C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

C o n t e n t s

BOARD OF DIRECTORS AND OTHER OFFICERS

Directors	Costas St. Galatariotis (Cypriot), Executive Chairman
	Thomas M. Schmidheiny (Swiss), Vice Chairman, Non Executive Director
	George St. Galatariotis (Cypriot), Executive Director
	Stavros G. St. Galatariotis (Cypriot), Executive Director
	Alexis G. St. Galatariotis (Cypriot), Executive Director
	Tasos Anastasiou (Cypriot), Executive Director
	Vassos G. Lazarides (Cypriot), Finance Director
	Michalis Mousiouttas (Cypriot), Non Executive Director
	Constantinos Pittas (Cypriot), Non Executive Director
	Stephan Popper (Swiss), Non Executive Director
	Michel Saliba (Jordanian), Non Executive Director (deceased on 23 December 2011)
	Klaus Baumuller (German), Non Executive Director (resigned on 17 June 2011)
	Ionas Nicolaou (Cypriot), Non Executive Director (resigned on 2 August 2011)
	Costas St. Galatariotis (Alternate director for: Thomas M. Schmidheiny, Stephan Popper, Klaus Baumuller (resigned on 17 June 2011)
Secretary	C.C.C. Secretarial Limited, Limassol, Cyprus
Independent Auditors	Deloitte Limited, Limassol, Cyprus

BOARD OF DIRECTORS AND OTHER OFFICERS (Cont'd)

Legal advisors	Chrysses Demetriades & Co LLC
	Mouaimis & Mouaimis LLC
	Christophi & Associates LLC
Bankers	Bank of Cyprus Public Company Limited
	National Bank of Greece (Cyprus) Limited
	Hellenic Bank Public Company Limited
	Alpha Bank Public Company Limited
	Eurobank EFG Cyprus Limited
	Marfin Popular Bank Public Co. Limited

Declaration of Directors and other responsible officers of the Company in respect of the preparation of the Financial Statements

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 190 (1) / 2007 of 2011 we, the members of the Board of Directors and the Company officials responsible for the drafting of the consolidated financial statements of C.C.C. Tourist Enterprises Public Company Limited (the "Company") and the Company's separate financial statements for the year ended 31 December 2011, on the basis of our knowledge, declare that:

a) the consolidated financial statements which are presented on pages 10 to 49:
   (i) have been prepared in accordance with the applicable International Financial Reporting Standards and the provisions of section (4), and
   (ii) provide a true and fair view of the assets and liabilities, the financial position and the profit or loss of the consolidated and Company's separate financial statements as a whole and

b) the Board of Directors' report provides a fair review of the developments and the performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the main risks and uncertainties which they face.

Costas St. Galatariotis	Executive Chairman	....
Thomas M. Schmidheiny (Swiss)	Vice Chairman Non Executive Director	....
George St. Galatariotis	Executive Director	....
Stavros G. St. Galatariotis	Executive Director	....
Alexis G. St. Galatariotis	Executive Director	....
Tasos Anastasiou	Executive Director	....
Vassos G. Lazarides	Finance Director	....
Michalis Mousiouttas	Non Executive Director	....
Constantinos Pittas	Non Executive Director	....
Stephan Popper (Swiss)	Non Executive Director	....

Limassol, 23 April 2012

REPORT OF THE BOARD OF DIRECTORS

For the year ended 31 December 2011

The Board of Directors presents its report on the affairs of C.C.C. Tourist Enterprises Public Company Limited (the "Company") and its subsidiaries and interest in a partnership (the "Group") together with the Group's and the Company's audited financial statements for the year ended 31 December 2011.

Incorporation and principal activities

The Company was incorporated in Cyprus in 1989 as a limited liability company and on 5 June 1991 was converted into a public company in accordance with the provisions of the Companies Law, Cap. 113.

The Company holds 100% of the share capital of L' Union Nationale (Tourism and Sea Resorts) Limited ("the subsidiary company"), which was incorporated in Cyprus in 1981 and is the owner company of the luxurious hotel complex Le Meridien Limassol Spa & Resort ("Le Meridien") and a 50% partner in L' Union Branded Residences a partnership incorporated on 7 October 2011 in Cyprus with main purpose the development of up-market residential properties to a plot adjacent to the hotel complex.

The principal activity of the Group is the erection and development of hotels, the carrying on of the business of hoteliers and the development and promotion of tourism and touristic activities, as well as the development of luxurious villas for sale.

Results

The consolidated loss for the year, was € 3.532.115 (2010: loss € 6.511.695).

Dividends

The Board of Directors does not recommend the payment of any dividend.

Review of the development, financial performance and current position of the Group

Financial performance

During the year, the Group's revenues increased by 2,4% to € 18,7 million from € 18,2 million in 2010. The Group made successful efforts to maintain its operating and labor costs at the same levels. At the same time a significant reduction in the exchange differences by more than € 2,9 million together with a contribution of €0,8 million relating to property development resulted in the reduction of the loss before taxation to € 3,5 million as compared to € 6,5 million in 2010.

Financial position

Total assets at the end of the year were € 147,6 million (2010: € 150,9 million) of which € 143,3 million (2010: € 144,6 million) relates to the carrying value of the Group's property, plant and equipment substantially reflecting the hotel's land and buildings. Net assets decreased from € 75,4 million in 2010 to € 72 million in the current year as a result of the loss suffered in the year.

Expected future developments of the Group

The Board of Directors does not expect any significant changes in the activities of the Group and the Company in the foreseeable future.

Risks and uncertainties

The Group's activities are subject to various risks and uncertainties, the most significant of which are credit risk, liquidity risk, interest rate risk, currency risk and market risk including tourist industry risk that arise from adverse movements in exchange rates, interest rates as well as operational risk.

REPORT OF THE BOARD OF DIRECTORS (Cont'd)

Risks and uncertainties (Cont'd)

The operations are affected by a number of factors including but not limited to:

- international and national economic and geopolitical conditions;
- the impact of war, terrorist activity but also epidemics, which affect travelers;
- increases in labour and energy costs;
- increased competition within Cyprus and the neighbouring countries.

The Group monitors these risks through various mechanisms and revises its strategy in order to mitigate, to the extent this is possible, the effect of such risks.

Details with respect to the management of the financial risks above and other risks associated with the financial position of the Group are included in note 28 to the financial statements.

Branches

The Company and the Group do not maintain any branches.

Share Capital

On 31 December 2011 the issued and fully paid up share capital of the Company consisted of 141.692.040 ordinary shares at €0,43 each.

There were no changes in the share capital of the Company during the year.

Significant events after the end of the financial year

Any significant events that occurred after the end of the financial year are described in note 29 to the financial statements.

Corporate Governance Code

The Board of Directors has not adopted the provisions of the corporate governance code. The Company is not obliged to adopt the provisions of the code as its titles are traded at the Alternative Market of the Cyprus Stock Exchange. The main reason for the non adoption of the Corporate Governance Code is that the costs to be incurred by the adoption of the Code would be disproportionately higher than any anticipated benefits that may be derived from its adoption.

The Board of Directors is responsible for the establishment of sufficient internal control procedures and risks control mechanisms, for the drafting, preparation, content and publication of all periodical information that is required of listed companies. The person responsible for the drafting and content of the consolidated financial statements is the Finance Director.

REPORT OF THE BOARD OF DIRECTORS (Cont'd)

Corporate Governance Code (Cont'd)

Shareholders with at least 5% of the share capital of the Company

The shareholders who held at least 5% of the share capital of the Company, directly or indirectly at the dates shown below were:

	31 December 2011	23 April 2012
	%	%
The Cyprus Cement Public Company Ltd	67,29	67,29
Thomas M. Schmidheiny	13,56	13,56

The Company has not issued any titles with special control rights and there are no restrictions on voting rights.

The appointment and replacement of the members of the Board of Directors is done by the Company at its Annual General Meeting in accordance with the provisions of the Company's Articles of Association. The Company's Articles of Association provide that the Board of Directors has the power to appoint, at any time, any person as Director and such person that is appointed by the Board of Directors will hold his office until the next Annual General Meeting of the Company.

The Company's Articles of Association can be modified by the passing of a Special Resolution at an Extraordinary General Meeting of the shareholders.

The Company, subject to approval by the Company's shareholders, can issue or purchase Company's shares. The issue of any new shares is further subject to the provisions of the Company's Articles of Association, the prevailing law and the principle of fair treatment to all existing shareholders.

The Board of Directors consists of 10 members and meetings are convened at regular intervals. The Board of Directors approves the Company's strategy and supervises the adoption and realization of the Company's strategic development.

Directors' interest in the share capital of the Company

The direct and indirect interests of Directors in the share capital of the Company at the dates shown below were:

	31 December 2011	23 April 2012
	%	%
Costas St. Galatariotis (*)	67,30	67,30
Thomas M. Schmidheiny (**)	13,56	13,56
George St. Galatariotis	0,00	0,00
Stavros G. St. Galatariotis	0,00	0,00
Alexis G. St. Galatariotis	0,00	0,00
Tasos Anastasiou	0,00	0,00
Vassos G. Lazarides	0,00	0,00
Michalis Mousiouttas	0,00	0,00
Constantinos Pittas	0,00	0,00
Stephan Popper	0,00	0,00

(*) The total share held by Mr. Costas St. Galatariotis includes his indirect participation resulting from family relationships between himself and Messrs. George St. Galatariotis, Stavros G. St. Galatariotis and Alexis G. St. Galatariotis their direct and indirect interest through companies which they control.

(**) The total share held by Mr. Thomas M. Schmidheiny includes his indirect participation resulting from family relationships between himself and Suzzane Schmidheiny.

REPORT OF THE BOARD OF DIRECTORS (Cont'd)

Board of Directors

The members of the Board of Directors at the date of this report are shown on page 1. In accordance with the Company's Articles of Association Messrs. Stavros G. St. Galatariotis, George St. Galatariotis and Constantinos Pittas retire by rotation and being eligible, offer themselves for re-election, at the forthcoming Annual General Meeting. The members of the Board of Directors express their sorrow and bereavement for the death of the board member, Mr. Michel Saliba on 23 December 2011, and their sincere condolences to his family.

Independent Auditors

The independent auditors, Deloitte Limited, expressed their willingness to continue in office. A resolution authorising the Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors

C.C.C. Secretarial Limited,
Secretary

Limassol, 23 April 2012

Independent auditor's report

To the Members of C.C.C. Tourist Enterprises Public Company Limited

Report on the consolidated financial statements and the separate financial statements of C.C.C. Tourist Enterprises Public Company Limited

We have audited the accompanying consolidated financial statements of C.C.C. Tourist Enterprises Public Company Limited and its subsidiary and partnership (the "Group") and the separate financial statements of C.C.C. Tourist Enterprises Public Company Limited (the "Company") on pages 10 to 49 which comprise the consolidated statement of financial position and the statement of financial position of the Company as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows, and the statements of comprehensive income, changes in equity and cash flows of the Company 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 consolidated and separate financial statements of the Company that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and separate 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 consolidated and separate financial statements of the Company 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 consolidated and Company's separate 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements.

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

Independent auditor's report

To the Members of C.C.C. Tourist Enterprises Public Company Limited

Report on the consolidated financial statements and the separate financial statements of C.C.C. Tourist Enterprises Public Company Limited

Opinion

In our opinion, the consolidated financial statements and the separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2011, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

Report on other legal and regulatory requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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 Company.
- The consolidated and the separate financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated and separate financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated and the separate financial statements.

Pursuant to the requirements of the Directive DI190-2007-04 of 2011 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive, and it forms a special part of the Report of the Board of Directors.

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 Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report may be divulged.

Demetris Papapericleous
Certified Public Accountant and Registered Auditor
for and behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors

Limassol, 23 April 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 €	2010 €
Revenue		18.725.047	18.280.013
Cost of food and beverage consumed		(2.417.533)	(2.260.988)
Payroll costs	**4**	(7.980.304)	(7.838.828)
Other operating and administration costs	**5**	(7.367.559)	(7.047.618)
Depreciation	**10**	(1.482.916)	(1.468.244)
Finance costs, net	**7**	(3.177.350)	(2.744.874)
Exchange loss, net	**7**	(507.142)	(3.431.792)
Profit from sale of land under development, net of taxes	**11**	1.199.098	-
Write off of previously capitalised expenses on property under development	**11**	(524.401)	-
Share of profit of associate	**12**	1.055	819
Loss before taxation	**6**	(3.532.005)	(6.511.512)
Taxation	**8**	(110)	(183)
Loss for the year		(3.532.115)	(6.511.695)
Other comprehensive income for the year			
Transferred from deferred tax		75.369	30.931
Total comprehensive expense for the year		(3.456.746)	(6.480.764)
Earnings per share		**€ cent**	**€ cent**
Basic and fully diluted loss per share	**9**	(2,49)	(4,60)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	2011 €	2010 €
ASSETS			
Non-current assets			
Property, plant and equipment	**10**	143.337.010	144.608.300
Investment in associate	**12**	5.340	4.395
		143.342.350	144.612.695
Current assets			
Property under development	**11**	1.982.374	3.658.669
Inventories	**14**	1.154.559	1.163.816
Trade and other receivables	**15**	1.020.219	1.424.422
Cash and cash equivalents	**21**	69.723	79.842
		4.226.875	6.326.749
Total assets		147.569.225	150.939.444
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**16**	60.927.577	60.927.577
Other reserves		49.151.325	49.075.956
Retained earnings		(38.071.929)	(34.539.814)
Total equity		72.006.973	75.463.719
Non-current liabilities			
Bank loans	**17**	45.462.099	47.373.673
Loan from parent company	**17**	502.390	469.524
Deferred taxation	**18**	12.128.911	12.204.280
		58.093.400	60.047.477
Current liabilities			
Trade and other payables	**19**	4.489.125	4.086.282
Current portion of bank loans	**17**	4.575.449	4.486.837
Bank overdrafts	**17**	8.404.278	6.855.129
		17.468.852	15.428.248
Total liabilities		75.562.252	75.475.725
Total equity and liabilities		147.569.225	150.939.444

On 23 April 2012 the Board of Directors of C.C.C. Tourist Enterprises Public Company Limited authorised these financial statements for issue.

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Costas St. Galatariotis
Executive Chairman

____
Vassos G. Lazarides
Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

		CAPITAL RESERVES (note a)			
	Share capital €	**Share premium account €**	**Revaluation reserve €**	**Accumulated losses (note b) €**	**Total €**
1 January 2010	60.927.577	1.756.398	47.288.627	(28.028.119)	81.944.483
Comprehensive income					
Transferred from deferred tax	-	-	30.931	-	30.931
Loss for the year	-	-	-	(6.511.695)	(6.511.695)
31 December 2010/ 1 January 2011	60.927.577	1.756.398	47.319.558	(34.539.814)	75.463.719
Comprehensive income					
Transferred from deferred tax	-	-	75.369	-	75.369
Loss for the year	-	-	-	(3.532.115)	(3.532.115)
31 December 2011	60.927.577	1.756.398	47.394.927	(38.071.929)	72.006.973

Notes:

a. Capital reserves are not available to be distributed in the form of dividends.

b. Any profits of the Company and the subsidiary company are subject to the “deemed distribution” provisions as described on page 16.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 €	2010 €
Cash flows from operating activities			
Loss before taxation		(3.532.005)	(6.511.512)
Adjustments for:			
Interest payable	**7**	3.177.350	2.744.874
Share of profit from associate	**12**	(1.055)	(819)
Depreciation	**10**	1.482.916	1.468.244
Loss on disposal of property, plant and equipment	**10**	58.801	36.744
Profit on disposal of property under development, net of taxes	**11**	(1.199.098)	-
Write off of previously capitalised expenses	**11**	524.401	-
Unrealised exchange loss		720.510	3.444.307
Provision for slow moving inventory	**14**	-	(50.000)
Reversal of impairment loss on trade receivables, net	**15**	(177.734)	(108.394)
		1.054.086	1.023.444
Decrease in inventories		9.257	213.873
Decrease in trade and other receivables		581.937	290.869
Increase in trade and other payables		402.843	352.430
Proceeds from disposal of property under development	**11**	2.500.000	-
Payments for property under development	**11**	(20.073)	-
Cash generated from operating activities		4.528.050	1.880.616
Capital gains tax paid	**11**	(128.935)	-
Net cash generated from operating activities		4.399.115	1.880.616
Cash flows from investing activities			
Payments for the purchase of property, plant and equipment	**10**	(270.427)	(298.888)
Proceeds from the disposal of property, plant and equipment	**10**	-	5.456
Net cash used in investing activities		(270.427)	(293.432)
Cash flows from financing activities			
Proceeds from new bank loans	**22**	756.000	2.849.292
Repayment of bank loans	**22**	(4.356.931)	(1.036.707)
Interest paid	**22**	(2.087.025)	(1.617.018)
Increase in amount due to the parent company	**22**	-	41.497
Net cash (used in)/generated from financing activities		(5.687.956)	237.064
Net (decrease)/increase in cash and cash equivalents		(1.559.268)	1.824.248
Cash and cash equivalents at 1 January		(6.775.287)	(8.599.535)
Cash and cash equivalents at 31 December	**21**	(8.334.555)	(6.775.287)

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 €	2010 €
Investment revenue		-	-
Administration costs		(34.275)	(45.232)
Finance costs	**7**	(1.230)	(1.961)
Loss before taxation		(35.505)	(47.193)
Taxation	**8**	-	-
Loss for the year		(35.505)	(47.193)
Other comprehensive income for the year		-	-
Total comprehensive expense for the year		(35.505)	(47.193)

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	2011 €	2010 €
ASSETS			
Non-current assets			
Investment in subsidiary	**20**	49.841.613	49.841.613
Investment in associate	**12**	3.417	3.417
		49.845.030	49.845.030
Current assets			
Amount due from subsidiary		399.662	430.062
Total assets		50.244.692	50.275.092
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**16**	60.927.577	60.927.577
Share premium		1.756.398	1.756.398
Retained earnings		(12.463.589)	(12.428.084)
Total equity		50.220.386	50.255.891
Current liabilities			
Trade and other payables	**19**	14.052	17.880
Bank overdraft		10.254	1.321
		24.306	19.201
Total liabilities		24.306	19.201
Total equity and liabilities		50.244.692	50.275.092

On 23 April 2012 the Board of Directors of C.C.C. Tourist Enterprises Public Company Limited authorised these financial statements for issue.

Costas St. Galatariotis
Executive Chairman

Vassos G. Lazarides
Finance Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital €	Share premium account (note a) €	Accumulated losses (note b) €	Total €
1 January 2010	60.927.577	1.756.398	(12.380.891)	50.303.084
Comprehensive income				
Loss for the year	-	-	(47.193)	(47.193)
31 December 2010/1 January 2011	60.927.577	1.756.398	(12.428.084)	50.255.891
Comprehensive income				
Loss for the year	-	-	(35.505)	(35.505)
31 December 2011	60.927.577	1.756.398	(12.463.589)	50.220.386

Notes:

a. Share premium account is not available to be distributed in the form of dividends.

b. 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 this amount as dividends. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to 30 August 2011 and 17% thereafter) 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 by the Company for the account of the shareholders.

PARENT COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 €	2010 €
Cash flows from operating activities			
Loss before taxation		(35.505)	(47.193)
Adjustments for:			
Interest payable		1.230	1.961
		(34.275)	(45.232)
(Decrease)/increase in trade and other payables		(3.828)	7.368
Cash used in operating activities		(38.103)	(37.864)
Interest paid		(1.230)	(1.961)
Net cash used in operating activities		(39.333)	(39.825)
Cash flows from investing activities			
Decrease in amount due from subsidiary		30.400	64.400
Net cash generated from investing activities		30.400	64.400
Net (decrease)/increase in cash and cash equivalents		(8.933)	24.575
Cash and cash equivalents at 1 January		(1.321)	(25.896)
Cash and cash equivalents at 31 December	**21**	(10.254)	(1.321)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. INCORPORATION AND PRINCIPAL ACTIVITIES

C.C.C. Tourist Enterprises Public Company Limited (the "Company") was incorporated in Cyprus on 27 March 1989 as a private limited liability company and on 5 June 1991 was converted into a public company in accordance with the provisions of the Companies Law, Cap.113.

The registered office of the Company is at 197 Makarios Avenue, Gala Tower, 3030 Limassol.

The Company acquired all the share capital of L'Union Nationale (Tourism and Sea Resorts) Limited (the "subsidiary company") on 21 May 1990. The subsidiary company is the owner company of the luxurious hotel complex Le Meridien Limassol Spa & Resort and from October 2011 a 50% partner in L' Union Branded Residences Partnership (the "Partnership"). The Partnership was incorporated with main purpose the development of up-market residential properties to a plot owned by the partners that is adjacent to the hotel complex.

The principal activity of the Group, is the erection and development of hotels, the carrying on of the business of hoteliers, the development and promotion of tourism and touristic activities and the development of luxurious villas for sale.

The hotel complex Le Meridien Limassol Spa & Resort is situated along the coast to the east of the ancient town of Amathunta occupying an area of 91.170 sq.m. fronting the sea for 270 meters. An area of 73.778 sq.m is owned on a freehold basis while an area of 17.392 sq.m is leased from the Government of Cyprus for a period of 99 years as from the year 1986.

Part of the above freehold land of total area of 8.000 sq.m., which was not used by the hotel complex was transferred during 2007 to land under development. During the year part of this land was sold to a third party with whom the subsidiary company formed the L' Union Branded Residences Partnership noted above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of compliance

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

In addition, the financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113 and the Cyprus Stock Exchange Laws and Regulations.

Basis of preparation

The financial statements which are expressed in Euro, the Group's and the Company's functional currency, have been prepared under the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the group's and company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Adoption of new and revised International Financial Reporting Standards

In the current year, the Group and the Company have adopted all of the new and revised standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on 1 January 2011. The adoption of these Standards did not have a material effect on the financial statements.

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2011:

(i) Standards and Interpretations adopted by the EU

- IFRS 7 "Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets (effective for annual periods beginning on or after 1 July 2011)

(ii) Standards and Interpretations not adopted by the EU

- IFRS 1: First-time Adoption of International Financial Reporting Standards – Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs' (effective for annual periods beginning on or after 1 July 2011)
- IFRS 1: First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from severe hyperinflation (effective for annual periods beginning on or after 1 July 2011)
- IFRS 7: Financial Instruments: Disclosures — Amendments enhancing disclosures about transfers of financial assets (effective for annual periods beginning on or after 1 January 2013)
- IFRS 7 —Financial Instruments: Disclosures - Amendments requiring disclosures about the initial application of IFRS 9 (effective for annual periods beginning on or after 1 January 2015 (or otherwise when IFRS 9 is first applied)
- IFRS 9: Financial Instruments - Classification and Measurement (effective for annual periods beginning on or after 1 January 2015)
- IFRS 9: Financial Instruments - Accounting for financial liabilities and derecognition (effective for annual periods beginning on or after 1 January 2015)
- IFRS 10 —Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)
- IFRS 11 —Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)
- IFRS 12 – Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013)
- IFRS 13 —Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
- IAS 1 —Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented (effective for annual periods beginning on or after 1 July 2012)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Adoption of new and revised International Financial Reporting Standards (Cont'd)

(ii) Standards and Interpretations not adopted by the EU (Cont'd)

- IAS 12: Income Taxes – Limited scope amendment: Recovery of underlying assets (effective for annual periods beginning on or after 1 January 2012)
- IAS 19 —Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for annual periods beginning on or after 1 January 2013)
- IAS 27 —Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective for annual periods beginning on or after 1 January 2013)
- IAS 28 —Investments in Associates - Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (effective for annual periods beginning on or after 1 January 2013)
- IAS 32 —Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014)
- IFRIC 20 —Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after 1 January 2013)

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the company (its subsidiaries). Control is achieved when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated Statement of Comprehensive Income from the effective date of acquisition and up to the effective date of disposal as appropriate.

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.
Non-controlling interests in subsidiaries are identified separately from the group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Interests in joint ventures/partnerships

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

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

Joint venture arrangements that involve the establishment of a separate entity (corporation, partnership or other entity) in which each venturer has an interest are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue

Revenue represents amounts invoiced in respect of services rendered to customers during the year, net of value added tax.

Property, plant and equipment

Items of property, plant and equipment are carried at cost less accumulated depreciation, with the exception of land and buildings which are carried at revalued amounts. The surplus from the revaluation is transferred to a capital reserve.

The buildings of the hotel complex are maintained at a very high standard. Significant expenditure on the buildings that add to the future economic benefit is capitalized. Other expenditure on repairs and maintenance of the property, plant and equipment incurred to restore or maintain future economic benefits expected from the assets, is recognized as an expense when incurred. Borrowing costs in respect of assets under construction which take a substantial period of time to be completed are capitalized. Other borrowing costs of capital improvements or purchases are not capitalized.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

The profit or loss from the sale of property, plant and equipment is taken to the statement of comprehensive income when an asset is disposed. Amounts related to a revalued asset in the revaluation reserve, are transferred to accumulated profits/(losses).

Depreciation on the hotel building and the bungalows is provided using the straight-line method based on cost less their estimated residual value over a period of 50 years. On bungalows which are subject to commitment agreements (note 24), additional write down charges are made to reflect the decrease in the carrying amount of these bungalows as a result of the long-term commitment.

No depreciation is provided on land and on assets under construction. On other plant and equipment, depreciation is provided to write off the cost less their estimated residual value by equal annual instalments over their estimated useful economic lives. The annual depreciation rates are as follows:

	Years
Hotel and buildings	50
Plant and machinery	13
Computer hardware – software	5
Furniture and fittings	13
Motor vehicles	5
Cutlery, linen and glassware	on renewal basis

No depreciation is provided on cutlery, linen and glassware. The initial expenditure for cutlery, linen and glassware has been capitalised and represents the "base quantities" required for the smooth operation of the hotel. The "base quantities" are revised periodically and are adjusted accordingly so that they represent the current operating needs of the hotel. Any additions to cutlery, linen and glassware beyond the "base quantities" or any replacements are written off in the statement of comprehensive income, in the year in which they are incurred.

Impairment of property, plant and equipment

For property, plant and equipment assets that are subject to depreciation, the Group reviews their carrying amounts, at each year end date, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation under that other Standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Repairs and maintenance

Expenditure for repairs and maintenance of property, plant and equipment and costs associated with maintenance of computer software programmes are recognised as an expense as incurred.

Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the Group operates (its functional currency), which is the Euro.

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each year end date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the year end date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Transaction costs for the issue of new share capital.

Transaction costs relating to issuance of share capital are accounted for as a deduction from equity.

Employee benefit schemes

The subsidiary company contributes to the Hotel Industry Employees Provident Fund for its eligible employees. This is a defined contribution scheme in which both the employees and subsidiary company make contributions.

The subsidiary company also contributes to the provident fund of Galatariotis Group of companies for its key management personnel. This is also a defined contribution scheme in which both the key management personnel and subsidiary company make contributions.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the basis of invoiced cost, on a weighted average basis.

Property under development

Property under development consists of land under development and is stated at the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Net finance costs

Net finance costs include interest payable on borrowings and overdue amounts after the deduction of interest receivable on funds deposited with banks or on receivable amounts from third parties. Interest is recognized as it accrues and is taken to the statement of comprehensive income with the exception of interest capitalized in respect of assets under construction, as explained above under “Property, plant and equipment”.

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.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable loss differs from loss reported in the consolidated statement of comprehensive income because it excludes items of income or expenses 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 the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and it is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary differences arise 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax (Cont'd)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interest 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantially enacted by the statement of financial position date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The deferred tax liability which arises from the revaluation of property, plant and equivalent is transferred to capital reserves.

Deferred tax assets and liabilities are offset when there is 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.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Royalty fees

Annual commercial contribution fees are based on annual turnover and are written off to the statement of comprehensive income so as to match this expenditure against the income it relates to.

Investment in subsidiary company

In the individual accounts of the Company, the investment in the subsidiary company is stated at cost less any provision for impairment.

Investment in associate

The investment in associate is accounted for in the consolidated financial statements using the equity method and in the separate financial statements of the Company is stated at cost less any impairment provisions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Segmental analysis

The activities of the Group take place only in Cyprus. Currently the only activities of the Group is the carrying on of the business of hoteliers as well as the property development, the development and promotion of tourism and touristic activities.

Provisions

Provisions are recognised when the Company and Group have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the year end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Non-current liabilities

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

Investments

Investments are recognised and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Investments are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

<u>Trade receivables</u>

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade receivables are stated net of provision for bad debts. Known bad debts are written off and a specific provision is made for any amounts where the collection is considered doubtful.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Cash and cash equivalents

These comprise of cash in hand and bank balances.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each year end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portofolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portofolio past the average credit period, as well as objective changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

In respect to available for sale equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- 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 and equity instruments issued by the Company

Classification as debt or equity
Debt and equity instruments are classified liabilities or as equity in accordance with the substance of the contractual arrangement.

Borrowings

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

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments issued by the Company (Cont'd)

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets;* and

- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Comparatives

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect reported amounts and related disclosures. Management considers an accounting estimate or judgement to be critical if:

- it requires assumptions to be made that were uncertain at the time the estimate was made; and
- changes in the estimate or different estimates that could have been selected could have a material effect on the financial results or financial position.

Management considers that apart from its estimates and assumptions concerning the residual value of hotel premises no other significant estimates and assumptions exist that could have a material effect on the financial results or financial position of the Group.

Residual value of hotel premises

The residual value of an asset is the estimated amount that could be obtained from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. For the determination of such amount significant judgment is exercised by the Board of Directors. The estimate is based on various factors including the carrying value of the hotel complex as well as the level of maintenance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

4. PAYROLL COSTS AND AVERAGE NUMBER OF EMPLOYEES

The Group

Payroll costs include:	2011 €	2010 €
Provident Fund Contributions to:		
Hotel Industry Employees	445.903	416.609
Directors Provident Fund	33.859	33.949
Social Insurance Contributions:		
Employees	485.750	446.970
Directors	7.086	6.880
Average number of employees	402	386

5. OTHER OPERATING AND ADMINISTRATION COSTS

The Group	2011 €	2010 €
Heat, light & power	2.017.168	1.743.604
Advertising, sales & promotion	1.115.734	1.233.920
Laundry expenses	588.393	572.397
Repairs and maintenance	954.020	969.462
Management fees from related party (note 25)	178.600	204.250
Other operating costs	2.513.644	2.323.985
	7.367.559	7.047.618

6. LOSS BEFORE TAXATION

This is stated after charging:

	The Group		The Company	
	2011 €	2010 €	2011 €	2010 €
Depreciation	1.482.916	1.468.244	-	-
Auditors' remuneration for statutory audit services	28.300	27.800	6.500	6.300
Auditors' remuneration for other services	6.250	5.550	4.050	4.050
Directors' remuneration:				
as executive directors			-	-
salaries	284.500	284.500	-	-
employer's contributions	46.063	50.780	-	-
	330.563	335.280	-	-
as members of the Board	4.000	5.200	4.000	5.200

The salaries of executive directors of €284.500 (2010: €284.500) relate to Mr. Costas St. Galatariotis €196.500 (2010: €196.500) and Mr. Alexis G. St. Galatariotis €88.000 (2010: €88.000).

The employers contributions of € 46.063 (2010: €50.780) include provident fund contributions for Mr. Costas St. Galatariotis €23.982 (2010: €24.027) and Mr. Alexis G. St. Galatariotis €9.877 (2010: €9.922) and life insurance contributions for Mr. Costas St. Galatariotis € 2.756 (2010: €2.541).

All directors receive annual fees of €400 each for their services as members of the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

7. FINANCE COSTS AND EXCHANGE DIFFERENCES

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
Finance costs	**€**	**€**	**€**	**€**
Interest on long-term loans	2.542.070	2.185.613	-	-
Interest on loan from parent company (notes 22 and 25)	32.866	27.785	-	-
Bank charges and overdraft interest, net	602.173	530.881	1.020	1.759
Other finance costs	241	595	210	202
	3.177.350	2.744.874	1.230	1.961
Exchange differences				
Exchange loss, net (see note below)	507.142	3.431.792	-	-

Note: The exchange loss relates to the retranslation of the Swiss Franc denominated loans of the subsidiary company (see note 17) into Euro at the statement of financial position date. During the year the subsidiary company converted one of the above mentioned loans of Swiss Franc 7,3 million to Euro and realised an exchange gain of €213.468.

8. TAXATION

Taxation charge

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	€	**€**	**€**	**€**
Deferred taxation (note 18)	-	-	-	-
Share of tax of associate company (note 12)	110	183	-	-
Taxation charge	110	183	-	-

The total tax charge for the year can be reconciled to the accounting loss as follows:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	€	**€**	**€**	**€**
Loss before taxation	(3.532.005)	(6.511.695)	(27.110)	(47.193)
Tax at the applicable income tax rate of 10%	(353.201)	(651.170)	(2.711)	(4.719)
Tax effect of expenses that are not deductible in determining taxable profit	221.466	533.508	1.330	1.240
Tax effect of allowances and income that are not taxable	(351.105)	(362.970)	-	-
Effect of deferred taxation not recognized	271.585	267.508	1.381	3.479
Deferred tax on capital allowances	211.255	213.124	-	-
Share of tax of associate company (note 12)	110	183	-	-
Tax charge	110	183	-	-

In addition to the tax charge to income statement, a deferred tax credit of € 75.369 (2010: € 30.931 credit) has been recognized directly in equity in the year (note 18).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

8. TAXATION (Cont'd)

Tax regime

A group, which for tax purposes consists of the parent company and all the subsidiaries where the company controls, directly or indirectly, at least 75% of the issued share capital would be entitled to transfer losses and offset them against profits among the companies of the group, where the surrendering company and the claimant company are members of the same group for the whole of the tax year (Group Relief). The Company and its subsidiary company are entitled to the group relief provisions as set out above.

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 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to 30 August 2011 and 17% thereafter) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents.

For the purpose of calculating the deemed distribution, the term "profits" means the accounting profits as they are calculated in accordance with generally accepted accounting principles but after the transfer to reserves of any amount pursuant to any legislation.

The amount of the deemed dividends is reduced with any actual dividend distributed during the two year period from the end of the tax year to which the profits relate. In case of payment of actual dividend after the two year period, any deemed distribution made, reduces the actual dividend on which the special contribution is withheld.

Tax losses

As at 31 December 2011 the Company had accumulated tax losses of € 1.148.299 (2010: € 1.134.489) which can be carried forward to be set off against future profits without any time restriction.

As at 31 December 2011 the Group had accumulated tax losses of € 53.853.500 (2010: € 49.055.055) which can be carried forward to be set off against future profits without any time restriction.

9. BASIC AND FULLY DILUTED LOSS PER SHARE

The Group

	2011	**2010**
	€	**€**
Net loss for the year attributable to members	(3.532.115)	(6.511.695)
Weighted average number of shares for the purposes of basic and diluted loss per share	141.692.040	141.692.040
	€ cent	**€ cent**
Basic and fully diluted loss per share	(2,49)	(4,60)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

10. PROPERTY, PLANT AND EQUIPMENT

The Group

Year ended 31 December 2011	Freehold land €	Hotel complex €	Plant and machinery €	Furniture and fittings €	Motor vehicles €	Cutlery & linen €	Total €
Cost or valuation							
At 1 January 2011	67.489.757	77.867.832	6.727.746	8.020.782	235.132	1.702.057	162.043.306
Additions	-	10.683	177.910	59.334	22.500	-	270.427
Disposals	-	-	(118.210)	(42.386)	(78.198)	-	(238.794)
At 31 December 2011	67.489.757	77.878.515	6.787.446	8.037.730	179.434	1.702.057	162.074.939
Depreciation							
At 1 January 2011	-	6.831.802	4.585.382	5.789.406	228.416	-	17.435.006
Charge for the year	-	679.351	407.351	387.595	8.619	-	1.482.916
On disposals	-	-	(75.096)	(26.699)	(78.198)	-	(179.993)
At 31 December 2011	-	7.511.153	4.917.637	6.150.302	158.837	-	18.737.929
Net book value							
At 31 December 2011	67.489.757	70.367.362	1.869.809	1.887.428	20.597	1.702.057	143.337.010

Year ended 31 December 2010	Freehold land €	Hotel complex €	Plant and machinery €	Furniture and fittings €	Motor vehicles €	Cutlery & linen €	Total €
Cost or valuation							
At 1 January 2010	67.489.757	77.867.832	6.625.743	7.971.283	235.132	1.702.057	161.891.804
Additions	-	-	232.712	66.176	-	-	298.888
Disposals	-	-	(130.709)	(16.677)	-	-	(147.386)
At 31 December 2010	67.489.757	77.867.832	6.727.746	8.020.782	235.132	1.702.057	162.043.306
Depreciation							
At 1 January 2010	-	6.207.947	4.245.051	5.394.654	224.296	-	16.071.948
Charge for the year	-	623.855	434.780	405.489	4.120	-	1.468.244
On disposals	-	-	(94.449)	(10.737)	-	-	(105.186)
At 31 December 2010	-	6.831.802	4.585.382	5.789.406	228.416	-	17.435.006
Net book value							
At 31 December 2010	67.489.757	71.036.030	2.142.364	2.231.376	6.716	1.702.057	144.608.300

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

As at 31 December 2011, the net book value of the bungalows which are subject to commitment agreements, as described in note 24, amounted to € 1.519.972 (2010: € 1.519.972).

The land and buildings of the Company are subject to first, second, third and fourth priority mortgages up to an amount of € 34,8 million, while other property, plant and equipment are subject to fixed and floating charges up to an amount of € 6,8 million, as security for the provision of the loans and other facilities described in note 17 of the financial statements.

The land and buildings of the Group were last revalued during 2007 on the basis of valuations received from independent professional valuers. A cumulative surplus on the revaluations of land and buildings that had been transferred to capital reserves with respect to prior years revaluations amounted to € 59,5 million.

On historical cost basis the carrying value of land and buildings would have been € 4.281.818 (2010: € 4.281.818) and € 65.406.914 (2010: € 66.808.563) respectively.

11. PROPERTY UNDER DEVELOPMENT

The Group

	2011	**2010**
	€	**€**
Balance 1 January	3.658.669	3.658.669
Disposal (note ii)	(1.171.967)	-
Additions through L' Union Branded Residences Partnership (note iii)	20.073	-
Write off of previously capitalised expenses (note iv)	(524.401)	-
Balance 31 December	1.982.374	3.658.669

Notes:

(i) Property under development represent land of 8.000 square meters transferred from property, plant and equipment to land under development in 2007 after a board decision of the subsidiary company.

(ii) During the year the subsidiary company sold to its partner 2.843 square meters of the said land for €2,5 million. As a result of this transaction the subsidiary company recognised a profit on disposal of €1.199.098. Capital gains tax paid with respect to the said transaction amounted to €128.935.

(iii) On 7 October 2011 the subsidiary company incorporated the L' Union Branded Residences Partnership (the "Partnership") with one partner in which it participates with 50% interest. The main purpose of the Partnership is the development of residential properties to a plot adjacent to the hotel. The said land is co-owned by the two partners as a result of the transactions detailed in note (ii). From the date of the incorporation of the Partnership and until the end of the year each one of the partners contributed with regards to the development an amount equal to €20.073 which was capitalised in the books of the Partnership.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

11. PROPERTY UNDER DEVELOPMENT

The Group (Cont'd)

(iv) The amount of €524.401 relates to development expenses, mainly architect fees, paid by the subsidiary company in prior years. Due to the change of the development plans those expenses were written off.

12. INVESTMENT IN ASSOCIATE

The associate company is C.C.C. Secretarial Limited. The principal activity of C.C.C. Secretarial Limited is the provision of administrative and other related services. The Group's share in the share capital of the associate is 20%. The investment in associate is accounted for in the consolidated financial statements using the equity method and in the separate financial statements of the Company is stated at cost less any impairment provisions.

The Group's share of net assets of the associate company amounted to € 5.340 (2010: €4.395). The Group's share of profit before tax of the associate amounted to € 1.055 (2010: €819) and the share of tax to €110 (2010: 183).

Total assets of the associate as at 31 December 2011 were € 232.571 (2010: € 221.495) and total liabilities were € 205.871 (2010: € 199.521).

13. PARTNERSHIP

On 7 October 2011 the subsidiary company incorporated the L' Union Branded Residences Partnership (the "Partnership") with Starom Property Developers Limited (the "Partner") in which it participates with 50% interest. The main purpose of the Partnership is the development of up-market residential properties to a plot adjacent to the hotel. The said land is co-owned by the subsidiary company and the Partner after the sale made by the subsidiary company to the Partner of part of its property under development (2.843 square meters).

From the period of the incorporation of the Partnership and until the end of the year 2011 each one of the partners contributed with regards to the development an amount equal to €20.073 which was capitalised in the books of the Partnership.

The following amounts are included in the Group's consolidated financial statements as a result of the proportionate consolidation of L' Union Branded Residences Partnership:

	2011	**2010**
	€	**€**
Current assets	24.793	-
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

13. PARTNERSHIP (Cont'd)

	2011 €	2010 €
Income	-	-
Expenses	5.305	-
Other comprehensive income	-	-

14. INVENTORIES

The Group	2011 €	2010 €
Engineering supplies	281.742	281.587
Stock held for sale	212.622	202.339
Food and beverage	242.290	230.247
Spa and health club	125.352	142.658
Other	292.553	306.985
	1.154.559	1.163.816

15. TRADE AND OTHER RECEIVABLES

The Group	2011 €	2010 €
Trade receivables	895.157	1.480.867
Other receivables and prepayments (see note)	207.345	203.572
Allowance for doubtful debts	(82.283)	(260.017)
	1.020.219	1.424.422

Note:

The directors consider that the carrying amount of trade, other receivables and prepayments of the Group approximate their fair value.

The above trade and other receivables are due within one year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

15. TRADE AND OTHER RECEIVABLES (Cont'd)

Movement in provision for doubtful debts:

	2011 €	2010 €
On 1 January	260.017	950.580
Provisions during the year	-	85.764
Write off as unrecoverable	-	(582.169)
Bad debts recovered	(177.734)	(194.158)
On 31 December	82.283	260.017

Ageing of the Group's receivables:

Year	Total receivables	Outstanding but not due yet	Overdue 0 – 30 days	Overdue between 30 – 60 days	Overdue between 60 -120 days	Overdue more than 120 days
	€	€	€	€	€	€
2011	895.157	153.926	23.557	156.200	440.308	121.166
2010	1.480.867	135.738	43.357	338.233	524.147	439.212

Ageing of impaired receivables (provision for doubtful debts)

Year	Total receivables	Overdue 60 – 90 days	Overdue 90 – 120 days	Overdue more than 120 days
	€	€	€	€
2011	82.283	-	-	82.283
2010	260.017	-	-	260.017

16. SHARE CAPITAL

	2011 €	2010 €
Authorised		
150.000.000 ordinary shares of € 0,43 each	64.500.000	64.500.000
Issued and fully paid shares		
141.692.040 ordinary shares of € 0,43 each	60.927.577	60.927.577

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

17. BORROWINGS

	2011 €	2010 €
I. Secured bank loans		
Non-current portion		
Denominated in Euro	30.601.518	26.410.822
Denominated in Swiss Francs	14.860.581	20.962.851
	45.462.099	47.373.673
Current portion		
Denominated in Euro	3.538.406	3.337.280
Denominated in Swiss Francs	1.037.043	1.149.557
	4.575.449	4.486.837
Total secured bank loans	50.037.548	51.860.510

The weighted average effective interest rate on the above bank loans were 5,48% (2010: 5%) for the Euro denominated loans and 3,54% (2010: 3,5%) for the Swiss Francs denominated loans.

	2011 €	2010 €
II. Unsecured parent company loan		
The Cyprus Cement Public Company Limited, bearing interest 6,45% per annum	502.390	469.524
III. Bank overdrafts		
Secured bank overdrafts	7.951.955	6.770.243
Unsecured bank overdrafts	452.323	84.886
	8.404.278	6.855.129

The weighted average effective interest rate on the above bank overdrafts were 7,5% (2010: 8,4%).

The bank overdrafts of the subsidiary company have common securities with the long term loans and in addition are secured by the corporate guarantees of the parent company for € 3.140.000.

The exchange rates that were used to translate the foreign currency loans into Euro (€) at 31 December 2011 were the following:

€ 1 = 1,2414 Swiss Francs (31 December 2010 € 1 = 1,4735 Swiss Francs)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

18. DEFERRED TAXATION

The Group

	Tax losses €	Revaluation of land €	Revaluation of buildings €	Accelerated capital allowances €	Total €
1 January 2010	(4.174.062)	11.771.614	463.597	4.174.062	12.235.211
(Credited)/charged to the statement of comprehensive income	(213.124)	-	-	213.124	-
Transferred to revaluation reserve	-	(30.931)	-	-	(30.931)
31 December 2010	(4.387.186)	11.740.683	463.597	4.387.186	12.204.280
(Credited)/charged to the statement of comprehensive income	(211.255)	-	-	211.255	-
Transferred to revaluation reserve	-	(75.369)	-	-	(75.369)
31 December 2011	(4.598.441)	11.665.314	463.597	4.598.441	12.128.911

Except for the differences arising from the revaluation of land, deferred taxation is calculated based on the income tax rate of 10%. Deferred taxation, relating to temporary differences arising from the revaluation of land, is calculated using the prevailing capital gains tax rate of 20% after allowing for indexation.

The offset between the debit and the credit balance is considered appropriate since they relate to taxes levied by the same taxation authority.

19. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011 €	2010 €	2011 €	2010 €
Trade payables	2.963.992	2.393.873	-	-
Other payables and accrued expenses	1.525.133	1.692.409	14.052	17.880
	4.489.125	4.086.282	14.052	17.880

The above trade and other payables and accrued expenses are payable within one year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

20. INVESTMENT IN SUBSIDIARY

The Company

The wholly owned subsidiary of the Company, L'Union Nationale (Tourism and Sea Resorts) Limited, is registered in Cyprus and its principal activity is the erection and development of hotels and the carrying on of the business of hoteliers and land developers.

The carrying amount of the investment as at 31 December was:

	2011 €	2010 €
Balance 1 January and 31 December	49.841.613	49.841.613

21. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated and parent company statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated and parent company statement of cash flows can be reconciled to the related items in the consolidated and parent company statement of financial position as follows:

The Group	2011 €	2010 €	Change in year €
Cash at bank and in hand	69.723	79.842	(10.119)
Bank overdrafts	(8.404.278)	(6.855.129)	(1.549.149)
	(8.334.555)	(6.775.287)	(1.559.268)
The Company			
Bank overdraft	(10.254)	(1.321)	8.933

22. ANALYSIS OF CHANGES IN FINANCING ACTIVITIES

The Group Year ended 31 December 2011	Long-term bank loans €	Parent company loan €	Total €
Balance 1 January 2011	51.860.510	469.524	52.330.034
New loans	756.000	-	756.000
Interest charge for the year	2.542.070	32.866	2.508.216
Repayments of capital	(4.356.931)	-	(4.356.931)
Repayments of interest during the year	(1.484.611)	-	(1.484.611)
Exchange loss	720.510	-	720.510
Balance 31 December 2011	50.037.548	502.390	50.539.938

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

22. ANALYSIS OF CHANGES IN FINANCING ACTIVITIES (Cont'd)

The Group

Year ended 31 December 2010	Long-term bank loans €	Parent company loan €	Total €
Balance 1 January 2010	45.475.762	428.027	45.903.789
New loans	2.849.292	13.712	2.863.004
Interest charge for the year	2.185.613	27.785	2.213.398
Repayments of capital	(1.036.707)	-	(1.036.707)
Repayments of interest during the year	(1.057.757)	-	(1.057.757)
Exchange loss	3.444.307	-	3.444.307
Balance 31 December 2010	51.860.510	469.524	52.330.034

<u>Summary of borrowings and overdraft arrangements</u>

The Group

The Group as at 31 December 2011 had the following financing facilities with banks.

- overdraft lines of € 8.887.150 (31 December 2010: € 8.537.150)

The weighted average effective interest rate on the above bank loans were 5,48% (2010: 5%) for the Euro denominated loans and 3,54% (2010: 3,5%) for the Swiss Francs denominated loans.

The overdraft as well as the loans granted to the subsidiary company, by its bankers, are secured by:

- First, second, third and fourth mortgage over the land and buildings of the subsidiary company for an amount of €34,8 million.
- First fixed and floating charges over all assets of the subsidiary company in the amount of €6.8 million.
- Unlimited corporate guarantees from CCC Tourist Enterprises Public Co Limited.
- Corporate guarantee from The Cyprus Cement Public Company Limited for € 8.740.000 (2010: 5.240.000).
- Negative pledge from the major banker of the Group that the assets of the Group cannot be charged without the banks prior approval.

The Company

The company, as at 31 December 2011 enjoyed the following financing facilities from its bankers:

- overdraft facilities of €35.000 (2010: €35.000).

The above facility is unsecured.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

23. COMMITMENTS AND CONTINGENCIES

	The Group		The Company	
	2011	2010	2011	2010
	€	€	€	€
Contracted capital expenditure of the hotel complex Le Meridien Limassol Spa & Resort not provided for in the financial statements	-	-	-	-

As at 31 December 2011 the Group and the Company was contingently liable in respect of corporate guarantees provided to financial institutions, as security for financing facilities granted to the Company and its subsidiary company.
Details of these are presented in note 22. As at 31 December 2011 the Group and the Company did not have any other legal commitment or contingency.

24. LONG-TERM COMMITMENT FOR THE USE OF BUNGALOWS

The Group

The subsidiary company had in the past entered into agreements with a third party and committed the use of 23 bungalows by the third party for a period of around thirty-three years. The last agreement entered into by the subsidiary company was back in 1998. The subsidiary company does not intend to enter into any other agreement of this nature.

Under the provisions of the existing agreement the third party is responsible for all running expenses including repairs and maintenance, taxes and levies associated with these bungalows.

25. RELATED PARTY TRANSACTIONS

The ultimate parent company of the Group is George S. Galatariotis & Sons Limited.

The parent company of the Group is The Cyprus Cement Public Company Limited.

Transactions between the Company and its subsidiary and partnership, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The subsidiary company received loans from the Group's parent company as described in note 17.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

25. RELATED PARTY TRANSACTIONS (Cont'd)

The following transactions were carried out with related parties:

Name	Nature of transactions	2011 €	2010 €
C.C.C. Secretarial Limited	Management fees	178.600	208.850
The Cyprus Cement Public Company Ltd (notes 17 and 22)	Interest expense	32.866	27.785

The following balances were outstanding at the end of the reporting period:

Name	Amounts owed from/(to) related parties 2011 €	2010 €
C.C.C. Secretarial Limited	350	281
C.C.C. Laundries Limited	(5.000)	-
The Cyprus Cement Public Company Ltd (notes 17 and 22)	(502.390)	(469.524)

All the above transactions were made on an arm's length basis.

The remuneration and other benefits of the Directors are as shown in notes 4 and 6 of the financial statements.

26. TRANSACTIONS WITH DIRECTORS

There were no material transactions or contracts between the Group companies and their directors during the year.

27. OPERATING LEASES

The subsidiary company leases from the Government of Cyprus an area of 17.392 sq.m. of beach at an annual rental fee of € 110.897 which has been included in other operating expenses in the income statement.

During the year the payments relating to the lease and recognised as an expense were as follows:

	2011 €	2010 €
Minimum lease payments	110.897	110.897

The future minimum amounts payable under the lease, which is for a period of 99 years starting from 17 January 1986, at the end of the year, based on the current annual rental fee, are as follows:

The Group

	2011 €	2010 €
Within one year	110.897	110.897
Within two to five years	443.587	443.587
After five years	7.540.980	7.651.877
	8.095.464	8.206.361

As per the lease agreement the annual rental fee is subject to revision every five years. The last revision was made in 2006, where the annual rental fee was increased to € 110.897 from € 59.143.

28. FINANCIAL RISK MANAGEMENT

1. Financial risk factors

The Group and the Company are exposed to credit risk, liquidity risk, interest rate risk, currency risk, tourist industry risk, operational risk, compliance risk, litigation risk, reputation risk, capital risk management and other risks arising from the financial instruments it holds. The Group's exposure to the above risks is substantially relating to the subsidiary company, therefore the information provided below refers to the Group as a whole with no separate disclosure for the parent company.

The risk management policies employed by the Group to manage these risks are discussed below:

1.1 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Group has no significant concentration of credit risk to any client or any category of clients. The Group has policies in place to ensure that credit is given 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.

1.1.1. Exposure to credit risk

The maximum exposure to credit risk, which is shown net, after taking into account any impairment, is as follows:

	2011 €	2010 €
Cash at bank and in hand	69.723	79.842
Trade receivables	895.157	1.480.867
Total credit risk exposure	964.880	1.560.709

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Based on the above and past experience, the Group believes that no additional impairment allowance is necessary in respect of trade receivables past due but not impaired.

In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks provided by the Group. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantees are called on (see note 17).

1.1.2. Collateral held as security

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

28. FINANCIAL RISK MANAGEMENT (Cont'd)

1.2 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 Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Group ensures that it has sufficient cash on demand to meet short term expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

- €5,15 million secured overdraft facility. Interest would be payable at basic lending rate (4,25%) plus 1,70%. Interest payable was adjusted in March 2011 to basic plus 2,25%
- €1,43 million secured overdraft facility. Interest would be payable at the basic lending rate (5,25%) plus 1,75%
- €1,50 million secured overdraft facility. Interest would be payable at the basic lending rate (4,90%) plus 2,00%
- €0,385 million unsecured overdraft facility. Interest would be payable at the basic lending rate (4,25%) plus 1,50%
- €0,43 million unsecured overdraft facility. Interest would be payable at the basic lending rate (5,75%) plus 1,50%.

1.2.1 Analysis of financial liabilities by remaining contractual maturity

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The amounts in this table may not be equal to the balance sheet amounts since the table below presents all cash flows (including interest) on an undiscounted basis.

	Carrying amount €'000	Contractual cash flows €'000	On demand and up to 6 months €'000	6 to 12 months €'000	1 to 2 years €'000	2 to 5 years €'000	More than 5 years €'000
31 December 2011							
Secured bank loans	(50.038)	(64.700)	(2.963)	(2.374)	(4.614)	(13.229)	(41.520)
Secured bank overdrafts	(7.952)	(7.952)	(7.952)	-	-	-	-
Unsecured bank overdrafts	(452)	(452)	(452)	-	-	-	-
Trade and other payables	(4.485)	(4.485)	(4.485)	-	-	-	-
	(62.927)	(77.589)	(15.852)	(2.374)	(4.614)	(13.731)	(41.520)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

28. FINANCIAL RISK MANAGEMENT (Cont'd)

1.2 Liquidity risk (Cont'd)

1.2.1 Analysis of financial liabilities by remaining contractual maturity (Cont'd)

	Carrying amount €'000	Contractual cash flows €'000	On demand and up to 6 months €'000	6 to 12 months €'000	1 to 2 years €'000	2 to 5 years €'000	More than 5 years €'000
31 December 2010							
Secured bank loans	(51.861)	(72.302)	(3.703)	(2.889)	(4.638)	(17.818)	(43.254)
Secured bank overdrafts	(6.770)	(6.770)	(6.770)	-	-	-	-
Unsecured bank overdrafts	(85)	(85)	(85)	-	-	-	-
Trade and other payables	(4.086)	(4.086)	(4.086)	-	-	-	-
	(62.802)	(83.243)	(14.644)	(2.889)	(4.638)	(17.818)	(43.254)

1.3 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group is exposed to interest rate risk in relation to its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

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

The Group	**2011 €**	**2010 €**
Variable rate instruments		
Overdrafts	8.404.278	6.855.129
Short-term loans	4.575.449	47.373.673
Long-term loans	45.462.099	4.486.837
	58.441.826	58.715.639

The Company	**2011 €**	**2010 €**
Variable rate instruments		
Overdrafts	10.254	1.321
	10.254	1.321

28. FINANCIAL RISK MANAGEMENT (Cont'd)

The Group

Sensitivity analysis

The tables below indicate the effect on the Group's and the Company's statement of comprehensive income and equity from reasonably possible changes in the interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant, as well as it assumes that financial facilities outstanding at the end of the reporting period were also outstanding for the whole year. The analysis is performed on the same basis for 2010.

An increase of 50 basis points and a decrease of 50 basis points in interest rates at the reporting date would have the following effect:

	Profit or loss		**Equity**	
	50bp increase €'000	**50bp decrease €'000**	**50bp increase €'000**	**50bp decrease €'000**
31 December 2011				
Variable rate instruments	(292)	292	(292)	292
31 December 2010				
Variable rate instruments	(293)	293	(293)	293

1.4 Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from currency exposures primarily with respect to its long term debt in Swiss Franc (CHF). The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. In addition the Group has the option to convert the above foreign currency loans in any other currency which is freely traded and convertible in the international markets.

The Group's exposure to foreign currency risk at the reporting date is as follows:

	CHF 31 December 2011 €'000	**CHF 31 December 2010 €'000**
Secured bank loans	15.587	22.112

During the year, the subsidiary company in an effort to reduce the currency exposure towards Swiss Franc (CHF) converted one of the loans denominated in CHF to Euro. From the above transaction an exchange gain of € 213.468 was realised (see note 7).

28. FINANCIAL RISK MANAGEMENT (Cont'd)

1.4 Currency Risk (Cont'd)

Sensitivity analysis

A 5 percent or 8 percent strengthening/(weakening) of the Euro against the following currency at 31 December 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. The analysis is performed on the same basis for 2010.

	5% change in rates		8% change in rates	
	Effect income statement €'000	Effect equity €'000	Effect income statement €'000	Effect equity €'000
31 December 2011				
CHF	779	779	1.247	1.247
31 December 2010				
CHF	1.106	1.106	1.769	1.769

1.5 Tourist industry risk

- The political situation in the Southeastern Mediterranean area may seriously impact the tourist industry.
- The operations of the Group are characterised by a high degree of seasonality, between the summer and winter months. Specifically, the Group's high season is in the summer, between April and October and its low season between the months of November and March.
- The competitiveness of Cyprus in the international touristic market and the increasing competition within the Cypriot market may affect the results of the Company.
- The economic situation in Europe (particularly the UK) and Russia, the main sources of tourists for the Group, may adversely affect the tourist industry.

1.6 Operational risk

Operational risk is the risk that derives 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.

1.7 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 Cyprus and EU. The risk is limited to a significant extent due to the supervision applied by relevant compliance officers, as well as by the monitoring controls applied by the Group.

28. FINANCIAL RISK MANAGEMENT (Cont'd)

1.8 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 contacts and consequentially of lawsuits. The risk is restricted through the contracts used by the Group to execute its operations.

1.9 Reputation risk

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

1.10 Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Gearing ratio

The Board of Directors of the Group reviews the capital structure of the Group. As part of this review, they consider the cost of capital and the risk associated with it. Based on the Board's recommendations, the Group expects to maintain its gearing ratio at approximately the same level.

The Gearing ratio at the year-end was as follows:

	2011	**2010**
	€	**€**
Debt (i)	58.944.216	59.185.163
Cash at bank and in hand	(69.723)	(79.842)
Net debt	58.874.493	59.105.321
Equity (ii)	72.006.973	75.643.719

Net debt to equity ratio

i) Debt includes short-term (overdrafts and short-term loans) and long-term borrowings.
ii) Equity includes all capital and reserves.

28. FINANCIAL RISK MANAGEMENT (Cont'd)

1.11 Other risks

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

1.12 Fair value

The Group and the Company

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

29. EVENTS AFTER THE REPORTING PERIOD

a. In March 2012 the management of the Group negotiated with its major lender (Cyprus Bank) and received an additional long term loan in the amount of Euro 3.500.000 which is repayable by 31 January 2015. The interest rate negotiated and obtained for this loan is the basic lending rate (4,75%) plus 3,00%. The Group's obligation is to pay the interest on the said loan which accrues on a semi-annual basis.
   The loan is secured with a second mortgage on part of the Group's land in the amount of € 2.500.000 and with a corporate guarantee from the parent company, The Cyprus Cement Public company Limited, in the amount of € 3.500.000.

b. On 8th of March 2012 the subsidiary company announced the redundancy of 37 employees. Their last date of employment was on that date and compensation of €135.280 was paid by the end of the month.

c. In January and April 2012, the subsidiary company in an effort to reduce further the currency exposure risk towards Swiss Francs arising from their loans denominated in Swiss Francs, converted part of the said loans to Euro. The carrying value of the loans that were converted as presented at the yearend in these consolidated financial statements amounted to Euro 11.853.896 (see note 17).

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

DETAILED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Schedule	2011 €	2010 €
Investment revenue			-
Administration costs	**2**	(25.880)	(45.232)
Finance costs	**2**	(1.230)	(1.961)
(Loss)/profit before taxation		(27.110)	(47.193)
Taxation		-	-
(Loss)/profit for the year		(27.110)	(47.193)
Other comprehensive income for the year		-	-
Total comprehensive (expense)/income for the year		(27.110)	(47.193)

Schedule 2

	Schedule	2011 €	2010 €
ADMINISTRATION EXPENSES			
Advertising expenses		757	618
Directors' remuneration		-	5.200
Audit fees		4.428	6.500
Printing and stationery		806	7.655
Subscriptions and memberships (Cyprus Stock Exchange)		13.298	11.155
Sundry expenses		1.071	7.672
Other professional fees		5.520	6.432
	1	25.880	45.232

	Schedule	2011 €	2010 €
FINANCE COSTS			
Interest paid and other charges	**1**	1.230	1.961

COMPUTATION OF CHARGEABLE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Schedule	**€**
Profit before taxation	**1**	
Add: Subscription fees		
Interest imposed under the arm length principle		
Less: Dividends receivable		
Losses brought forward		
Losses carried forward		