.

Investment in associated company

In the consolidated financial statements, the investments in associated companies are accounted for under the equity method (see accounting policy «Basis of consolidation»)

Details of investments in associated company are presented in note 16.

Investments in private companies

Investments in private companies are stated at cost less amounts written off to recognize diminution, other than temporary in the value of the investment. Details of the other investments are presented in note 17.

PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(v) *Cash and cash equivalents*

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

(iv) *Borrowings*

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

(v) *Trade payables*

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Impairment of assets

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

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories

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

Share capital

Ordinary shares are classified as equity.

Provisions

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

Non-current liabilities

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

Comparatives

Comparative figures have been adjusted, where necessary, to conform to changes in presentation in the current year.

PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

4. INFORMATION BY OPERATION SEGMENT

The Group has three basic segment operations which are mentioned below:

- Provision of services to Home Customers
- Provision of services to Corporate Customers
- Provision of services to other Telecom Operators

Every month the Managing director reviews the monthly financial statements prepared by the Group monitoring the sales by segment, the total gross profit, the selling expenses, administration and finance expenses as well as the additions to the property plant and equipment and intangible assets.

2010

	Home Customers €	Corporate Customers €	Telecom Operators €	Total €
Sales	<u>19.204.133</u>	<u>6.537.030</u>	<u>6.996.845</u>	32.738.008
Cost of sales				<u>(16.871.840)</u>
Gross profit				15.866.168
Percentage of gross profit				48.5%
Other operating income				440.671
Administration and selling and distribution expenses				<u>(10.356.889)</u>
Earnings before interest, Tax, Depreciation (EBITDA)				5.949.950
Depreciations				<u>(7.971.695)</u>
Earnings before interest, Tax (EBIT)				2.021.745
Net financing expenses				<u>(3.104.651)</u>
Loss from operation before other expenses				(5.129.906)
Other expenses				(3.510)
Loss before taxation				(5.128.761)
Taxation				<u>(100.924)</u>
Loss for the year				<u>(5.230.830)</u>
Total assets				<u>70.096.006</u>
Capital expenditure				
Property, plant and equipment				9.135.241
Intangible asset				<u>5.292.774</u>
Total capital expenditure				<u>14.428.015</u>
Depreciation on property, plant and equipment				3.359.346
Amortization of intangible assets				<u>4.612.349</u>
				<u>7.971.695</u>

2009

	Home Customers €	Corporate Customers €	Telecom Operators €	Total €
Sales	<u>17.513.263</u>	<u>5.908.248</u>	<u>8.880.927</u>	32.302.438
Cost of sales				<u>(16.372.344)</u>
Gross profit				15.930.094
Percentage of gross profit				49%
Other operating income				252.566
Administration and selling and distribution expenses				<u>(10.494.257)</u>
Earnings before interest, Tax, Depreciation (EBITDA)				5.688.403
Depreciation				<u>(5.264.255)</u>
Earnings before interest, Tax ((EBIT)				424.148
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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

4. INFORMATION BY OPERATION SEGMENT (CONT'D)
2009

	Total €
Net financing expenses	(1.404.203)
Loss from operation before other expenses	(980.055)
Impairment of goodwill	(4.580.285)
Other expenses	(1.772.038)
Share of loss from associated company	<u>(1.849)</u>
Profit before taxation	(7.334.227)
Taxation	<u>(1.346.812)</u>
Loss for the year	(8.681.039)
Total assets	<u>(65.651.595)</u>
Capital expenditures	
Property, plant and equipment	10.856.376
Intangible assets	<u>11.979.190</u>
Total capital expenditures	<u>22.835.566</u>
Depreciation of property plant and equipment	2.920.501
Amortization of intangible assets	<u>2.343.754</u>
	<u>5.264.255</u>

Geographical segment

For the presentation of information based on geographical segment, the sales by geographical segments are based on the geographical location of the clients and assets are based on their geographical location.

	2010 €	2009 €
Cyprus	28.696.542	29.608.437
Europe and Asia	3.913.786	2.450.966
Other countries	<u>127.680</u>	<u>243.035</u>
	<u>32.738.008</u>	<u>32.302.438</u>

5. INCOME

	THE GROUP		THE COMPANY	
	2010 €	2009 €	2010 €	2009 €
Sale of Services	32.481.260	32.162.170	32.481.260	29.450.867
Sales of goods	<u>256.748</u>	<u>140.268</u>	<u>256.748</u>	<u>140.268</u>
	<u>32.738.008</u>	<u>32.302.438</u>	<u>32.738.008</u>	<u>29.591.135</u>

6. OTHER OPERATING INCOME

	THE GROUP		THE COMPANY	
	2010 €	2009 €	2010 €	2009 €
Amounts receivable from the E.U for research and development	412.054	235.966	412.054	235.966
Dividend received	-	-	-	250.000
Profit from sale of property plant and equipment (note)	5.756	3.515	5.756	-
Realized gain from derivative and financial instruments	-	-	-	-
Rents receivable	-	-	-	21.000
Other income	<u>22.861</u>	<u>13.085</u>	<u>22.681</u>	<u>-</u>
	<u>440.671</u>	<u>252.566</u>	<u>440.671</u>	<u>506.966</u>

PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

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7. OTHER OPERATING EXPENSES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Bonus payable for achieving targets (Note a)	-	1.708.601	-	1.708.601
Other committed expenses (Note b)	-	5.908	-	5.908
Loss from disposal of property, plant and equipment	-	7	-	7
Loss from discards of property, plant and equipment	-	55.019	-	-
Loss from discards of intangible assets	-	910	-	-
Loss on disposal of investment in associate company	3.374	-	5.223	-
Other expenses	<u>136</u>	<u>1.593</u>	<u>-</u>	<u>-</u>
	<u>3.510</u>	<u>1.772.038</u>	<u>5.223</u>	<u>1.714.516</u>

8. (LOSS) /PROFIT FROM OPERATIONS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
(Loss)/profit from operations before the finance income/(expenses) and is stated after charging the following amounts:				
Depreciation of computer software (included in selling and distribution expenses). (Note.14)	719.563	687.623	719.563	469.141
Depreciation of rights of use (included cost of sales). (Note.14)	3.892.786	1.656.131	3.892.786	1.656.131
Depreciation of property, plant and equipment (Note.13)	3.359.346	2.920.501	3.359.346	2.741.133
Staff costs (Note.9)	5.631.742	5.186.249	5.631.742	4.167.364
Rents payable	674.793	480.569	647.793	480.569
Auditor's fee – current year	61.000	61.250	61.000	45.000
– previous year	-	29.650	-	29.650
Trade receivables – provision for doubtful debts	<u>151.860</u>	<u>116.000</u>	<u>151.860</u>	<u>96.000</u>

9. STAFF COSTS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Wages and salaries	4.649.577	4.379.648	4.649.577	3.474.905
Compensation of directors - as below	24.000	-	24.000	-
Social insurance contributions e.t.c.	672.022	604.281	672.022	490.139
Provident fund contributions	<u>286.143</u>	<u>202.320</u>	<u>286.143</u>	<u>202.320</u>
Total staff costs	<u>5.631.742</u>	<u>5.186.249</u>	<u>5.631.742</u>	<u>4.167.364</u>

The number of staff employed by the Group as at 31 December 2010 was 326 (2009: 309)

The Group participates in a defined contribution scheme, the Provident Fund of Employees which is founded separately and prepares its own financial statements whereby the employees are entitled of certain benefits upon retirement or prior termination of their service.

PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

Directors Remuneration - as consultants	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Pericles Manglis	3.000	-	3.000	-
Hermes Stephanou	3.000	-	3.000	-
Filippos Vatiliotis	3.000	-	3.000	-
Andreas Christodoulides	3.000	-	3.000	-
Nicos Ellinas	3.000	-	3.000	-
Ioannis Tirkides	3.000	-	3.000	-
Andreas Eleftheriades	3.000	-	3.000	-
Alexis Fotiades	<u>3.000</u>	<u>-</u>	<u>3.000</u>	<u>-</u>
	<u>24.000</u>	<u>-</u>	<u>24.000</u>	<u>-</u>

10. FINANCE INCOME AND EXPENSES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Finance income				
Bank interest	459	1.127	459	863
Interest from tax refund	1.659		1.659	
Realized exchange gain	<u>-</u>	<u>248.074</u>	<u>-</u>	<u>247.676</u>
	<u>2.118</u>	<u>249.201</u>	<u>2.118</u>	<u>248.539</u>
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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

10. FINANCE INCOME AND EXPENSES (CONT'D)

	THE GROUP		THE COMPANY	
	2010 €	2009 €	2010 €	2009 €
Finance expenses				
Interest payable				
On loans	1.543.416	1.123.106	1.543.416	1.060.258
On bonds	342.188	152.813	342.188	152.813
On bank overdrafts	198.767	40.926	198.767	40.926
On taxation	-	503	-	503
To related companies	260.128	87.564	260.128	87.564
To others	82.722	-	82.722	-
Other finance expenses				
Bank charges	372.625	248.492	372.625	220.237
Loss on transactions in foreign currency				
Realized exchange loss	<u>306.923</u>	<u>-</u>	<u>306.923</u>	<u>-</u>
	<u>3.106.769</u>	<u>1.653.404</u>	<u>3.106.769</u>	<u>1.562.301</u>

11. TAXATION

	THE GROUP		THE COMPANY	
	2010 €	2009 €	2010 €	2009 €
Special contribution to the defense fund				
Current year	5.113	5.984	5.113	4.867
Deferred tax – Debit/(credit) (Note.25)	95.811	128.652	95.811	128.852
Deferred taxation written off (Note 25)	-	<u>1.212.176</u>	-	<u>1.267.831</u>
Debit/(credit) for the year	<u>100.924</u>	<u>1.346.812</u>	<u>100.924</u>	<u>1.401.550</u>

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

	THE GROUP		THE COMPANY	
	2010 €	2009 €	2010 €	2009 €
Accounting profit/(loss) before tax	<u>(5.129.906)</u>	<u>(7.334.227)</u>	<u>(5.128.504)</u>	<u>(2.827.430)</u>
Tax calculated at the applicable tax rates	(512.991)	(733.423)	(512.850)	(282.743)
Tax effect of expenses not deductible for tax purposes	26.012	570.868	433.091	54.887
Tax effect of allowances and income not subject to tax	(58.209)	(57.106)	(58.209)	(27.387)
Tax effect of tax losses for the year	640.999	348.313	640.999	330.820
Tax effect of loss surrendered to Group Company	-	-	-	53.275
Special contribution to the defense fund - current year	5.113	5.984	5.113	4.867
Deferred tax written off	-	<u>1.212.176</u>	-	<u>1.267.831</u>
Tax charge	<u>100.924</u>	<u>1.346.812</u>	<u>100.924</u>	<u>1.401.550</u>

The corporation tax rate is 10%. Under certain conditions interest may be subject to defense contribution at the rate of 10%. In such cases 100% of the interest income is exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defense contribution at the rate of 15%.

Due to tax losses sustained in the year, no tax liability arises on the Group. Tax losses may be carried forward until their final write off.

Group companies may deduct losses against profits arising during the same tax year. As at 31 December 2010 the balance of tax losses which is available for offset against future taxable profits amounts to €22.392.305 for which no deferred asset is recognized.

12. EARNINGS PER SHARE

	THE GROUP		THE COMPANY	
	2010 € cent	2009 € cent	2010 € cent	2009 € cent
(Losses)/earnings attributable to shareholders (€)	<u>(5.230.830)</u>	<u>(8.681.039)</u>	<u>(4.228.980)</u>	<u>(4.228.980)</u>
Weighted average number of ordinary shares in issue during the year	<u>191.219.829</u>	<u>190.871.909</u>	<u>191.219.829</u>	<u>190.871.909</u>
Basic and fully diluted (loss)/earnings per share (cent)	<u>(2,74)</u>	<u>(4,55)</u>	<u>(2,73)</u>	<u>(2,22)</u>

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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	Additions and improvements to leasehold buildings €	Land and buildings under construction €	Fibre-optic network and telecommunication equipment €	Motor vehicles €	Machinery plant, furniture and fittings and office equipment €	Computers and equipment €	Total 2010 €
2010							
Cost							
Balance 1 January 2010	1.504.769	2.159.298	9.355.167	522.736	8.514.150	11.153.074	33.209.194
Additions	-	1.478.393	2.325.570	97.817	4.524.236	709.225	9.135.241
Disposals	-	-	-	(21.372)	(1.076)	(12.895)	(35.343)
Transfer amount	-	-	(5.968)	-	-	-	(5.968)
Restated Balances	-	-	57.712	28.133	42.489	74.328	196.662
Balance 31 December 2010	<u>1.504.769</u>	<u>3.637.691</u>	<u>11.726.481</u>	<u>627.314</u>	<u>13.079.799</u>	<u>11.923.732</u>	<u>42.499.786</u>
Depreciation							
Balance as at 1 January 2010	110.100	-	837.232	293.053	1.638.805	3.799.141	6.678.331
						1.829.293	
Charge for the year	49.839	-	449.404	94.802	936.008		3.359.346
Discards	-	-	-	(21.223)	(758)	(7.940)	(29.921)
Restated Balances	-	-	2.004	31.320	55.683	107.655	196.662
Balance 31 December 2010	<u>159.939</u>	<u>-</u>	<u>1.288.640</u>	<u>397.952</u>	<u>2.629.738</u>	<u>5.728.149</u>	<u>10.204.418</u>
Net book value							
Balance 31 December 2010	<u>1.344.830</u>	<u>3.637.691</u>	<u>10.437.841</u>	<u>229.362</u>	<u>10.450.061</u>	<u>6.195.583</u>	<u>32.295.368</u>
2009							
Balance 1 January 2010	1.818.475	1.193.628	5.992.490	500.888	4.782.296	8.529.316	22.817.093
Acquisition of subsidiary company	300.000	-	-	-	-	-	300.000
Additions	15.617	965.670	3.362.677	21.848	3.844.373	2.646.191	10.856.376
Discards	-	-	-	-	(35.130)	(22.433)	(57.563)
Disposals	(629.323)	-	-	-	(77.389)	-	(706.712)
Balance 31 December 2010	<u>1.504.769</u>	<u>2.159.298</u>	<u>9.355.167</u>	<u>522.736</u>	<u>8.514.150</u>	<u>11.153.074</u>	<u>33.209.194</u>
Depreciation							
Balance as at 1 January 2010	60.261	-	473.874	187.242	925.213	2.128.231	3.774.821
						1.673.075	
Charge for the year	62.580	-	363.358	105.811	715.677		2.920.501
Discards	-	-	-	-	(379)	(2.165)	(2.544)
Disposals	(12.741)	-	-	-	(1.706)	-	(14.447)
Balance 31 December 2010	<u>110.100</u>	<u>-</u>	<u>837.232</u>	<u>293.053</u>	<u>1.638.805</u>	<u>3.799.141</u>	<u>6.678.331</u>
Net book value							
Balance 31 December 2010	<u>1.394.669</u>	<u>2.159.298</u>	<u>8.517.935</u>	<u>229.683</u>	<u>6.875.345</u>	<u>7.353.933</u>	<u>26.530.863</u>

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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE COMPANY	Additions and improvements to leasehold buildings €	Land and buildings under construction €	Fibre-optic network and telecommunication equipment €	Motor vehicles €	Machinery plant, furniture and fittings and office equipment €	Computers and equipment €	Total 2010 €
2010							
Cost							
Balance 1 January 2010	1.204.769	2.159.298	9.355.167	515.705	8.263.461	10.851.654	32.350.054
Additions	-	1.478.393	2.325.570	97.817	4.524.236	709.225	9.135.241
Disposals	-	-	-	(21.372)	(1.076)	(12.895)	(35.343)
Transfers	-	-	(5.968)	-	-	-	-
Absorption of work subsidiary Spidernet Services Public Limited	-	-	51.712	35.164	293.178	375.748	755.802
Balance 31 December 2010	<u>1.204.769</u>	<u>3.637.691</u>	<u>11.726.481</u>	<u>627.314</u>	<u>13.079.799</u>	<u>11.923.732</u>	<u>42.199.786</u>
Depreciation							
Balance 1 January 2010	110.100	-	837.232	289.210	1.579.194	3.696.347	6.512.083
Charge for the year	49.839	-	449.404	94.802	936.008	1.829.293	3.359.346
Disposals/discards	-	-	-	(21.223)	(758)	(7.940)	(29.921)
Absorption of work subsidiary Spidernet Services Limited	-	-	2.004	35.163	115.294	210.449	362.910
Balance 31 December 2010	<u>159.939</u>	<u>-</u>	<u>1.288.640</u>	<u>397.952</u>	<u>2.629.738</u>	<u>5.728.149</u>	<u>10.204.418</u>
Net book value							
Balance 31 December 2010	<u>1.044.830</u>	<u>3.637.691</u>	<u>10.437.841</u>	<u>229.362</u>	<u>10.450.061</u>	<u>6.195.583</u>	<u>31.995.368</u>
2009							
Cost							
Balance 1 January 2009	1.189.152	-	5.992.490	-	4.473.145	8.278.415	13.097.135
Additions	15.617	1.193.628	3.362.677	493.857	3.792.179	-	-
Disposals/discards	-	965.670	-	21.848	-	2.575.404	8.532.500
Balance 31 December 2009	<u>1.204.769</u>	<u>2.159.298</u>	<u>9.355.167</u>	<u>515.705</u>	<u>8.623.461</u>	<u>10.851.654</u>	<u>21.620.687</u>
Depreciation							
Balance 1 January 2009	60.261	-	437.874	187.242	925.213	2.128.231	3.774.821
Charge for the year	49.839	-	363.358	101.968	655.687	1.570.281	2.741.133
Disposals/discards	-	-	-	-	(1.706)	(2.165)	(3.871)
Balance 31 December 2009	<u>110.100</u>	<u>-</u>	<u>837.232</u>	<u>298.210</u>	<u>1.579.194</u>	<u>3.696.347</u>	<u>6.512.083</u>
Net book value							
Balance 31 December 2009	1.094.669	2.159.298	8.517.935	226.495	6.684.267	7.155.307	25.837.971

PRIMETEL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Borrowings costs capitalized for qualifying assets during year amounted to € 472.340 (2009: €214.340)

In the cash flow statement, proceeds from the sale of property, plant and equipment comprise of:

	THE GROUP		THE COMPANY	
	2010 €	2009 €	2010 €	2009 €
Carrying amounts	5.422	5.422	5.422	157
(Loss) from the sale of property, plant and equipment (Note.7)	<u>5.756</u>	<u>3.508</u>	<u>5.756</u>	<u>(7)</u>
Proceeds from disposal of property, plant and equipment	<u>11.178</u>	<u>8.930</u>	<u>11.758</u>	<u>150</u>

14. INTANGIBLE ASSETS

THE GROUP

	Goodwill €	Development costs €	Computer software €	Rights of use €	Total €
Cost					
Balance 1 January 2010	-	159.073	5.212.381	24.983.752	30.355.206
Additions	-	-	1.482.215	3.810.559	5.292.774
Transfer	-	(159.073)	28.761	-	(130.312)
Restated Balances	=	=	<u>47.910</u>	=	<u>47.910</u>
Balance 31 December 2010	<u>-</u>	<u>=</u>	<u>6.771.267</u>	<u>28.794.311</u>	<u>35.565.578</u>
Amortisation					
Balance 1 January 2010	-	-	1.885.845	3.152.566	5.038.411
Amortisation for the year	-	-	719.563	3.892.786	4.612.349
Restated Balances	=	=	<u>47.910</u>	=	<u>47.910</u>
Balance 31 December 2010	<u>-</u>	<u>-</u>	<u>2.653.318</u>	<u>7.045.352</u>	<u>9.698.670</u>
Net book value					
Balance 31 December 2010	<u>-</u>	<u>=</u>	<u>4.117.949</u>	<u>21.748.959</u>	<u>25.866.908</u>
Cost					
Balance 1 January 2009	4.580.285	235.875	4.093.718	14.047.333	22.957.211
Additions	-	82.263	960.508	10.936.419	11.979.190
Transfer	-	(159.065)	159.065	-	-
Discards	-	-	(910)	-	(910)
Impairment	<u>(4.580.285)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4.580.285)</u>
Balance 31 December 2009	<u>-</u>	<u>159.073</u>	<u>5.212.381</u>	<u>24.983.752</u>	<u>30.355.206</u>
Amortisation					
Balance 1 January 2009	-	-	1.198.222	1.496.435	2.694.657
Write off for the year (Note.8)	<u>-</u>	<u>-</u>	<u>687.623</u>	<u>1.656.131</u>	<u>2.343.754</u>
Balance 31 December 2009	<u>-</u>	<u>-</u>	<u>1.885.845</u>	<u>3.152.566</u>	<u>5.038.411</u>
Net book value					
Balance 31 December 2009	<u>-</u>	<u>159.073</u>	<u>3.326.536</u>	<u>21.831.186</u>	<u>25.316.795</u>

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PRIMETEL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

14. INTANGIBLE ASSETS (CONT'D)

THE COMPANY

2010

	Computer software €	Rights of use €	Total €
Cost			
Balance at 1 January 2010	4.642.867	24.983.752	29.626.619
Additions	1.482.215	3.810.559	5.292.774
Absorption of operations by subsidiary company Spidernet Services Public Limited	<u>646.184</u>	=	<u>646.184</u>
Balance at 31 December 2010	<u>6.771.266</u>	<u>28.794.311</u>	<u>35.565.577</u>
Amortisation			
Balance at 1 January 2010	1.667.363	3.152.566	4.819.929
Amortisation for the year	719.563	3.892.786	4.612.349
Absorption of operations by subsidiary company Spidernet Services Public Limited	<u>266.391</u>	=	<u>266.391</u>
Balance at 31 December 2010	<u>2.653.317</u>	<u>7.045.352</u>	<u>9.698.669</u>
Net Book Value			
Balance at 31 December 2010	<u>4.117.949</u>	<u>21.748.959</u>	<u>25.866.908</u>
2009			
Cost			
Balance at 1 January 2009	3.689.893	14.047.333	17.737.226
Additions	952.974	10.936.419	11.889.393
Balance at 31 December 2009	<u>4.642.868</u>	<u>24.983.752</u>	<u>29.626.620</u>
Amortisation			
Balance at 1 January 2009	1.198.222	1.496.435	2.694.657
Amortisation for the year	<u>469.141</u>	<u>1.656.131</u>	<u>2.125.272</u>
Balance at 31 December 2009	<u>1.667.363</u>	<u>3.152.566</u>	<u>4.819.929</u>
Net Book Value			
Balance at 31 December 2009	<u>2.975.504</u>	<u>21.831.186</u>	<u>24.806.690</u>

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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

15. INVESTMENT IN SUBSIDIARY COMPANIES

THE COMPANY

Direct subsidiaries

<u>Name</u>	<u>Country of incorporation</u>	<u>Principle activities</u>	<u>Shareholding %</u>	2008 €	2007 €
Silver Link Investments Limited	Cyprus	Dormant	60	6.000	6.000
M&S Medproperties Limited	Cyprus	Renting Land	100	300.000	300.000
Spidernet Services Limited	Cyprus	Provision of network services	<u>-(2009:100)</u>	<u>-</u> <u>306.000</u>	<u>5.754.083</u> <u>6.060.083</u>

1. Silver Link Investments Limited was incorporated on 31 December 2007 and since then has remained dormant. On 27 July 2009, the company increased its share capital to € 10.000 by issuing 9.000 shares of € 1 each, out of which 5,000 shares were granted to the Company converting its stake to 60%
2. On 6 November 2009, the Company acquired 100% shareholding of M & S Medproperties Limited which has principally engaged in the leasing of land and provision of telecommunications services.

On 1 January 2010, the subsidiary company Spidernet Services Limited, and its subsidiaries ICC Edunet Limited, GO.COM.CY Limited and DSP Netway Limited absorbed by the Company.

PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

**Details of the absorption of the operations of the subsidiary on 1 January 2010
are as follows:**

Cost of investment - as above	5.754.083
Assets and liabilities absorbed	
Intangible assets (net book value)	379.793
Property, plant and equipment (net book value)	386.924
Investment in associate	267.109
Other investments	15.631
Trade and other receivables	2.269.594
Tax repayable	8.086
Bank loans	(1.078.998)
Cash and cash equivalents	(448.562)
Trade and other payables	(586.690)
	<u>(1.212.887)</u>
Loss from operations subsidiary absorption	4.541.196

PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

16. ACQUISITION OF SUBSIDIARY COMPANY AND MINORITY INTEREST

	Shareholding	The Group		The Company	
	2010	2009	2010	2009	
Spidertrade Securities and Financial Services Limited	49,75%				
Balance at 1 January	265.260	267.109	-	-	
Absorption of subsidiary's work	-	-	267.109	-	
Sale of investments	(265.260)	-	(267.109)	-	
Share of loss	-	(1.849)	-	-	
Balance at 31 December	-	265.260	-	-	

During 2010, the company sold off its share for the amount of € 261.886.

PRIMETEL PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2010

17. OTHE INVESTMENTS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Balance 1 January	15.631	15.631	-	-
Absorption of subsidiary operations	-	-	15.631	-
Additions	12.500	-	12.500	-
Balance 31 December	28.131	15.631	28.131	-

Analyzed as below:

	Share- holding	THE GROUP		THE COMPANY	
		2010	2009	2010	2009
		€	€	€	€
At cost					
Ermis Research & Incubator (Eric) Ltd	5%	15.631	15.631	15.631	-
Velister Ltd	12,5%	<u>12.500</u>	=	<u>12.500</u>	=
		<u>28.131</u>	<u>15.361</u>	<u>28.131</u>	=

18. INVENTORIES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Telecommunication apparatus and Equipment	<u>1.274.350</u>	<u>2.001.516</u>	<u>1.274.350</u>	<u>2.001.516</u>
	<u>1.274.350</u>	<u>2.001.516</u>	<u>1.274.350</u>	<u>2.001.516</u>

The main part of the inventories consists of raw materials and spare parts which are used for the expansion of the network and Company's infrastructure. They are transferred to fixed assets on their utilization.

PRIMETEL PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2010

19. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Trade receivables	8.706.765	6.659.667	8.706.765	5.148.651
Less: Provision for bad debts	<u>(633.581)</u>	<u>(489.162)</u>	<u>(633.581)</u>	<u>(386.000)</u>
Trade receivables - net	8.073.184	6.170.505	8.073.184	4.762.651
Amounts receivable from subsidiaries (Note.27)	-	-	1.435	474.796
Amounts receivable from related companies (Note.27)	792.100	719.012	792.100	677.891
Deposits and prepayments	1.017.163	1.863.019	1.004.758	1.399.845
Other receivables	-	700.000	-	-
VAT refundable	166.038	908.428	166.038	981.990
Deferred interest	<u>250.000</u>	<u>-</u>	<u>250.000</u>	<u>-</u>
	<u>10.298.485</u>	<u>10.360.964</u>	<u>10.287.515</u>	<u>8.297.173</u>

Concentrations of credit risk with respect of trade receivables are limited due to the Group's large number of customers. The Group's historical experience in collection of accounts receivable falls within the targeted allowances. Due to these factors, management believes that no additional credit risk beyond amounts already provided is necessary.

The Group has recognized a loss of €151.860 (2009: €116.000) for the impairment of its trade receivables during the year ended 31 December 2010. The loss has been included in selling and distribution costs in the statement of comprehensive income.

The Group does not hold any collateral over the trading balances.

Movement of provision for doubtful debts:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Balance at 1 January	489.162	590.027	386.000	290.000
Absorption of subsidiary operations			95.721	
Provision change for the year	151.860	116.000	151.860	96.000
Amount written off as not collectible	<u>(7.441)</u>	<u>(216.865)</u>	<u>-</u>	<u>-</u>
Balance 31 December	<u>633.581</u>	<u>489.162</u>	<u>633.581</u>	<u>386.000</u>

The value of the trade and other receivables due within one year approximate to the carrying amounts as presented above.

PRIMETEL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

20. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Cash in hand	14.249	60.690	14.249	12.698
Cash at bank	<u>318.515</u>	<u>1.099.728</u>	<u>318.515</u>	<u>942.314</u>
	<u>332.764</u>	<u>1.160.418</u>	<u>332.764</u>	<u>955.012</u>

For the purpose of the cash flow statement the cash and cash equivalents include the following:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Cash at bank and in hand	332.764	1.160.418	332.764	955.012
Bank overdrafts (Note 23)	<u>(4.303.303)</u>	<u>(653.968)</u>	<u>(4.303.303)</u>	<u>-</u>
	<u>3.970.539</u>	<u>506.450</u>	<u>3.970.539</u>	<u>955.012</u>

21. SHARE CAPITAL

	2010	2010	2009	2009
	Number of shares	€	Number of shares	€
Authorized				
Ordinary shares of € 0,17 per share	<u>850.000.000</u>	<u>42.500.000</u>	<u>250.000.000</u>	<u>42.500.000</u>
Issued and fully paid				
Balance 1 January	191.219.828	32.507.371	190.026.964	32.304.584
Difference from conversion of share capital into Euro	-	(22.946.380)	-	-
Issue of shares	<u>-</u>	<u>-</u>	<u>1.192.864</u>	<u>202.787</u>
Balance 31 December	<u>191.219.828</u>	<u>9.560.991</u>	<u>191.219.828</u>	<u>32.507.371</u>

On 17 September 2010, the initial shareholders of the Company approved with a special resolution the reduction of the share capital of the Company as announced on 16 August 2010. Under the decision, the nominal value of share fell from € 0,17 to € 0,05. The surplus from the reduction was transferred to reserves.

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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

22. LONG TERM LOANS AND BANK OVERDRAFT ACCOUNTS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Non-current liabilities				
(i) Long term bank loans				
(i) Loan repayable until 2013	1.757.910	1.959.030	1.757.910	1.959.030
(ii) Loan repayable until 2016	9.160.364	8.446.963	9.160.364	8.446.963
(iii) Loan repayable until 2017	6.314.712	7.919.727	6.314.712	7.252.166
(iv) Loan repayable until 2018	13.342.249	13.899.257	13.342.249	13.899.757
(v) Loan repayable until 2019	2.920.358	3.000.040	2.920.358	3.000.040
(vi) Loan repayable until 2021	<u>-</u>	<u>407.711</u>	<u>-</u>	<u>-</u>
	<u>33.495.593</u>	<u>35.632.728</u>	<u>34.495.593</u>	<u>33.557.956</u>
Less loan and mortgage expenses	<u>-</u>	<u>(75.552)</u>	<u>-</u>	<u>(75.552)</u>
	33.495.593	35.557.176	33.495.593	34.482.404
(ii) Lease finance				
Repayable until 2011	<u>-</u>	<u>4.226</u>	<u>-</u>	<u>-</u>
	33.495.593	35.561.402	33.495.593	34.482.404
Amount payable within one year	<u>(5.760.852)</u>	<u>(2.701.504)</u>	<u>(5.760.852)</u>	<u>(2.589.351)</u>
	<u>27.734.741</u>	<u>32.859.898</u>	<u>27.734.741</u>	<u>31.893.053</u>

The repayments of the long-term amounts of these loans are scheduled as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Between one and two years	7.058.825	4.918.589	4.914.363	4.914.363
Between two and five years	18.524.091	13.512.505	13.047.637	13.047.637
More than five years	<u>2.151.825</u>	<u>14.504.356</u>	<u>14.006.605</u>	<u>14.006.605</u>
	<u>27.734.741</u>	<u>32.935.450</u>	<u>31.968.605</u>	<u>31.968.605</u>
Current liabilities				
Bank current accounts	4.303.303	653.968	4.303.303	-
Current portion of long term loans	<u>5.760.852</u>	<u>2.701.504</u>	<u>5.760.852</u>	<u>2.589.351</u>
	<u>10.064.155</u>	<u>3.355.472</u>	<u>10.064.155</u>	<u>2.589.351</u>

THE GROUP

Interest rates

- The bank loans and the bank overdrafts bear interest at the following rates:
 - For bank overdrafts: 6 months Euribor + 1,75, and the basic rate of the bank 5,25 + 1,75.
 - For bank loans: 6 months Euribor 1,75 basic rate of the ECB. + 1,50 and the basic rate of the bank increased from 1,75 to 2,75.
- The lease finance bears fixed interest rate 3,9% and they are payable by monthly payments.

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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2010

22. LONG TERM LOANS AND BANK OVERDRAFT ACCOUNTS (CONT'D)

THE GROUP

Securities

The loans and bank overdraft accounts are secured with:

- Personal guarantees of Mr. Pericles Manglis for a total amount of €2.272.000.
- Personal guarantees of Mr. Hermes Stephanou for a total amount of €2.908.000.
- Personal guarantees of Mr. Hermes Stephanou as well as of Good Hope Investments Limited for the amount of €11.040.000.
- Personal guarantee of Mr. Pericles Manglis as well as of Ayios Andronikos Development Co. Limited for the amount of €8.460.000.
- Personal guarantees of Mr. Pericles Manglis and Mr. Hermes Stephanou for a total amount of €2.280.000.
- Negative pledge that the Company will not make a change in the shareholder structure or the conclusion of additional borrowing without the consent of the Bank of Cyprus.
- Negative pledge that the Company will not commit any movable or immovable property to secure funding from other organizations or will not make a change in the shareholding structure of the Company or an additional borrowing without advance notice / consent of the Bank Cyprus.
- Negative pledge that the Company will not assume its assets to the benefit of third parties without prior consultation with the Bank of Cyprus.
- Corporate security of Ayios Andronikos Development Co. Ltd for an amount of €1.272.000.
- Corporate security of GoodHope Investments Ltd for an amount of €1.908.000.
- First mortgage no. 45465/08 for the amount of €750000 on the Company's immovable property.

- Guarantees of the Executive Director Mr. Hermes Stephanou as well as of HNS Limited for the amount of €683.440.
- Existing 'A' Floating Charge for €170.860.
- Guarantees of the Executive Director Mr. Hermes Stephanou as well as of HNS Limited for the amount of €1.025.160.
- The Company's obligations from finance leases are secured by the leaser's titles to the leased assets.

Interest

The bank interest on loans for the year amounted to €1.543.416 (2009: €1.123.106). for the Group and €1.543.416 (2009: €1.060.258) for the Company.

Additionally, the interest capitalized amounted to € 258.000 (2009: € 214.340).

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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

23. BONDS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
500 bonds of €10.000 each	5.000.000	5.000.000	5.000.000	5.000.000
Less issue expenses of the bonds	<u>(21.680)</u>	<u>(27.015)</u>	<u>(21.680)</u>	<u>(27.015)</u>
	<u>4.978.320</u>	<u>4.972.985</u>	<u>4.978.320</u>	<u>4.972.985</u>

On July 21, 2009, the Company issued 500 bonds of nominal value €10.000 each maturing on 30 June 2014. The bonds carry a fixed rate of 6,75% of the nominal value. The bonds constitute subordinated unsecured securities of the Company, which are guaranteed by Bank of Cyprus Public Company Ltd ("Guarantor", "Bank") and are ranked pari passu.

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23. BONDS (CONT'D)

The Company has the right to early redemption of the bonds in full on 30 June 2011 or on any interest payment date following, the purchase price as defined below, plus any accrued interest.

Purchase price plus premium 2% of their nominal value reduction of 0,5% each year:

- 2011: €102.000 per bond
- 2012: €101.500 per bond
- 2013: €101.000 per bond
- 2014: €100.500 per bond

Interest

The interest on debentures for the year amounted to €342.188 (2009: €152.813).

PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

24. DEFERRED TAX LIABILITIES

The total deferred tax arises as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Total balance 1 January - Debit	(682.549)	657.334	(682.549)	714.134
Acquisition of subsidiary company	-	945	-	-
Deferred tax for the year (note. 11)	(95.811)	(128.652)	(95.811)	(128.852)
Deferred tax written off (note. 11)	-	(1.212.176)	-	(1.267.831)
Total balance 31 December – (credit)/debit	<u>(778.360)</u>	<u>(682.549)</u>	<u>(778.360)</u>	<u>(682.549)</u>

Deferred tax liabilities are due to temporary differences between the carrying amounts for financial reporting purposes and the amounts used for tax purposes as follows:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Deferred tax assets				
Temporary differences due to tax losses				
1 January	-	1.267.831	-	1.267.831
Acquisition of subsidiary company	-	945	-	-
Deferred tax for the year	-	200	-	-
Deferred tax written off	-	(1.268.976)	-	(1.267.831)
31 December	-	-	-	-
Deferred tax liabilities				
Temporary differences between depreciation and capital allowances				
1 January	(682.549)	(610.497)	(682.549)	(553.697)
Acquisition of subsidiary company	-	-	-	-
Deferred tax written off				
Due to disposal of property, plant and equipment	-	33.613	-	-
Due to discard of plant and equipment	-	23.187	-	-
Deferred tax for the year	<u>(91.811)</u>	<u>(128.852)</u>	<u>(95.811)</u>	<u>(128.852)</u>
31 Δεκεμβρίου	<u>(778.360)</u>	<u>(682.549)</u>	<u>(778.360)</u>	<u>(682.549)</u>

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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

24. DEFERRED TAX LIABILITIES (CONT'D)

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 11). The applicable corporation tax rate in the case of tax losses is 10%.

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

On 31 December 2009 the Board of Directors assessed the results of the Group for the year and because of the adverse effects of the unfair practices of the competitors and of the lengthy response from the relevant Government Department, which contributed to the losses of the year, believe that the Group is not expected to cover the taxable losses in the foreseeable future. For this reason it was decided to consistently write off the deferred tax assets amounting to €1.268.976.

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.

25. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2010 €	2009 €	2010 €	2009 €
Trade payables	11.538.304	11.374.509	11.538.304	11.327.267
VAT	7.528.685	-	7.528.685	-
Accruals	351.990	565.693	338.539	332.160
Other Liabilities	62.254	-	62.254	-
Deferred income	1.060.659	704.721	1.060.659	173.163
Amount payable to related companies (note. 28)	2.148.975	2.068.215	2.148.975	2.067.508
Amount payable to subsidiary company (note 28)	-	-	<u>1.220</u>	<u>297.863</u>
	22.690.867	14.713.138	14.197.961	14.197.961
Less non current liabilities				
Trade payables for use of licenses	-	(252.309)	-	(252.309)
Deferred income	-	<u>(4.441)</u>	-	-
	<u>22.690.867</u>	<u>14.456.388</u>	<u>22.678.636</u>	<u>13.945.652</u>

The fair value of trade and other liabilities due within one year is approximately the same as amounts presented on the balance sheet date.

The deferred income includes income received in advance which relate to future periods.

26. TAXATION REFUNDABLE/DUE

	THE GROUP		THE COMPANY	
	2010 €	2009 €	2010 €	2009 €
Corporation tax refundable	-	(8.040)	-	-
Special contribution to the defence fund, due	<u>12.840</u>	<u>7.892</u>	<u>12.794</u>	<u>7.892</u>
	<u>12.840</u>	<u>(148)</u>	<u>12.794</u>	<u>7.892</u>

27. RELATED PARTY TRANSACTIONS

a. Transactions

(i) Sales of services

	THE COMPANY	
	2010 €	2009 €
<i>With subsidiary companies</i>		
Spidernet Services Limited	-	913.900
DSP Netway Limited	-	<u>1.348.076</u>
	-	<u>2.261.976</u>
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PRIMETEL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

27. RELATED PARTY TRANSACTIONS (CONT'D)

α. Transactions (cont'd)

(i) Sales (cont'd.)

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
<i>To Related Parties</i>				
Francoudi & Stephanou Limited	29.542	89.152	29.542	89.152
Aeolos Travel	114.011	151.719	114.011	84.263
Teledev East Limited	2.553	2.662	2.553	2.662
Aeolos (Cyprus) Travel Limited	2.547	3.360	2.547	3.360
Xerographic Systems Limited	36.176	27.989	36.176	27.989
Alpha Copy Limited	4.070	24.419	4.070	24.419
Aeolos Swiss (CapoBay) Limited	3.072	6.859	3.072	6.859
Teleset Network Public Company Limited	-	2.997	-	2.997
Teleset Limited	43	202	43	202
Hollandia Aviation Limited	748	658	748	658
Francoudi & Stephanou Insurance Ltd	5.941	3.000	5.941	3.000
Photos Photiades Distributors Limited	3.786	9.079	3.786	-
Photos Photiades Brewery Limited	11.499	20.547	11.499	-
Photos Photiades Limited	519	638	519	-
Fotos Photiades Group Limited	115	571	115	-
Ermis Research & Incubator Center (Eric) Limited	-	1.650	-	-
Ayios Andronicos Development Co Limited	<u>2.315</u>		<u>2.315</u>	
	<u>216.937</u>	<u>346.502</u>	<u>216.937</u>	<u>246.561</u>

The sales to the subsidiary and to the related companies were made on commercial terms and conditions.

(ii) Purchases of products and services

	<u>Nature of transactions</u>	THE GROUP		THE COMPANY	
		2010	2009	2010	2009
		€	€	€	€
<i>Subsidiary companies</i>					
Spidernet Services Limited	Services			64.254	64.254
DSP Netway Limited	Services			<u>52.184</u>	<u>52.184</u>
				<u>116.438</u>	<u>116.438</u>
<i>Related parties</i>					
Teledev East Limited	Rent and electricity	112.084	102.516	112.084	102.516
Francoudi & Stephanou Insurance Limited	Insurances	278.666	178.039	278.666	178.039
Francoudi & Stephanou Limited	Services	301.201	358.878	301.201	358.878
Logica Development Limited	Rents	425.428	293.240	425.428	293.240
Lametus Holdings Limited	Advisory services	204.000	1.811.118	204.000	1.811.118
Xerographic System Limited	Office equipment	50.478	41.721	50.478	41.721
Aeolos Cyprus Travel Limited	Tickets overseas	44.897	49.536	44.897	49.536
Aeolos Travel	Rent	1.527	1.778	1.527	1.778
Alpha Copy Limited	Purchases	38	5.014	38	5.014
Federated Agencies Limited	Rents	7.894	13.429	7.894	13.429
Telecet Limited	Services	160	130	160	130
The HNS Property Trust	Rents	<u>15.000</u>	<u>44</u>	<u>15.000</u>	<u>44</u>
		<u>1.441.373</u>	<u>2.855.443</u>	<u>1.441.373</u>	<u>2.855.443</u>

The purchases from the subsidiary companies were made on commercial terms and conditions.

PRIMETEL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

(iii) Interest paid

Francoudi & Stephanou Limited	-	5.438
Lametus Holdings Limited	131.443	82.126
Manglis (Holdings) Ltd	66.356	
Celltech Ltd	59.996	
The HNS Property trust	<u>2.333</u>	
	<u>260.128</u>	<u>87.564</u>

27. RELATED PARTY TRANSACTIONS (CONT'D)**β. Balances at the year end****(i) Amounts receivable from subsidiary companies (Note.20)**

Name	Nature of transaction	THE COMPANY	
		2010	2009
		€	€
DSP Netway Limited	Commercial	-	473.361
M & S Medproperties Limited	Other	<u>1.435</u>	<u>1.435</u>
		<u>1.435</u>	<u>474.796</u>

The amounts receivable from subsidiary companies are interest free and they have no specified repayment date.

(ii) Amounts receivable from related companies (Note.20)

Name	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Aeolos Travel Limited	73.349	58.672	73.349	25.716
Teledev East Limited	103.637	53.325	103.637	53.325
Telecet Limited	-	71	-	71
Xerographic Systems Limited	-	1.544	-	1.544
Alpha Copy Limited	-	7.791	-	7.791
Aeolos Swiss (Capo Bay) Limited	17.718	16.740	17.718	16.740
R&D PrimeTel Ltd	1.610	-	1.610	-
HNS Limited	30.858	30.613	30.858	30.613
Hollandia Aviation Limited	140	124	140	124
Thunderworx Limited (Shareholder)	547.247	541.967	547.247	541.967
Ermis Research & Incubator Centre (Eric) Ltd	-	5.078	-	-
Photos Photiades Group Limited	-	79	-	-
Photos Photiades Limited	439	318	439	-
Photos Photiades Brewery Limited	10.267	1.177	10.267	-
Photos Photiades, Fotiades Distributors Limited	194	1.513	194	-
Aeolos Cyprus Travel	3.384	-	3.384	-
The HNS Property trust	1.656	-	1.656	-
Ayios Andronicos Development Co Limited	<u>1.601</u>	-	<u>1.601</u>	-
	<u>792.100</u>	<u>719.012</u>	<u>792.100</u>	<u>677.891</u>

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NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2010**(iii) Credit balances on current accounts Shareholders (Note.25)**

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Manglis (Holdings) Ltd	4.066.356	-	4.066.356	-
Celltech Ltd	<u>3.462.329</u>	<u>-</u>	<u>3.462.329</u>	<u>-</u>
	<u>7.528.685</u>	<u>-</u>	<u>7.528.685</u>	<u>-</u>

(vi) Amount due to subsidiaries (Note.25)

	Nature of Transaction	THE GROUP		THE COMPANY	
		2010	2009	2010	2009
		€	€	€	€
Silverlink Investments Limited	Other	-	-	1.220	635
Spidernet Services Ltd	Commercial	<u>-</u>	<u>-</u>	<u>-</u>	<u>297.228</u>
				<u>1.220</u>	<u>297.228</u>

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PRIMETEL PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2010

27. RELATED PARTY TRANSACTIONS (CONT'D)**(vi) Amounts payable to related companies (Note.26)**

<u>Name</u>	ΤΟ ΣΥΓΚΡΟΤΗΜΑ		Η ΕΤΑΙΡΕΙΑ	
	2010	2009	2010	2009
	€	€	€	€
Francoudi & Stephanou Insurance Limited	107.520	16.793	107.520	16.793
Francoudi & Stephanou Limited	90.196	85.232	90.196	85.232
Xerographic Systems Limited	18.024	707	18.024	-
Logica Development Limited	-	1.745	-	1.745
Lametus Holdings Limited	1.933.146	1.948.018	1.933.146	1.948.018
Aeolos Cyprus Travel Limited	-	14.594	-	14.594
Telecet Limited	39	-	39	-
Federated Agencies Limited	-	1.126	-	1.126
Two Serve Airport Services Ltd	50	-	50	-
	<u>2.148.975</u>	<u>2.068.215</u>	<u>2.148.975</u>	<u>2.067.508</u>

The above amounts are payable within one year and were provided interest free, except form Lametus Holding Limited which bears interest 7% annually (see note 28 a.(iii)).

28. FINANCIAL MANAGEMENT RISK**(a) Financial risk factors**

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

- Credit risk
- Liquidity risk
- Market price risk
- Compliance risk
- Reputation risk
- Operating risk
- Legislation risk
- Other risks

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 the Group's activities.

(i) Credit risk

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

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PRIMETEL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

28. FINANCIAL MANAGEMENT RISK (CONT'D)**(i) Credit risk (cont.)***Trade and other receivables*

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

The Group establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The provision is based on specific amounts under risk and general provision for groups of similar receivables in respect of losses that have been incurred but not yet identified.

Exposure to credit risk

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the maximum credit exposure without taking account of the value of any collateral obtained:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
Cash at bank	332.764	1.160.418	332.764	955.012
Trade and other receivables	<u>10.298.485</u>	<u>10.360.964</u>	<u>10.287.515</u>	<u>8.297.173</u>
	<u>10.631.249</u>	<u>11.521.382</u>	<u>10.620.279</u>	<u>9.252.185</u>

(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. The Company 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.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

28. FINANCIAL MANAGEMENT RISK (CONT'D)

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

THE GROUP	Carrying Amount €	Contractual cash flows €	3 months €	Between 3 and 12 months €	1-2 years €	2-5 years €	More than 5 years €
31 December 2010							
Bank loans	33.495.593	41.602.828	1.471.952	4.128.094	14.791.545	18.293.337	2.917.900
Bonds	4.978.320	6.687.500	-	-	-	6.687.500	-
Bank overdrafts	4.303.303	4.303.303	4.303.303	-	-	-	-
Trade and other payables	<u>22.690.867</u>	<u>22.690.867</u>	<u>22.690.867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>65.468.083</u>	<u>75.284.498</u>	<u>28.466.122</u>	<u>4.128.094</u>	<u>14.791.545</u>	<u>24.980.837</u>	<u>2.917.900</u>
31 December 2009							
Bank loans	35.561.402	46.165.581	438.823	2.741.585	8.598.881	31.740.622	2.645.670
Bonds	4.972.985	6.687.500	-	-	-	6.687.500	-
Bank overdrafts	653.968	653.968	653.968	-	-	-	-
Trade and other payables	<u>14.713.138</u>	<u>14.713.138</u>	<u>14.713.138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>55.901.493</u>	<u>68.220.187</u>	<u>15.805.929</u>	<u>2.741.585</u>	<u>8.598.881</u>	<u>38.428.122</u>	<u>2.645.670</u>
THE COMPANY							
	Carrying Amount €	Contractual cash flows €	3 months €	Between 3 and 12 months €	1-2 years €	2-5 years €	More than 5 years €
31 Δεκεμβρίου 2010							
Bank loans	33.495.593	41.602.828	1.471.952	4.128.094	14.791.545	18.293.337	2.917.900
Bonds	4.978.320	6.687.500	-	-	-	6.687.500	-
Bank Overdrafts	4.303.303	4.303.303	4.303.303	-	-	-	-
Trade and other payables	<u>22.678.636</u>	<u>22.678.636</u>	<u>22.678.636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>65.455.852</u>	<u>75.272.267</u>	<u>28.453.891</u>	<u>4.128.094</u>	<u>14.791.545</u>	<u>24.980.837</u>	<u>2.917.900</u>
31 Δεκεμβρίου 2009							
	Carrying Amount €	Contractual cash flows €	3 months €	Between 3 and 12 months €	1-2 years €	2-5 years €	More than 5 years €
Bank loans	34.482.404	44.829.043	400.080	2.625.355	8.328.803	31.061.675	2.413.130
Bonds	4.972.985	6.687.500	-	-	-	6.687.500	-
Trade and other payables	<u>14.197.961</u>	<u>14.197.961</u>	<u>14.197.961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>53.653.350</u>	<u>65.714.504</u>	<u>14.598.041</u>	<u>2.625.355</u>	<u>8.328.803</u>	<u>37.749.175</u>	<u>2.413.130</u>

(iii) Market risk

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

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PRIMETEL PLC

NOTES THE FINANCIAL STATEMENTSFor the year ended 31 December 2010**28. FINANCIAL MANAGEMENT RISK (CONT'D)***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 the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group'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:

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	€	€	€	€
<i>Fixed rate instruments</i>				
Financial liabilities	4.978.320	4.977.211	4.978.320	4.972.985
<i>Variable rate instruments</i>				
Financial liabilities	<u>37.798.896</u>	<u>36.211.144</u>	<u>37.798.896</u>	<u>34.482.404</u>
	<u>42.777.216</u>	<u>41.188.355</u>	<u>42.777.216</u>	<u>39.455.389</u>

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2010 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.

	THE GROUP		THE COMPANY	
	Profit or (loss)		Profit or (loss)	
	2010	2009	2010	2009
	€	€	€	€
<i>Financial instruments of floating charge</i>				
Increase	<u>377.989</u>	<u>355.614</u>	<u>377.989</u>	<u>344.824</u>
Decrease	<u>377.989</u>	<u>355.614</u>	<u>377.989</u>	<u>344.824</u>

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 recognized assets and liabilities are denominated in a currency that it not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the dollars of United States and the British Pounds. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

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PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

28. FINANCIAL MANAGEMENT RISK (CONT'D)

THE GROUP

31 December 2010

	Total €	Euro €	United States dollars €	British pounds €
<i>Assets</i>				
Trade and other receivables	10,298,485	10,224,878	73,067	-
Cash in hand and at bank	<u>332,764</u>	<u>331,995</u>	<u>769</u>	<u>-</u>
	<u>10,631,249</u>	<u>10,556,873</u>	<u>74,376</u>	<u>-</u>
<i>Liabilities</i>				
Bank current accounts and long term loans	37,798,896	37,798,896	-	-
Bonds	4,978,320	4,978,320	-	-
Taxation payable	12,840	12,840	-	-
Trade and other payables	<u>22,690,867</u>	<u>20,786,409</u>	<u>1,900,356</u>	<u>4,102</u>
	<u>(65,480,867)</u>	<u>(63,576,465)</u>	<u>(1,900,356)</u>	<u>(4,102)</u>
Net exposure	<u>(54,849,674)</u>	<u>(53,019,592)</u>	<u>(1,825,980)</u>	<u>(4,102)</u>
31 December 2009				
Trade and other receivables	10,360,964	10,279,888	81,076	-
Taxation refundable	148	148	-	-
Cash in hand and at bank	<u>1,160,418</u>	<u>1,160,050</u>	<u>368</u>	<u>-</u>
	<u>11,521,530</u>	<u>11,440,086</u>	<u>81,444</u>	<u>-</u>
<i>Liabilities</i>				
Bank current accounts and long term loans	36,215,370	36,215,370	-	-
Bonds	4,972,985	4,972,985	-	-
Trade and other payables	<u>14,713,138</u>	<u>12,119,294</u>	<u>2,591,622</u>	<u>2,222</u>
	<u>(55,901,493)</u>	<u>(53,307,649)</u>	<u>(2,591,622)</u>	<u>(2,222)</u>
Net exposure	<u>(44,379,963)</u>	<u>(41,867,563)</u>	<u>(2,510,178)</u>	<u>(2,222)</u>

PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

THE COMPANY
31 December 2010

	Total €	Euro €	United States dollars €	British pounds €
<i>Assets</i>				
Trade and other receivables	10.287.515	10.213.908	73.607	-
Cash in hand and at bank	<u>332.764</u>	<u>331.995</u>	<u>769</u>	<u>-</u>
	<u>10.620.279</u>	<u>10.545.903</u>	<u>74.376</u>	<u>-</u>
<i>Liabilities</i>				
Bank current accounts and long term loans	37.798.896	37.798.896	-	-
Bonds	4.978.320	4.978.320	-	-
Taxation due	12.794	12.794	-	-
Trade and other payable	<u>22.678.636</u>	<u>20.774.178</u>	<u>1.900.356</u>	<u>4.102</u>
	<u>(65.468.646)</u>	<u>(63.564.188)</u>	<u>(1.900.356)</u>	<u>(4.102)</u>
Net risk exposure	<u>(54.848.367)</u>	<u>(53.018.285)</u>	<u>(1.825.980)</u>	<u>(4.102)</u>

PRIMETEL PLC
NOTES TO THE FINANCIAL STATEMENTS
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28. FINANCIAL MANAGEMENT RISK (CONT'D)

31 December 2009

	Total	Euro	United States	British pounds
	€	€	dollars	€
<i>Assets</i>			€	€
Trade and other receivables	8.297.173	8.216.097	81.076	-
Cash in hand and at bank	<u>955.012</u>	<u>954.644</u>	<u>368</u>	<u>-</u>
	<u>9.252.185</u>	<u>9.170.741</u>	<u>81.444</u>	<u>-</u>
<i>Liabilities</i>				
Bank current accounts and long term loans	34.482.404	34.482.404	-	-
Bonds	4.972.985	4.972.985	-	-
Taxation due	7.892	7.892	-	-
Trade and other payables	<u>14.197.961</u>	<u>11.609.209</u>	<u>2.587.356</u>	<u>1.396</u>
	<u>(53.661.242)</u>	<u>(51.072.490)</u>	<u>(2.587.356)</u>	<u>(1.396)</u>
Net exposure	<u>(44.409.057)</u>	<u>(41.901.749)</u>	<u>(2.505.912)</u>	<u>(1.396)</u>

The important exchange rates prevailing during the year were:

	As at the balance sheet date	
	2010	2009
	€	€
United States dollars	1,35	1,44
British pounds	0,84	0,88

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2010 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 equity.

31 December	THE GROUP		THE COMPANY	
	Profit or (loss) 2010 €	Profit or (loss) 2009 €	Profit or (loss) 2010 €	Profit of (loss) 2009 €
United States dollars	165.998	228.198	165.998	227.810
British pounds	(373)	(202)	(373)	(127)

(iii) 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 the Group.

(v) Reputational risk

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

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PRIMETEL PLC**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2010**28. FINANCIAL MANAGEMENT RISK (CONT'D)****(vi) Operational risk**

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

(vii) Litigation risk

Litigation risk is the risk of financial loss, interruption of the Group'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 to the contracts entered by the Group for its operations.

(viii) Other risks

The general economic environment prevailing in Cyprus and internationally may affect the Company's operations to a great extent. Concepts such as inflation, unemployment, and the development of the gross domestic product are directly linked to the economic activity of every country and any variation in these and the economic environment in general may create chain reactions in all areas thus affecting the Group.

Capital management

The Group 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. The Group's overall strategy remains unchanged from last year.

29. FAIR VALUES

The fair value of the financial assets and liabilities of the Group are approximately the same as their carrying amounts that are referred in the statement of financial position.

30. CAPITAL/ CONTINGENT LIABILITIES

As at 31 December 2010, the Group had the following capital/contingent liabilities:

- *Capital commitments*

At 31 December 2010 the Company had capital commitments to Electricity Authority Company, CYTA, , Sigma Radio TV., Apollon Podosfero (Public) Limited, etc., for a total amount of €14.427.398 out of which €2.462.600 (2009: €5.888.440) are covered by bank guarantees.

Further to the above in accordance with the existing agreement between the Company and EAC, the Company will pay to EAC 3% of its net profit each year.

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PRIMETEL PLC

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2010**31. CAPITAL/ CONTINGENT COMMITMENTS (CONT'D)**

- Operating lease commitments*

The Group has committed on various contracts under non-cancellable operating leases for renting of offices and shops with the method of leasing. These leases can be cancelled only with the consent of both parties.

The total commitments of the Group as at 31 December 2010 are analyzed as follows:

	To Realated Parties €	Others €	2010 €	2009 €
Payable within one year	529.176	148.056	677.232	405.093
Payable between one and five years	38.956	185.714	224.670	439.735
Payable more than five years	=	<u>10.000</u>	<u>10.000</u>	<u>93.631</u>
	<u>568.132</u>	<u>343.770</u>	<u>938.459</u>	<u>938.459</u>

- Capital commitments*

Capital commitments contracted as at the balance sheet date but not yet incurred are as follows:

	THE GROUP		THE COMPANY	
	2010 €	2009 €	2010 €	2009 €
Intangible assets	<u>11.964.798</u>	<u>8.566.817</u>	<u>11.964.798</u>	<u>8.566.817</u>

32. POST BALANCE SHEET EVENTS

On 8 April 2011 the Council of the Stock Exchange has accepted for import under Article 58 (1) of the CSE Law, 191.219.828 ordinary shares of the Company, which resulted 191.219.828 from the exercise of Rights of the Company issued at par on 28 March 2011. The above shares have been incorporated in the already listed share capital, which consists of 382.439.656 shares.