# The Cyprus Cement Public Company Limited

# Report and financial statements
# 31 December 2012

## Contents

# The Cyprus Cement Public Company Limited

# Board of Directors and other officers

## Board of Directors

George St. Galatariotis (Executive Chairman)
Thomas M. Schmidheiny (Vice-Chairman)
Costas St. Galatariotis (Executive Director)
Stavros G. St. Galatariotis (Executive Director)
Vassos G. Lazarides (Finance Director)
Tasos Anastasiou (Executive Director)
Michalis Moushouttas (Director)
Antonis Antoniou Latouros (Director)

## Company Secretary

**C.C.C. Secretarial Limited**
197 Makariou III Avenue
Gala Tower
CY-3030 Limassol
Cyprus

## Registered office

Moni
CY-4525 Limassol
Cyprus

# The Cyprus Cement Public Company Limited

## Declaration of Directors and other responsible officers of the Company for the financial statements

In accordance with Article 9 sections 3 (c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 2007 ("Law") we, the members of the Board of Directors and the Company officials responsible for the drafting of the consolidated and separate financial statements of The Cyprus Cement Public Company Limited for the year ended 31 December 2012, we confirm that, to the best of our knowledge:

(a) the annual consolidated and separate financial statements which are presented on pages 3 to 77:

(i) were prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and in accordance with the provisions of Article 9, section (4) of the Law, and

(ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of The Cyprus Cement Public Company Limited and the businesses that are included in the consolidated accounts as a total, and

(b) the Board of Directors Report gives a fair review of the developments and the performance of the business as well as the financial position of The Cyprus Cement Public Company Limited and the businesses that are included in the consolidated accounts as a total, together with a description of the main risks and uncertainties they are facing.

**Members of the Board of Directors**

| Name and surname | Signature |
|---|---|
| George St. Galatariotis (Executive Chairman) | |
| Thomas M. Schmidheiny (Vice-Chairman) | |
| Costas St. Galatariotis (Executive Director) | |
| Stavros G. St. Galatariotis (Executive Director) | |
| Vassos G. Lazarides (Finance Director) | |
| Tasos Anastasiou (Executive Director) | |
| Michalis Moushouttas (Director) | |
| Antonis Antoniou Latouros (Director) | |

**Responsible for the preparation of the financial statements**

| Name and surname | Signature |
|---|---|
| Elena Stylianou (Financial Controller) | |

Limassol
29 April 2013

# The Cyprus Cement Public Company Limited

# Report of the Board of Directors

1 The Board of Directors of The Cyprus Cement Public Company Limited (the “Company”), its subsidiaries and its associate, collectively referred as the “Group”, presents its report together with the audited consolidated financial statements and the audited separate financial statements of the Company for the year ended 31 December 2012.

**Principal activities**

2 The principal activities of the Company and the Group are the development/exploitation of land and the undertaking of strategic investments in companies operating in hotel and tourism industry and in the manufacturing and sale of cement and related business.

**Review of developments, position and performance of the Group’s and Company's business**

3 The net loss of the Group for the year ended 31 December 2012 amounted to €12.223.349 (2011: loss €5.783.426). On 31 December 2012 the total assets of the Group were €452.266.520 (2011: €477.753.960) and the net assets were €301.046.642 (2011: €329.844.711). The net loss of the Company for the year amounted to €10.786.724 (2011: loss €698.917). On 31 December 2012 the total assets of the Company were €357.572.428 (2011: €366.908.709) and the net assets were €286.074.835 (2011: €269.861.559).

4 The financial position, development and performance of the Company and the Group as presented in these financial statements are as expected.

**Principal risks and uncertainties**

5 The activities of the Company and the Group are influenced by various risks and uncertainties related to the construction and tourist industries in general. These activities are influenced by a number of factors which include, but are not restricted to, the following:

- The operating environment of Cyprus and the conditions created after the Eurogroup decisions on 25 March 2013 (Notes 1 and 2).
- National and international economic and geopolitical factors.
- The global financial crisis which affected the tourism, the construction industry and real estate sector.
- The impact of war, terrorist acts, deceases and epidemics which are likely to influence tourists’ arrivals on the island.
- Increased competition within Cyprus and the neighbouring countries.
- Increases in labour and energy costs.

6 The principal financial risks and uncertainties faced by the Company and the Group are outlined in Notes 1, 2, 3 and 4 of the financial statements.

## Report of the Board of Directors (continued)

### Future developments of the Company and the Group

7 The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company and the Group.

### Results

8 The Group's results for the year are set out on pages 11 and 12 and the respective results of the Company are presented on page 13. The net loss for the year is carried forward.

9 The final result of the Group for 2012 amounts to a loss of €12.223.349 while the indicative result for the year as announced on 25 February 2013 amounted to a loss of €11.864.000. The difference of €359.349 is due to the difference in the final results of the associated company, Vassiliko Cement Works Public Company Limited and to the adjustment of the deferred tax of the Company.

### Share capital

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

### Board of Directors

11 The members of the Board of Directors at 31 December 2012 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2012.

12 In accordance with the Company's Articles of Association Messrs Thomas Schmidheiny, Stavros G. St. Galatariotis and Vassos G. Lazarides retire and, being eligible, offer themselves for re-election.

13 There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

### Corporate Governance Code

14 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 in 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.

# Report of the Board of Directors (continued)

## Corporate Governance Code (continued)

15 The Board of Directors, is responsible, for the establishment of adequate 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 responsible person for the preparation of the financial statements is the Financial Controller.

*Shareholders holding more than 5% of the Company's share capital*

16 The shareholders who held at least 5% of the issued share capital of the Company on 29 April 2013 is as follows:

| | |
|---|---|
| C.C.C. Holdings & Investments Public Company Limited * | 23,04% |
| K+G Complex Public Company Limited * | 32,07% |
| George S. Galatariotis & Sons Limited* | 13,47% |

* Included in the interest of George St. Galatariotis under Directors' interests as presented in the Directors' interest below.

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

18 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 provides 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.

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

20 The Board of Directors, subject to approval by the Company's shareholders, may issue or repurchase 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.

21 The Board of Directors consists of 8 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.

### Corporate Governance Code (continued)

*Directors' interest in the Company's share capital*

22 The beneficial interest in the Company's share capital held by each Director, their spouse, children and companies in which they hold directly or indirectly at least 20% of the shares with voting rights in a general meeting, at 31 December 2012 and on 29 April 2013 was as follows:

| | **At 29 April 2013** | **At 31 December 2012** |
|---|---|---|
| | **%** | **%** |
| George St. Galatariotis (1) | 69,96 | 69,96 |
| Thomas M. Schmidheiny | - | - |
| Costas St. Galatariotis (1) | - | - |
| Stavros G. St. Galatariotis (1) | - | - |
| Michalis Moushouttas | - | - |
| Antonis Antoniou Latouros | 0,05 | 0,05 |
| Vassos G. Lazarides | - | - |
| Tasos Anastasiou | - | - |

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

### Contracts with Directors and related parties

23 Other than the transactions and the balances with Directors and related parties referred to in Note 32 of the financial statements, there were no other significant contracts with the Company, or its subsidiaries as at 31 December 2012 in which the Directors or related parties had a material interest. Related persons include the spouse, minor children and companies in which Directors hold directly or indirectly at least 20% of the voting rights in a general meeting.

### Events after the balance sheet date

24 The material post balance sheet events, which have a bearing on the understanding of the financial statements are presented in Note 34.

### Branches

25 The Group did not operate through any branches during the year.

## Report of the Board of Directors (continued)

**Independent auditors**

26 The independent auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution for their appointment and authorizing the Board of Directors to fix their remuneration will be submitted at the Annual General Meeting.

**By Order of the Board**

**C.C.C. Secretarial Limited**
**Secretary**

Limassol, 29 April 2013

# Independent auditor's report

To the members of The Cyprus Cement Public Company Limited

## Report on the consolidated and separate financial statements of The Cyprus Cement Public Company Limited

We have audited the accompanying consolidated financial statements of The Cyprus Cement Public Company Limited and its subsidiaries (the "Group"), and the separate financial statements of The Cyprus Cement Public Company Limited (the "Company"), which comprise the consolidated balance sheet and the balance sheet of the Company as at 31 December 2012, and the consolidated statements of income, 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 that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's 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 separate financial statements of the Company are free from material misstatement.

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*P O Box 53034, CY-3300 Limassol, Cyprus*
*T: +357 25 - 555 000, F:+357 - 25 555 001, www.pwc.com/cy*

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 the consolidated and separate financial statements of the Company 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 of the Company.

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

*Opinion*

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2012, 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.

*Emphasis of matter*

We draw attention to Notes 1 and 2 to the financial statements where reference is made to the financial situation of the Group, the existing significant uncertainties of the economic environment of Cyprus and the developments in the banking sector. These factors could impact adversely the financial results, financial position and liquidity of the Group in the context of the conditions and assumptions taken into account for the preparation of the financial statements on a going concern basis. Our opinion is not qualified in respect of this matter.

**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 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 the 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 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 whose knowledge this report may come to.

Yiangos Kaponides
Certified Public Accountant and Registered Auditor

For and on behalf of
PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, Cyprus
29 April 2013

# Consolidated income statement for the year ended 31 December 2012

| | Note | **2012 €** | 2011 € |
|---|---|---|---|
| **Revenue** | 5 | **21.499.178** | 21.872.262 |
| Change in inventory of properties under development | | **-** | (1.825.303) |
| Cost of food and beverages | | **(2.408.089)** | (2.417.533) |
| Operating and administrative expenses | 8 | **(17.353.680)** | (17.121.555) |
| Depreciation | 16 | **(1.916.043)** | (1.533.756) |
| Other income | 7 | **508.926** | 51.696 |
| Other losses | 6 | **(198.539)** | (12.250) |
| Impairment of goodwill | 18 | **(2.564.749)** | - |
| **Operating loss** | | **(2.432.996)** | (986.439) |
| Finance costs | 11 | **(4.396.558)** | (4.005.111) |
| Foreign exchange loss | 11 | **(103.832)** | (507.142) |
| Share of loss of associates | 19 | **(124.476)** | (297.022) |
| **Loss before tax** | | **(7.057.862)** | (5.795.714) |
| Taxation | 12 | **(5.165.487)** | 12.288 |
| **Loss for the year** | | **(12.223.349)** | (5.783.426) |
| **Attributable to:** | | | |
| Owners of the parent | | **(9.916.804)** | (4.639.025) |
| Non-controlling interest | | **(2.306.545)** | (1.144.401) |
| | | **(12.223.349)** | (5.783.426) |
| **Loss per share attributable to the shareholders of the Company (cent per share):** | | | |
| - Basic and fully diluted | 13 | **(7,21)** | (3,40) |

The notes on pages 24 to 77 are an integral part of these financial statements.

# Consolidated statement of comprehensive income for the year ended 31 December 2012

| | Note | **2012 €** | 2011 € |
|---|---|---|---|
| Loss for the year | | **(12.223.349)** | (5.783.426) |
| **Other comprehensive income:** | | | |
| Deferred tax adjustment | 28 | **4.285.467** | 75.369 |
| Share of reserves of associated companies | 19 | **3.355.539** | 310.684 |
| Reversal of revaluation gain of land and buildings | | **(23.155.210)** | - |
| Other comprehensive (loss)/ income for the year, net of tax | | **(15.514.204)** | 386.053 |
| **Total comprehensive loss for the year** | | **(27.737.553)** | (5.397.373) |
| **Attributable to:** | | **(19.259.168)** | (4.277.626) |
| Owners of the parent | | **(8.478.385)** | (1.119.747) |
| Non-controlling interest | | | |
| Total comprehensive loss for the year | | **(27.737.553)** | (5.397.373) |

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 12.

The notes on pages 24 to 77 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

# Company's statement of comprehensive income for the year ended 31 December 2012

| | Note | **2012 €** | 2011 € |
|---|---|---|---|
| Depreciation | 16 | **(16.683)** | (16.558) |
| Operating and administrative expenses | 8 | **(562.021)** | (454.510) |
| Other income | 7 | **945.972** | 462.410 |
| Other losses | 6 | **(1.094.981)** | - |
| Impairment of investment in subsidiary | 20 | **(8.800.000)** | - |
| **Operating loss** | | **(9.527.713)** | (8.658) |
| Finance costs | 11 | **(849.180)** | (710.828) |
| **Loss before tax** | | **(10.376.893)** | (719.486) |
| Income tax | 12 | **(409.831)** | 20.569 |
| **Loss for the year** | | **(10.786.724)** | (698.917) |
| **Total comprehensive loss for the year** | | **(10.786.724)** | (698.917) |

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 12.

The notes on pages 24 to 77 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

## Consolidated balance sheet
## at 31 December 2012

| | Note | 2012 € | 2011 € |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **119.033.558** | 143.495.164 |
| Investment property | 17 | **271.903.351** | 271.960.330 |
| Intangible assets | 18 | **-** | 2.564.749 |
| Investments in associates | 19 | **55.799.131** | 52.841.065 |
| Available for sale financial assets | 22 | **2.848** | 2.848 |
| | | **446.738.888** | 470.864.156 |
| **Current assets** | | | |
| Land under development and inventories | 23 | **3.069.150** | 3.136.933 |
| Trade and other receivables | 24 | **1.950.151** | 1.689.198 |
| Cash and cash equivalents | 25 | **508.331** | 1.720.146 |
| Tax refundable | | **-** | 343.527 |
| | | **5.527.632** | 6.889.804 |
| **Total assets** | | **452.266.520** | 477.753.960 |
| **Equity and liabilities** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 26 | **59.172.679** | 59.172.679 |
| Share premium | | **848.729** | 848.729 |
| Fair value reserve | | **126.576.929** | 136.242.341 |
| Revenue reserve | | **17.235.700** | 17.235.700 |
| Other reserves | | **(15.032)** | (15.032) |
| Retained earnings | | **82.150.280** | 92.523.470 |
| | | **285.969.285** | 306.007.887 |
| **Non-controlling interest** | | **15.077.357** | 23.836.824 |
| **Total equity** | | **301.046.642** | 329.844.711 |
| **Non-current liabilities** | | | |
| Provisions | 30 | **-** | 1.904.762 |
| Deferred tax liabilities | 28 | **66.215.116** | 65.732.801 |
| Borrowings | 27 | **59.679.209** | 54.360.984 |
| | | **125.894.325** | 121.998.547 |

# The Cyprus Cement Public Company Limited

## Consolidated balance sheet at 31 December 2012 (continued)

| | Note | **2012 €** | 2011 € |
|---|---|---|---|
| **Current liabilities** | | | |
| Provisions | 30 | **1.181.653** | - |
| Trade and other payables | 29 | **5.356.879** | 5.508.846 |
| Current tax liabilities | | **27.053** | 1.498 |
| Borrowings | 27 | **18.759.968** | 20.400.358 |
| | | **25.325.553** | 25.910.702 |
| **Total liabilities** | | **151.219.878** | 147.909.249 |
| **Total equity and liabilities** | | **452.266.520** | 477.753.960 |

On 29 April 2013 the Board of Directors of The Cyprus Cement Public Company Limited authorised these financial statements for issue.

George St. Galatariotis, Executive Chairman

Vassos G. Lazarides, Finance Director

The notes on pages 24 to 77 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

## Company's balance sheet at 31 December 2012

| | Note | 2012 € | 2011 € |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **-** | 16.683 |
| Investment property | 17 | **270.500.000** | 270.780.330 |
| Investments in subsidiaries | 20 | **30.983.682** | 39.783.682 |
| Investments in associates | 19 | **52.597.405** | 52.597.405 |
| Non-current receivables | 21 | **-** | 534.845 |
| | | **354.081.087** | 363.712.945 |
| **Current assets** | | | |
| Trade and other receivables | 24 | **3.490.804** | 2.854.885 |
| Tax refundable | | **-** | 334.986 |
| Cash and cash equivalents | 25 | **537** | 5.893 |
| | | **3.491.341** | 3.195.764 |
| **Total assets** | | **357.572.428** | 366.908.709 |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Share capital | 26 | **59.172.679** | 59.172.679 |
| Share premium | 26 | **910.103** | 910.103 |
| Fair value reserve | | **113.967.992** | 113.967.992 |
| Revenue reserve | | **17.282.506** | 17.282.506 |
| Retained earnings | | **94.741.555** | 105.528.279 |
| | | **286.074.835** | 296.861.559 |
| **Non-current liabilities** | | | |
| Borrowings | 27 | **11.981.625** | 8.474.068 |
| Provisions | 30 | **-** | 1.904.762 |
| Deferred tax liabilities | 28 | **53.565.714** | 53.471.683 |
| | | **65.547.339** | 63.850.513 |
| **Current liabilities** | | | |
| Provisions | 30 | **1.181.653** | - |
| Trade and other payables | 29 | **256.739** | 131.014 |
| Current tax liabilities | | **2.320** | - |
| Borrowings | 27 | **4.509.542** | 6.065.623 |
| | | **5.950.254** | 6.196.637 |
| **Total liabilities** | | **71.497.593** | 70.047.150 |
| **Total equity and liabilities** | | **357.572.428** | 366.908.709 |

On 29 April 2013 the Board of Directors of The Cyprus Cement Public Company Limited authorised these financial statements for issue.

George St. Galatariotis
Executive Chairman

Vassos G. Lazarides
Finance Director

The notes on pages 24 to 77 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

# Consolidated statement of changes in equity for the year ended 31 December 2012

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium [(2)] | Fair value reserve [(2)] | Other reserves [(2)] | Revenue reserve | Retained earnings[(1)] | Total equity | Non-controlling interest | Total |
| | € | € | € | € | € | € | € | € | € |
| **Balance at 1 January 2011** | 59.172.679 | 848.729 | 135.880.942 | (15.032) | 17.235.700 | 97.212.225 | 310.335.243 | 24.976.833 | 335.312.076 |
| **Comprehensive income** | | | | | | | | | |
| Loss for the year | - | - | - | - | - | (4.639.025) | (4.639.025) | (1.144.401) | (5.783.426) |
| **Other comprehensive income** | | | | | | | | | |
| Share of fair value and other reserves of associated companies (Note 19) | - | - | 310.684 | - | - | - | 310.684 | - | 310.684 |
| Deferred tax adjustment (Note 28) | - | - | 50.715 | - | - | - | 50.715 | 24.654 | 75.369 |
| Total other comprehensive income | - | - | 361.399 | - | - | - | 361.399 | 24.654 | 386.053 |
| Total comprehensive income for the year 2011 | - | - | 361.399 | - | - | (4.639.025) | (4.277.626) | (1.119.747) | (5.397.373) |
| **Transactions with owners** | | | | | | | | | |
| Defence on deemed dividend distribution | - | - | - | - | - | (49.730) | (49.730) | (20.262) | (69.992) |
| Total transactions with owners | - | - | - | - | - | (49.730) | (49.730) | (20.262) | (69.992) |
| **Balance at 31 December 2011** | 59.172.679 | 848.729 | 136.242.341 | (15.032) | 17.235.700 | 92.523.470 | 306.007.887 | 23.836.824 | 329.844.711 |

# The Cyprus Cement Public Company Limited

# Consolidated statement of changes in equity for the year ended 31 December 2012 (continued)

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium[(2)] | Fair value reserve [(2)] | Other reserves [(2)] | Revenue reserve | Retained earnings[(1)] | Total equity | Non-controlling interest | Total |
| | € | € | € | € | € | € | € | € | € |
| **Balance at 1 January 2012** | 59.172.679 | 848.729 | 136.242.341 | (15.032) | 17.235.700 | 92.523.470 | 306.007.887 | 23.836.824 | 329.844.711 |
| **Comprehensive income** | | | | | | | | | |
| Loss for the year | - | - | - | - | - | (9.916.804) | (9.916.804) | (2.306.545) | (12.223.349) |
| **Other comprehensive income** | | | | | | | | | |
| Share of fair value and other reserves of associated companies (Note 19) | - | - | 3.355.539 | - | - | - | 3.355.539 | - | 3.355.539 |
| Deferred tax adjustment (Note 28) | - | - | 2.883.691 | - | - | - | 2.883.691 | 1.401.776 | 4.285.467 |
| Reversal of revaluation gain of land and buildings/ Transfer of excess depreciation to retained earnings | - | - | (15.904.642) | - | - | 323.048 | (15.581.594) | (7.573.616) | (23.155.210) |
| Total other comprehensive income | - | - | (9.665.412) | - | - | 323.048 | (9.342.364) | (6.171.840) | (15.514.204) |
| Total comprehensive income for the year 2012 | - | - | (9.665.412) | - | - | (9.593.756) | (19.259.168) | (8.478.385) | (27.737.553) |
| **Transactions with owners** | | | | | | | | | |
| Defence on deemed dividend distribution | - | - | - | - | - | (276) | (276) | (240) | (516) |
| Acquisition of minority interest (Note 20) | - | - | - | - | - | (779.158) | (779.158) | (280.842) | (1.060.000) |
| Total transactions with owners | - | - | - | - | - | (779.434) | (779.434) | (281.082) | (1.060.516) |
| **Balance at 31 December 2012** | 59.172.679 | 848.729 | 126.576.929 | (15.032) | 17.235.700 | 82.150.280 | 285.969.285 | 15.077.357 | 301.046.642 |

# The Cyprus Cement Public Company Limited

## Consolidated statement of changes in equity for the year ended 31 December 2012 (continued)

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The special contribution for defence rate increased to 17% in respect of profits of year of assessment 2009, and to 20% in respect of profits of years of assessment 2010 and 2011. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

(2) The share premium reserve, the fair value reserve and other reserves are not available for distribution in the form of dividends.

The notes on pages 24 to 77 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

# Company's statement of changes in equity for the year ended 31 December 2012

| | Share capital € | Share premium (2) € | Fair value reserve (2) € | Revenue reserve € | Retained earnings (1) € | Total € |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2011** | 59.172.679 | 910.103 | 113.967.992 | 17.282.506 | 106.227.196 | 297.560.476 |
| **Comprehensive income** | | | | | | |
| Loss for the year | - | - | - | - | (698.917) | (698.917) |
| Total comprehensive income for the year 2011 | - | - | - | - | (698.917) | (698.917) |
| **Balance at 31 December 2011/ 1 January 2012** | 59.172.679 | 910.103 | 113.967.992 | 17.282.506 | 105.528.279 | 296.861.559 |
| **Comprehensive income** | | | | | | |
| Loss for the year | - | - | - | - | (10.786.724) | (10.786.724) |
| Total comprehensive income for the year 2012 | - | - | - | - | (10.786.724) | (10.786.724) |
| **Balance at 31 December 2012** | 59.172.679 | 910.103 | 113.967.992 | 17.282.506 | 94.741.555 | 286.074.835 |

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defense of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defense at 15% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The special contribution for defense rate increased to 17% in respect of profits of year of assessment 2009, and to 20% in respect of profits of years of assessment 2010 and 2011. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defense is paid by the Company for the account of the shareholders.

(2) The share premium reserve and the fair value reserve are not available for distribution in the form of dividends.

The notes on pages 24 to 77 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

# Consolidated statement of cash flows for the year ended 31 December 2012

| | Note | 2012 € | 2011 € |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | **(7.057.862)** | (5.795.714) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 16 | **1.916.043** | 1.533.756 |
| Loss on sale of property, plant and equipment | 6 | **38.539** | 3.500 |
| Impairment of property, plant and equipment | 6 | **-** | 1.750 |
| Impairment of other assets | 6 | **-** | 7.000 |
| Impairment of goodwill | | **2.564.749** | - |
| Adjustment of provision for the dismantling of machinery and equipment | 30 | **(479.762)** | 90.703 |
| Provision for bad debts | 24 | **27.726** | - |
| Reversal of impairment loss on trade receivables | 24 | **(16.661)** | (177.734) |
| Interest income | 7 | **(508.926)** | (51.696) |
| Interest expense | 11 | **4.396.558** | 4.005.111 |
| Share of loss of associates | 19 | **124.476** | 297.022 |
| Exchange losses on borrowings | | **103.832** | 720.510 |
| Fair value losses of investment property | 6 | **160.000** | - |
| | | **1.268.712** | 634.208 |
| Changes in working capital: | | | |
| Inventories | | **67.783** | 1.692.551 |
| Trade and other receivables | | **(743.935)** | 242.991 |
| Trade and other payables | | **(395.314)** | 680.860 |
| **Cash generated from operations** | | **197.246** | 3.250.610 |
| Tax paid | | **(34.780)** | (196.135) |
| **Net cash from operating activities** | | **162.466** | 3.054.475 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | 16 | **(740.880)** | (271.946) |
| Interest received | | **17.462** | 51.696 |
| Proceeds from sale of investment property | | **-** | 230.000 |
| Dividends received from associated companies | 19 | **-** | 272.997 |
| Proceeds from sale of property, plant and equipment | 16 | **94.078** | 66.301 |
| Additions in investment property | 17 | **(103.021)** | (100.330) |
| **Net cash (used in)/from investing activities** | | **(732.361)** | 248.718 |

# The Cyprus Cement Public Company Limited

## Consolidated statement of cash flows for the year ended 31 December 2012 (continued)

| | Note | **2012 €** | 2011 € |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Repayments of bank borrowings | | **(2.860.778)** | (3.417.715) |
| Proceeds from new borrowings | | **7.773.473** | 945.000 |
| Interest paid | | **(4.265.895)** | (2.715.991) |
| **Net cash used in financing activities** | | **646.800** | (5.188.706) |
| **Net increase/(decrease) in cash, cash equivalents and bank overdrafts** | | **76.905** | (1.885.513) |
| **Cash, cash equivalents and bank overdrafts at beginning of year** | | **(11.427.191)** | (9.541.678) |
| **Cash, cash equivalents and bank overdrafts at end of year** | 25 | **(11.350.286)** | (11.427.191) |

The notes on pages 24 to 77 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

## Company's statement of cash flows for the year ended 31 December 2012

| | Note | **2012 €** | 2011 € |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss profit before tax | | **(10.376.893)** | (719.486) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 16 | **16.683** | 16.558 |
| Dividend income | 7 | **(272.997)** | (272.997) |
| Interest income | 7 | **(185.633)** | (189.413) |
| Interest expense | 11 | **849.180** | 710.828 |
| Fair value losses of investment property | 17 | **1.094.981** | - |
| Impairment of investment in subsidiary | 20 | **8.800.000** | - |
| Adjustment of provision for dismantling of machinery and equipment | | **(479.762)** | 90.703 |
| | | **(554.441)** | (363.807) |
| Changes in working capital: | | | |
| Trade and other receivables | | **(362.922)** | (782.016) |
| Trade and other payables | | **(113.712)** | (362.884) |
| **Cash used in operations** | | **(1.031.075)** | (1.508.707) |
| Tax refunded/(paid) | | **16.866** | (187.691) |
| **Net cash from operating activities** | | **(1.014.209)** | (1.696.398) |
| **Cash flows from investing activities** | | | |
| Additions in investment property | 17 | **(814.651)** | (780.330) |
| Interest received | 7 | **185.633** | 189.413 |
| Dividends received | | **-** | 272.997 |
| Repayment of borrowings to related parties | 21 | **534.845** | - |
| **Net cash used in investing activities** | | **(94.173)** | (317.920) |
| **Cash flows from financing activities** | | | |
| Repayments of bank borrowings | | **(460.658)** | - |
| Proceeds from new borrowings | | **4.273.473** | 1.379.005 |
| Interest paid | 11 | **(849.180)** | (710.828) |
| **Net cash used in financing activities** | | **2.963.635** | 668.177 |
| **Net increase/ (decrease) in cash, cash equivalents and bank overdrafts** | | **1.855.253** | (1.346.141) |
| **Cash, cash equivalents and bank overdrafts at beginning of year** | | **(3.540.258)** | (2.194.117) |
| **Cash, cash equivalents and bank overdrafts at end of year** | 25 | **(1.685.005)** | (3.540.258) |

The notes on pages 24 to 77 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

# Notes to the financial statements

## 1 General information

### Country of incorporation

The Cyprus Cement Public Company Limited (the "Company") was incorporated in Cyprus in 1951, as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113 and later became a public company. The Company is listed on the Cyprus Stock Exchange. Its registered office is at Moni, 4525, Limassol, Cyprus.

### Principal activities

The principal activities of the Company and the Group, are the development/exploitation of land and the undertaking of strategic investments in companies operating in hotel and tourism industry and in the manufacturing and sale of cement and related business.

### Operating environment of Cyprus

The Cyprus economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. During 2012 there was a considerable tightening of financing availability from Cypriot financial institutions, mainly resulting from financial instability in relation to the Greek sovereign debt crisis, including the impairment of Greek Government Bonds, and its impact on the Cyprus economy. In addition, following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly affected. The Cyprus government entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund, in order to obtain financial support.

Cyprus and the Eurogroup (together with the International Monetary Fund) reached an agreement on 25 March 2013 on the key elements necessary for a future macro-economic adjustment programme which includes the provision of financial assistance to the Republic of Cyprus of up to €10 billion. The programme aims to address the exceptional economic challenges that Cyprus is facing and to restore the viability of the financial sector, with the view of restoring sustainable economic growth and sound public finances over the coming years. The Eurogroup decision on Cyprus includes plans for the restructuring of the financial sector and safeguards deposits below € 100.000 in accordance with EU legislation. More specifically, the measures entailed the split of Laiki bank into a good (depositors with amounts up to €100k) and bad bank (depositors with amounts over €100k); and a conversion of certain percentage of uninsured deposits (amounts over €100.000) on Bank of Cyprus depositors into equity instruments. In addition the corporate tax rate from 1st of January 2013, increases from 10% to 12,5%.

Further, the Cypriot authorities have reaffirmed their commitment to step up efforts in the areas of fiscal consolidation, structural reforms and privatisation. The Eurogroup requested the Cypriot authorities and the European Commission, in liaison with the European Central Bank, and the International Monetary Fund to finalise the Memorandum of Understanding in April 2013 which will then be followed by the formal approval of the Board of Directors of the European Stability Mechanism as well as by the ratification by Eurozone member states through national parliamentary (or equivalent) approvals.

## 1 General information (continued)

### Operating environment of Cyprus (continued)

On 12 April 2013 the Eurogroup welcomed the agreement that has been reached between Cyprus and the Troika institutions regarding the macro-economic adjustment programme for Cyprus and stated that the necessary elements were in place to launch the relevant national procedures required for the formal approval of the European Stability Mechanism financial assistance facility agreement.

On 22 March 2013 the House of Representatives voted legislation relating to capital controls affecting transactions executed through banking institutions operating in Cyprus. The extent and duration of the capital controls is decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and were enforced on 28 March 2013.

The uncertain economic conditions in Cyprus, the unavailability of financing, the imposition of the above mentioned capital controls together with the current instability of the banking system and the anticipated overall economic recession, could affect (1) the ability of the Group and the Company to obtain new borrowings or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions, (2) the ability of the Group's and the Company's trade and other debtors to repay the amounts due to the Group and Company and (3) the ability of the Group and the Company to sell its existing inventories or enter into contracts for the development of new property units / the ability of the company to generate sufficient turnover, to sell its existing inventories and/or offer its services to customers.

The deterioration of operating conditions could also have an impact on the cash flow forecasts of the Company's management and their assessment of impairment of financial and non-financial assets.

The Group's and the Company's management has assessed:

(1) whether any impairment provisions are deemed necessary for the Company's financial assets carried at amortised cost by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables are determined using the incurred loss model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

(2) The ability of the Company to continue as a going concern (Note 2).

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

It is expected that market prices in the real estate sector will be reduced significantly. The Board of Directors expects that the fair value of immovable property owned, will be significantly affected. Given the existing uncertainty the impact cannot be measured reliably at this stage.

## 1 General information (continued)

### Operating environment of Cyprus (continued)

The Group held bank deposits, at 26 March 2013, in Bank of Cyprus amounting to €330.375 that related to the share of the Group of the bank deposits of the L'Union Branded Residences Joint Venture. The effect on the Group is not expected to be significant.

On the basis of the evaluation performed, the management of the Group and Company has concluded that no additional provisions or impairment charges are necessary as at 31 December 2012.

The management of the Group and the Company believes that it is taking all the necessary measures to maintain the viability of the Group and the Company and the development of its business in the current business and economic environment.

## 2 Summary of significant accounting policies

The principal accounting policies applied 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.

### Basis of preparation

The consolidated financial statements of The Cyprus Cement Public Company Limited and its subsidiaries and the separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2012 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation in fair value of land and buildings, investment property and available-for-sale financial 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 Company's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

## 2 Summary of significant accounting policies (continued)

### Going concern

During the year ended 31 December 2012, the Group incurred a loss of €12.223.349 (2011: €5.783.426) and as at 31 December 2012, its current liabilities exceeded its current assets by €19.797.921 (2011: €19.020.898). The availability and accessibility of liquid assets (cash) that will allow the Group to repay its liabilities promptly are important factors in the assessment of the Group to apply the going concern basis for the preparation of the consolidated financial statements.

The financial conditions described in Note 1, together with the effects of the results of the Eurogroup decision taken on 25 March 2013 for Cyprus, could have adverse impact on the valuation of the Group's property, on its ability to secure adequate liquidity or financing, and on the revenue due to a potential decrease in demand for products and services offered by the Group due to reduced consumer purchasing power. The deterioration in operating conditions could also have an impact on the cash flow forecasts of the Group's management and their assessment for the impairment of financial and non-financial assets.

The consolidated and seperate financial statements have been prepared on a going concern basis, which provides the realization of assets and fulfilment of liabilities in the normal course of business. Therefore, the financial statements do not include any adjustments relating to the recovery of assets and the amount and classification of liabilities or any other adjustments that may be necessary.

The Group's management believes that the preparation of these consolidated financial statements and separate financial statements on a going concern basis is appropriate for the following reasons:

(i) During the year 2013, the management of the subsidiary company secured an increase of its overdraft limit for further €2.000.000 to cover possible liquidity needs until September 2013, and also a deferral of loan instalments in the amount of €2,8 million, which are presented within current liabilities as at 31 December 2012.

(ii) The Group's management, on the basis of the actual results of the first months of 2013, the forecasted financial results and cash flows and the factors referred to in paragraph (i) above, expects that the Group will be in a position to have the necessary cash flows to fulfill its liabilities under the normal course of business.

(iii) Historically, the Group was able to raise the necessary liquidity from financial institutions in Cyprus. Based on a valuation conducted from independent professional valuers in February 2013, the market value of the immovable property held, exceeds the levels of the Group's borrowings and the Group's management is of the opinion that it will be able to secure liquidity in the future, if necessary.

(iv) Although the management of the Group is unable to predict all the developments which could have an impact on the economy of Cyprus and consequently what effect, if any, these could have on the future financial performance, cash flows and financial position of the Group, positive developments may arise in relation to the tourism industry such as the potential reduction of operating costs (cost of energy, personnel and other goods) as well as decreases in borrowing interest rates. At the same time, as a result of collective effort, there may be an increase in the tourist arrivals in Cyprus. All the above would have a positive impact on the Group's results.

## 2 Summary of significant accounting policies (continued)

### Adoption of new and revised IFRSs

During the current year the Company and the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2012. This adoption did not have a material effect on the accounting policies of the Company and the Group.

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

- Amendment to IAS 12, “Income Taxes” on deferred tax. IAS 12, ‘Income taxes’, currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, “Investment Property”. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, ‘Income Taxes - recovery of revalued non-depreciable assets’, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. This amendment is effective for annual periods beginning on or after 1 January 2013.

- IFRS 9, ‘Financial instruments’. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The standard is effective for annual periods beginning on or after 1 January 2015 and has not yet been endorsed by the European Union.

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

## 2 Summary of significant accounting policies (continued)

### Adoption of new and revised IFRSs (continued)

- IFRS 11, “Joint Arrangements”. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The standard is effective for annual periods beginning on or after 1 January 2014.
- IFRS 12, “Disclosures of Interests in Other Entities”. IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is effective for annual periods beginning on or after 1 January 2014.
- IFRS 13, “Fair Value Measurement”. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The standard is effective for annual periods beginning on or after 1 January 2013.

### Consolidated financial statements

The consolidated financial statements include the financial statements of The Cyprus Cement Public Company Limited (the “Company”), its subsidiary companies and it’s associated company, which are collectively referred to as the “Group”.

### (1) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group’s voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

## 2 Summary of significant accounting policies (continued)

### Consolidated financial statements (continued)

### (1) Subsidiaries (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profit and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

## 2 Summary of significant accounting policies (continued)

**Consolidated financial statements (continued)**

### (2) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

### (3) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition net of any accumulated impairment losses.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates’ post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary, to ensure consistency with the accounting policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in profit or loss.

After application of the equity method, including recognising the associates’ losses, the carrying amount of the investment in associate which includes the goodwill arising on acquisition is tested for impairment by comparing its recoverable amount with its carrying amount whenever there is an indication of impairment and recognizes the amount adjacent to 'share of profit/(loss)' of associates in the profit or loss.

### (4) Joint ventures

Joint ventures that include creating a separate entity (company, partnership or other entity), in which each member has an interest, are referred to as jointly controlled entities.

## 2 Summary of significant accounting policies (continued)

### Consolidated financial statements (continued)

### (4) Joint ventures (continued)

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

### Separate financial statements of the Company

### (1) Subsidiaries

Subsidiaries are those companies and other entities (including special purpose entities) in which the Company directly or indirectly, has an interest of more than one half of the voting rights, or otherwise has the power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Company controls another entity.

Investments in subsidiaries are measured at cost less impairment. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

### (2) Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are measured at cost less impairment. Investments in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

## 2 Summary of significant accounting policies (continued)

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors of the Group (the chief operating decision-maker). The Board of Directors, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

### Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for the sale of goods and services in the ordinary course of the Group’s and Company's activities, net of value added taxes, returns and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenues earned by the Company are recognised on the following bases:

**(i) Sales of goods**

Sales of goods are recognized when significant risks and rewards of ownership of the goods have been transferred to the customer. This is usually when the Group and the Company has sold or delivered goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured. The sale of food and beverages from the restaurants and bars of the hotels are recognised at the time the invoice is issued to the customer which involves the delivery of goods from the Company and their acceptance by the customer.

**(ii) Sales of services**

Sales of services relate mostly to the accommodation services in the hotel of the Group and they are recognized in the accounting period that the services are offered. A transaction that relates to an accommodation services in a hotel is assumed to be completed at the end of each chargeable night and is recognized on a daily basis. Other sale of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

**(iii) Interest income**

Interest income is recognised on a time proportion basis using the effective interest method. When a loan or receivable is impaired, the Company/Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

## 2 Summary of significant accounting policies (continued)

**Revenue recognition (continued)**

**(iv) Rental income**

Rental income arising on operating leases is recognised on a straight line basis over the lease term.

**(v) Dividend income**

Dividend income is recognised when the right of the Company/Group to receive payment is established.

**Employee benefits**

**(i) Social insurance contributions**

The Group and the employees contribute to the Government Social Insurance Fund based on employees’ salaries. The scheme is funded by payments from employees and by the Group. The Group’s contributions are expensed as incurred and are included in staff costs. The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(ii) Defined contributions plans**

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. The Group contributes to the Provident Fund of its employees and to the Provident Fund of its management team which are defined contribution plans. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss when they are due. The subsidiary company also 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.

**Foreign currency translation**

**(i) Functional and presentation currency**

Items included in the Group’s and Company's financial statements are measured using the currency of the primary economic environment in which the Group and Company operate (“the functional currency”). The financial statements are presented in Euro (€), which is the Group’s and Company's functional and presentation currency.

## 2 Summary of significant accounting policies (continued)

**Foreign currency translation (continued)**

**(ii) Transactions and balances**

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

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss within “finance costs”. All other foreign exchange gains and losses are presented in profit or loss within “other (losses )/gains – net”.

**Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

## 2 Summary of significant accounting policies (continued)

### Current and deferred income tax (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Grop and the Company where there is an intention to settle the balances on a net basis.

No deferred tax is recognised for investments in subsidiaries and associates as the profits on sale of securities are not taxable.

### Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

### Property, plant and equipment

Land and buildings comprising mainly of a hotel, are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Revaluations are carried out with sufficient regularity to ensure that the carrying amount at the balance sheet date does not differ materially from that which would be determined using fair value at the balance sheet date. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

Buildings and equipment developed on leased land are depreciated over the shorter of their estimated useful lives and the lease period.

Land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight line method to allocate their cost or revalued amounts to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

| | |
|---|---|
| Buildings | 25 to 50 years |
| Plant and machinery | 10 to 20 years |
| Motor vehicles | 5 to 8 years |
| Furniture and fittings | 3 to 20 years |
| Cutlery and linen | 4 years |

## 2 Summary of significant accounting policies (continued)

### Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group/Company and the cost of the asset can be measured reliably.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in "other (losses)/gains – net" in profit or loss.

When revalued assets are sold, the amounts included in the other reserves are transferred to retained earnings.

### Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

### Investment property

Investment property mainly consists of land held for capital appreciation. Investment property is carried at fair value, representing open market value determined annually by external valuers.

### Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

## 2 Summary of significant accounting policies (continued)

**Goodwill (continued)**

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

**Impairment of non financial assets**

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

**Financial assets**

**(i) Classification**

The Company and the Group classify their financial assets in the following categories: available for sale financial assets and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- **Loans and receivables**

  Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Company's/ Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet.

- **Available for sale financial assets**

  Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets, unless Management intends to dispose of the investment within twelve months of the balance sheet date.

## 2 Summary of significant accounting policies (continued)

### Financial assets (continued)

#### (ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date which is the date on which the Group and the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company has transferred substantially all risks and rewards of ownership.

Available for sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as “gains and losses on available-for-sale financial assets”.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in profit or loss as part of other income when the Company's right to receive payments is established.

#### (iii) Impairment of financial assets

The Group and the Company assess at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

## 2 Summary of significant accounting policies (continued)

### Financial assets (continued)

#### (iii) Impairment of financial assets (continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

### Properties under development

Properties under development comprise of land under development and is stated at the lower of cost and net realisable value.

### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## 2 Summary of significant accounting policies (continued)

### Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within ‘selling and marketing costs’. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against ‘selling and marketing costs’ in profit or loss.

### Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

### Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2 Summary of significant accounting policies (continued)

### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment (for liquidity services) and amortised over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Group/Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Group and the Company and the costs can be measured reliably.

Borrowings are classified as current liabilities, unless the Group and the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### Cash and cash equivalents

In the statement of cashflows, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less and bank overdrafts. In the balance sheet bank overdrafts are shown within borrowings in current liabilities.

## 3 Financial risk management

### (i) Financial risk factors

The Company's and Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. Risk management is carried out by the Board of Directors.

- **Market risk**

**Foreign exchange risk**

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's and Company's functional currency.

The Company is not exposed to foreign exchange risk as there were no transactions or balances in foreign currency.

The Group is exposed to foreign exchange risk arising from transactions or balances denominated mainly in Swiss Francs. Foreign exchange risk arises mainly from the Group's borrowings.

At 31 December 2012, if the Euro had weakened/strengthened by 5% (2011: 8%) against the Swiss Francs with all other variables held constant, post-tax loss for the Group would not have been significant.

The Board of Directors does not have a policy of hedging foreign exchange risk exposure. The Board of Directors monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

**Price risk**

The Group and the Company are exposed to equity securities price risk because of investments held and classified on the consolidated balance sheet as available for sale. The Company/the Group are not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company and the Group monitor the diversification of its portfolio.

The equity investments of the Company/Group that are publicly traded are included in the Cyprus Stock Exchange General Index.

## 3 Financial risk management (continued)

### (i) Financial risk factors (continued)

- **Market risk (continued)**

**Cash flow interest rate risk**

The Group and the Company have interest bearing assets, which mainly represent cash held at bank and receivables from related companies. These balances bear interest at market variable rates. Any changes in market rates would not have significant effect to the loss for the year.

The Group's and Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company and the Group to cash flow interest rate risk. The Board of Directors monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At 31 December 2012, if interest rates on Euro and Swiss Francs denominated borrowings fluctuated as described below, with all other variables held constant, the post tax loss for the year would have been affected as presented in the table below:

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **Interest rate higher/lower** | **Effect on loss for the year** | **Interest rate higher/lower** | **Effect on loss for the year** |
| | % | | % | |
| **2012** | | | | |
| Euro | 0,5 | €334.972 higher/lower | 0,5 | €74.210 higher/lower |
| Swiss franc | 0,5 | €19.574 higher/lower | 0,5 | €- higher/lower |
| **2011** | | | | |
| Euro | 0,5 | €261.794 higher/lower | 0,5 | €65.429 higher/lower |
| Swiss franc | 0,5 | €70.454 higher/lower | 0,5 | €- higher/lower |

The effect on loss for the year is a result of higher/lower interest expense on floating rate borrowings.

- **Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B' are accepted. See Note 15 for further disclosure on credit risk.

The management does not expect any losses from non performance by these counterparties.

## 3 Financial risk management (continued)

### (i) Financial risk factors (continued)

- **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Board of Directors maintains flexibility in funding by maintaining availability under committed credit lines.

The Board of Directors monitors rolling forecasts of the Company's and Group's liquidity reserve (comprises undrawn borrowing facility (Note 27) and cash and cash equivalents (Note 25)) on the basis of expected cash flow.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months (with the exception of borrowings) equal their carrying balances as the impact of discounting is not significant.

**The Group**

| | Less than 1 year € | 1 to 2 years € | 2 to 5 years € | Over 5 years € |
|---|---|---|---|---|
| **At 31 December 2012** | | | | |
| Borrowings | 25.785.416 | 16.730.659 | 24.235.618 | 27.026.000 |
| Trade and other payables | 5.356.879 | - | - | - |
| | 31.142.295 | 16.730.659 | 24.235.618 | 27.026.000 |
| **At 31 December 2011** | | | | |
| Borrowings | 23.124.564 | 6.576.074 | 21.135.419 | 41.520.000 |
| Trade and other payables | 5.508.846 | - | - | - |
| | 28.633.410 | 6.576.074 | 21.135.419 | 41.520.000 |

**The Company**

| | Less than 1 year € | 1 to 2 years € | 2 to 5 years € |
|---|---|---|---|
| **At 31 December 2012** | | | |
| Borrowings | 7.526.979 | 2.597.545 | 8.881.184 |
| Trade and other payables | 256.739 | - | - |
| | 7.783.718 | 2.597.545 | 8.881.184 |
| **At 31 December 2011** | | | |
| Borrowings | 6.962.757 | 1.640.004 | 7.181.056 |
| Trade and other payables | 131.014 | - | - |
| | 7.093.771 | 1.640.004 | 7.181.056 |

## 3 Financial risk management (continued)

### (ii) Capital risk management

The Company's/Group's objectives when managing capital are to safeguard the Company's/Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders of the Company/Group and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company/the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios at 31 December 2012 and 2011 were as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Total borrowings (Note 27) | **78.439.177** | 74.761.342 | **16.491.167** | 14.539.691 |
| Less: cash and cash equivalents (Note 25) | **(508.331)** | (1.720.146) | **(537)** | (5.893) |
| Net debt | **77.930.846** | 73.041.196 | **16.490.630** | 14.533.798 |
| Total equity | **301.046.642** | 329.844.711 | **286.074.835** | 296.861.559 |
| Total capital as defined by management | **378.977.488** | 402.885.907 | **302.565.465** | 311.395.357 |
| Gearing ratio | **21%** | 18% | **5%** | 5% |

The increase in the gearing ratios during 2012 was mainly due to borrowings received during the year for financing the working capital needs of the Group.

### (iii) Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company/Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The Company/Group uses mainly estimated discounted cash flow models to determine the fair value for the financial instruments which are not traded in an active market.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group/Company for similar financial instruments.

## 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (i) Critical accounting estimates and assumptions

The Company/Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Fair value of property, plant and equipment**

  The fair value of property, plant and equipment is based on valuations carried out by external, independent professional valuers, who hold recognised and relevant professional qualifications, and have recent experience of the location and category of the property under valuation. The best evidence of fair value is the current price in an active market for similar assets. In the absence of such information, the Group determines the fair value with reasonable fair value estimates. In making its judgements, the management of the Group considers information from a variety of sources including the prices of recent transactions of comparable assets, the capitalisation of profit method which is based on the net annual profits of the hotel and the fair value method based on gross operating income (G.O.P) (Note 16).

- **Fair value of investment property**

  The fair value of investment property is based on valuations carried out by external, independent professional valuers, who hold recognised and relevant professional qualifications, and have relevant experience of the location and category of the investment property under valuation. The estimates were based primarily on comparable sale prices from recent transactions for similar assets adjusted with assumptions to reflect the special nature and the uniqueness of the investment property.

  The key assumptions used for estimating the fair value of investment property include:

  - Implementation of the provisions of the Local Development Plan.

  - Estimates for the net buildable square meters for the implementation of infrastructure works.

  Any negative changes in the above key assumptions would lead to a significant decrease in the fair value of the investment property.

  If the assumptions used in estimating the fair value of the investment property differ by 15% from the management's estimates, the carrying value of the investment property would have been €40.575.000 lower or higher.

## 5 Segment information

As per management approach in relation to IFRS 8, the operating segments are presented in accordance with the internal reporting provided to the Board of Directors (the chief operating decision-maker), which is responsible for allocating resources and assessing performance of the operating segment. All operating segments used by the Group, meet the definition of a reportable segment as per IFRS 8.

The basic operating segments of the Group for which segment information is presented are as follows:

(1) Investment property

(2) Hotel and tourism

(3) Cement - strategic investment in Vassiliko Cement Work Public Company Limited

The segment “other” activities of the Group relates mainly to secretarial and management services provided to related companies of the Group.

The Board of Directors of the Group assesses the performance of the operating segments based on a measure of EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are not allocated to segments. Other information presented, is accounted as per the financial statements.

The segment information provided to the management of the Group for the reportable segments is as follows:

**For the year ended 31 December 2012**

| | Hotel and Tourism<br>€ | Investment property<br>€ | Cement<br>€ | Other<br>€ | Total<br>€ |
|---|---|---|---|---|---|
| Segment revenue | 20.771.799 | - | - | 727.379 | 21.499.178 |
| EBITDA | 3.070.966 | 383.953 | - | (1.264.585) | 2.190.334 |
| Depreciation, impairment and fair value losses | 1.859.533 | 160.000 | - | 56.510 | 2.076.043 |
| Income tax charge | (4.755.253) | (375.679) | - | (34.555) | (5.165.487) |
| Share of loss from associates | - | - | (124.476) | - | (124.476) |
| **Total segment assets** | 123.355.223 | 271.903.351 | 55.799.131 | 1.205.967 | 452.263.672 |
| Total assets includes: | | | | | |
| Investments in associates | - | - | 55.799.131 | - | 55.799.131 |
| Additions to non-current assets | 662.435 | 103.022 | - | 78.445 | 843.902 |
| **Total segment liabilities** | 77.256.125 | 71.489.055 | - | 2.447.645 | 151.192.825 |

## 5 Segment information (continued)

### For the year ended 31 December 2011

| | Hotel and Tourism € | Investment property € | Cement € | Other € | Total € |
|---|---|---|---|---|---|
| Segment revenue | 21.225.048 | - | - | 647.214 | 21.872.262 |
| EBITDA | 1.634.348 | (1.134.510) | - | 8.033 | 507.871 |
| Depreciation and impairment | 1.482.916 | - | - | 63.090 | 1.546.006 |
| Income tax (charge)/credit | - | 20.569 | - | (8.281) | 12.288 |
| Share of loss of associates | - | - | (297.022) | - | (297.022) |
| **Total segment assets** | 147.569.225 | 276.828.097 | 52.841.065 | 169.198 | 477.407.585 |
| Total assets includes: | | | | | |
| Investments in associates | - | - | 52.841.065 | - | 52.841.065 |
| Additions to non-current assets | 270.427 | 100.330 | - | 1.519 | 372.276 |
| **Total segment liabilities** | 75.562.252 | 72.229.714 | - | 115.786 | 147.907.752 |

### Reconciliation of segment results

A reconciliation of EBITDA to loss before tax is provided as follows:

| | **2012 €** | 2011 € |
|---|---|---|
| EBITDA | **2.190.334** | 507.871 |
| Depreciation, impairment and fair value losses | **(2.190.351)** | (1.546.006) |
| Interest income | **17.462** | 51.696 |
| Impairment of goodwill (Note 18) | **(2.564.749)** | - |
| Operating loss | **(2.432.996)** | (986.439) |
| Finance costs and foreign exchange losses (Note 11) | **(4.500.390)** | (4.512.253) |
| Share of loss of associates (Note 19) | **(124.476)** | (297.022) |
| Loss before tax | **(7.057.862)** | (5.795.714) |

### Reconciliation of segment assets and liabilities

Reportable segments' assets are reconciled to total assets as follows:

| | **2012 €** | 2011 € |
|---|---|---|
| Segment assets for reportable segments | **452.263.672** | 477.407.585 |
| **Unallocated assets:** | | |
| Available-for-sale financial assets | **2.848** | 2.848 |
| Tax refundable | **-** | 343.527 |
| **Total assets as per consolidated balance sheet** | **452.266.520** | 477.753.960 |

## 5 Segment information (continued)

Reportable segments' liabilities are reconciled to total liabilities as follows:

| | 2012 € | 2011 € |
|---|---|---|
| Segment liabilities for reportable segments | **151.192.825** | 147.907.752 |
| **Unallocated liabilities:** | | |
| Current tax liabilities | **27.053** | 1.497 |
| **Total liabilities as per consolidated balance sheet** | **151.219.878** | 147.909.249 |

## 6 Other losses

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 € | 2011 € | 2012 € | 2011 € |
| Property, plant and equipment: | | | | |
| Loss on sale (Note 16) | **(38.539)** | (3.500) | **-** | - |
| Impairment charge | **-** | (1.750) | **-** | - |
| | **(38.539)** | (5.250) | **-** | - |
| Investment property: | | | | |
| Fair value losses (Note 17) | **(160.000)** | - | **(1.094.981)** | - |
| Inventories: | | | | |
| Impairment charge | **-** | (7.000) | **-** | - |
| | **(198.539)** | (12.250) | **(1.094.981)** | - |

## 7 Other income

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 € | 2011 € | 2012 € | 2011 € |
| Interest income: | | | | |
| Bank balances | **17.462** | 51.696 | **-** | - |
| Balances with related parties (Note 32 (iii)) | **-** | - | **185.633** | 189.413 |
| | **17.462** | 51.696 | **185.633** | 189.413 |
| Dividend income (Note 19) | **-** | - | **272.997** | 272.997 |
| Adjustment of provision for dismantling of machinery and equipment (Note 30) | **479.762** | - | **479.762** | - |
| Other income | **11.702** | - | **7.580** | - |
| | **508.926** | 51.696 | **945.972** | 462.410 |

## 8 Operating and administrative expenses

**The Group**

| | 2012 € | 2011 € |
|---|---|---|
| Staff costs (Note 9) | **8.408.332** | 9.263.493 |
| Electricity and fuel | **2.336.603** | 2.023.582 |
| Advertising and promotion | **1.514.921** | 1.116.512 |
| Provision for dismantling of machinery and equipment – discounting effect (Note 30) | **-** | 90.703 |
| Repairs and maintenance | **942.785** | 968.288 |
| Other administration and related costs | **1.431.635** | 348.367 |
| Other operating costs | **2.719.404** | 3.310.610 |
| | **17.353.680** | 17.121.555 |

**The Company**

| | 2012 € | 2011 € |
|---|---|---|
| Provision for dismantling of machinery and equipment – discounting effect (Note 30) | **-** | 90.703 |
| Other administration and related costs | **312.623** | 258.872 |
| Other operating costs | **249.398** | 104.935 |
| | **562.021** | 454.510 |

## 9 Staff costs

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012 €** | 2011 € | **2012 €** | 2011 € |
| Wages and other contributions | **7.378.994** | 8.140.525 | **-** | - |
| Provident fund contributions | **517.893** | 586.791 | **-** | - |
| Social insurance contributions | **511.445** | 536.177 | **-** | - |
| | **8.408.332** | 9.263.493 | **-** | - |

The Group operates a defined contributions scheme which is funded separately and prepares its own financial statements from which the employees are entitled to payments of certain benefits on retirement or premature termination of services. In addition the subsidiary company contributes to the Hotel Employees Industry Provident Fund for their employees who are members of the above mentioned fund, based on defined contributions scheme funded by payments from employees and by the employer.

## 10 Operating loss

The following expenses have been included in arriving at operating loss:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012 €** | 2011 € | **2012 €** | 2011 € |
| Statutory auditor's remuneration for audit services | **48.100** | 46.500 | **40.600** | 39.000 |
| Statutory auditor's remuneration for tax services | **21.500** | 27.600 | **21.500** | 26.500 |
| Statutory auditor's remuneration for advisory services | **6.000** | - | **6.000** | - |
| Directors' remuneration/key management remuneration (Note 32 (iv)) | **940.966** | 943.777 | **8.000** | 8.000 |

## 11 Finance costs and foreign exchange loss

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Interest expense: | | | | |
| Bank borrowings and overdraft | **4.263.558** | 3.954.475 | **758.542** | 694.280 |
| Interest on balance with related parties (Note 32 (iii)) | **132.228** | 48.619 | **90.638** | 14.530 |
| Other finance costs | **772** | 2.017 | **-** | 2.018 |
| | **4.396.558** | 4.005.111 | **849.180** | 710.828 |
| Net foreign exchange loss on financing activities | **103.832** | 507.142 | **-** | - |
| | **4.500.390** | 4.512.253 | **849.180** | 710.828 |

## 12 Taxation

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| **Current tax charge:** | | | | |
| Corporation tax | **27.146** | 527 | **2.320** | - |
| Defence contribution | **49.969** | 7.754 | **-** | - |
| Tax from previous years: | | | | |
| Corporation tax | **320.829** | - | **313.480** | - |
| Defence contribution | **(239)** | - | **-** | - |
| | **397.705** | 8.281 | **315.800** | - |
| **Deferred tax (Note 28)** | | | | |
| Origination and reversal of temporary differences | **4.767.782** | (20.569) | **94.031** | (20.569) |
| **Total** | **5.165.487** | (12.288) | **409.831** | (20.569) |
| **Tax charge/(credit)** | **5.165.487** | (12.288) | **409.831** | (20.569) |

## 12 Taxation (continued)

The tax on the Group's and Company's loss before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Loss before tax | **(7.057.862)** | (5.795.714) | **(10.376.893)** | (719.486) |
| Tax calculated at the applicable corporation tax rate of 10% | **(705.786)** | (579.571) | **(1.037.689)** | (71.949) |
| Tax effect of expenses not deductible for tax purposes | **803.233** | 469.035 | **1.105.252** | 93.300 |
| Tax effect of allowances and income not subject to tax | **(410.633)** | (386.172) | **(52.010)** | (27.967) |
| Tax effect of losses for which no deferred tax asset has been recognised | **353.921** | 498.597 | **-** | 6.616 |
| Additional tax from the difference in the applicable corporation tax rates and the capital gains tax rates | **169.341** | (20.569) | **94.031** | (20.569) |
| Deferred tax arising from the change in regulation | **4.598.441** | - | **-** | - |
| Group Relief | **(6.827)** | - | **(6.827)** | - |
| Tax effect of utilization of tax losses brought forward | **(9.140)** | (1.362) | **(6.617)** | - |
| Tax from previous years | **320.829** | - | **313.480** | - |
| Defence contribution | **49.730** | 7.754 | **-** | - |
| Additional tax | **2.378** | - | **211** | - |
| Income tax charge/(credit) | **5.165.487** | (12.288) | **409.831** | (20.569) |

The Company and the Group are subject to corporation tax on taxable profits at the rate of 10%.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011.

In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013.

According to Income Tax Law, a Company and its subsidiaries where the company controls, directly or indirectly, at least 75% of the issued share capital, constitute the "group" for tax purposes. A "group" company would be entitled to transfer losses and offset them against profits among the companies of the group.

In December 2012, the House of Representatives voted a number of new and amending laws in accordance with the terms of the Memorandum of Understanding between the Republic of Cyprus and Troika for restoring the public finances. Companies will be able to carry forward tax losses only for the next five years from the end of the tax year in which they were incurred, to be offset against taxable income (previously there was no such time restriction). The above amendment is effective from 1 January 2013. Due to this amendment, the Group's management wrote off deferred tax asset relating to taxable losses of prior years amounting to €4.598.441.

## 12 Taxation (continued)

On 31 December 2012 the Group's tax losses that were available to be carried forward to be offset with future taxable profits in the next 5 years amounted to €2.867.996 (2011: €54.284.944).

The tax (charge)/credit relating to components of other comprehensive income is as follows:

### Tax effects of components of other comprehensive income

**The Group**

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2012** | | | 2011 | | |
| | **Before tax** | **Tax (charge)/ credit** | **After tax** | Before tax | Tax (charge)/ credit | After tax |
| | **€** | **€** | **€** | € | € | € |
| **Property, plant and equipment:** | | | | | | |
| Reversal of fair value gain | **(23.155.210)** | **4.285.467** | **(18.869.743)** | - | 75.369 | 75.369 |
| **Associated companies:** | | | | | | |
| Changes in equity | **3.355.539** | **-** | **3.355.539** | 310.684 | - | 310.684 |
| Other comprehensive income | **(19.799.671)** | **4.285.467** | **(15.514.204)** | 310.684 | 75.369 | 386.053 |

**The Company**

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2012** | | | 2011 | | |
| | **Before tax** | **Tax credit** | **After tax** | Before tax | Tax credit | After tax |
| | **€** | **€** | **€** | € | € | € |
| **Investment property:** | | | | | | |
| Adjustment for deferred tax | **-** | **(94.031)** | **(94.031)** | - | 20.569 | 20.569 |
| Other comprehensive income | **-** | **(94.031)** | **(94.031)** | - | 20.569 | 20.569 |

## 13 Loss per share

Loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

**Basic and fully diluted**

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| | **€** | € |
| Loss attributable to equity holders of the Company | **(9.916.804)** | (4.639.025) |
| Weighted average number of ordinary shares in issue | **137.610.833** | 137.610.883 |
| Loss per share-basic and fully diluted (cent per share) | **(7,21)** | (3,40) |

## 14 Financial instruments by category

### The Group

| | Loans and receivables € | Available for sale € | Total € |
|---|---|---|---|
| **31 December 2012** | | | |
| **Assets** | | | |
| Available for sale financial assets | - | 2.848 | 2.848 |
| Trade and other receivables | 1.950.151 | - | 1.950.151 |
| Cash and cash equivalents | 508.331 | - | 508.331 |
| **Total** | 2.458.482 | 2.848 | 2.461.330 |

| | Other financial liabilities € | Total € |
|---|---|---|
| **Liabilities** | | |
| Borrowings | 78.439.177 | 78.439.177 |
| Trade and other payables | 5.356.879 | 5.356.879 |
| **Total** | 83.796.056 | 83.796.056 |

| | Loans and receivables € | Available for sale € | Total € |
|---|---|---|---|
| **31 December 2011** | | | |
| **Assets** | | | |
| Available for sale financial assets | - | 2.848 | 2.848 |
| Trade and other receivables | 1.689.198 | - | 1.689.198 |
| Cash and cash equivalents | 1.720.146 | - | 1.720.146 |
| **Total** | 3.409.344 | 2.848 | 3.412.192 |

| | Other financial liabilities € | Total € |
|---|---|---|
| **Liabilities** | | |
| Borrowings | 74.761.342 | 74.761.342 |
| Trade and other payables | 5.508.846 | 5.508.846 |
| **Total** | 80.270.188 | 80.270.188 |

## 14 Financial instruments by category (continued)

**The Company**

| | Loans and receivables € | Total € |
|---|---|---|
| **31 December 2012** | | |
| **Assets** | | |
| Non-current receivables | 3.490.804 | 3.490.804 |
| Trade and other receivables | 537 | 537 |
| Cash and cash equivalents | | |
| | 3.491.341 | 3.491.341 |
| **Total** | | |

| | Other financial liabilities € | Total € |
|---|---|---|
| **Liabilities** | | |
| Borrowings | 16.491.167 | 16.491.167 |
| Trade and other payables | 256.739 | 256.739 |
| **Total** | 16.747.906 | 16.747.906 |

| | Loans and receivables € | Total € |
|---|---|---|
| **31 December 2011** | | |
| **Assets** | | |
| Non-current receivables | 534.845 | 534.845 |
| Trade and other receivables | 2.854.885 | 2.854.885 |
| Cash and cash equivalents | 5.893 | 5.893 |
| **Total** | 3.395.623 | 3.395.623 |

| | Other financial liabilities € | Total € |
|---|---|---|
| **Liabilities** | | |
| Borrowings | 14.539.691 | 14.539.691 |
| Trade and other payables | 131.014 | 131.014 |
| **Total** | 14.670.705 | 14.670.705 |

## 15 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| **Trade receivables** | | | | |
| Counterparties without external credit rating | | | | |
| Group 1 | **345.893** | 682.828 | **-** | - |
| Group 2 | **-** | 130.046 | **-** | - |
| | **345.893** | 812.874 | **-** | - |
| **Other receivables** | | | | |
| Group 3 | **496.482** | 94.519 | **2.890.768** | 2.970.538 |
| Group 4 | **791.472** | 681.910 | **600.036** | 411.864 |
| | **1.287.954** | 776.429 | **3.490.804** | 3.382.402 |
| **Cash at bank and short term bank deposits (1)** | | | | |
| Ba2 | **-** | 1.645.306 | **-** | 893 |
| Caa1 | **287** | - | **287** | - |
| Caa2 | **250** | 4.793 | **250** | 4.793 |
| Caa3 | **507.794** | - | **-** | - |
| | **508.331** | 1.650.099 | **537** | 5.686 |

(1) The rest of the balance sheet item 'cash and cash equivalents' is cash in hand and other cash balances without external credit rating.

Group 1 – existing customers with no defaults in the past.

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

Group 3 – companies within the group, common control companies and associates with no defaults in the past.

Group 4 – other receivables.

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

# The Cyprus Cement Public Company Limited

## 16 Property, plant and equipment

**The Group**

| | Land and buildings € | Machinery and equipment € | Motor vehicles € | Furniture and fittings € | Cutlery and linen € | Total € |
|---|---|---|---|---|---|---|
| **At 1 January 2011** | | | | | | |
| Cost or valuation | 145.852.024 | 8.709.538 | 747.350 | 8.477.563 | 1.707.347 | 165.493.822 |
| Accumulated depreciation | (7.309.555) | (6.523.524) | (674.576) | (6.157.632) | - | (20.665.297) |
| Net book amount | 138.542.459 | 2.186.014 | 72.774 | 2.319.931 | 1.707.347 | 144.828.525 |
| **Year ended 31 December 2011** | | | | | | |
| Opening net book amount | 138.542.459 | 2.186.014 | 72.774 | 2.319.931 | 1.707.347 | 144.828.525 |
| Additions | 10.683 | 178.353 | 22.500 | 60.410 | - | 271.946 |
| Depreciation charge | (685.925) | (422.704) | (18.632) | (406.495) | - | (1.533.756) |
| Disposals | - | (54.114) | - | (15.687) | - | (69.801) |
| Impairment charge | - | (750) | - | (1.000) | - | (1.750) |
| Closing net book amount | 137.867.217 | 1.886.799 | 76.642 | 1.957.159 | 1.707.347 | 143.495.164 |
| **At 31 December 2011** | | | | | | |
| Cost or valuation | 145.862.707 | 8.833.027 | 769.850 | 8.521.286 | 1.707.347 | 165.694.217 |
| Accumulated depreciation | (7.995.490) | (6.946.228) | (693.208) | (6.564.127) | - | (22.199.053) |
| Net book amount | 137.867.217 | 1.886.799 | 76.642 | 1.957.159 | 1.707.347 | 143.495.164 |

## 16 Property, plant and equipment (continued)

| | Land and buildings € | Machinery and equipment € | Motor vehicles € | Furniture and fittings € | Cutlery and linen € | Total € |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2012** | | | | | | |
| Opening net book amount | 137.867.217 | 1.886.799 | 76.642 | 1.957.159 | 1.707.347 | 143.495.164 |
| Additions | 45.644 | 364.796 | 47.700 | 71.242 | 211.498 | 740.880 |
| Depreciation charge | (593.756) | (440.632) | (28.174) | (399.440) | (454.041) | (1.916.043) |
| Disposals | - | (125.161) | - | (7.456) | - | (132.617) |
| Impairment charge | (23.635.967) | - | - | - | - | (23.635.967) |
| Write off of depreciation due to impairment | 482.141 | - | - | - | - | 482.141 |
| Closing net book amount | 114.165.279 | 1.685.802 | 96.168 | 1.621.505 | 1.464.804 | 119.033.558 |
| **At 31 December 2012** | | | | | | |
| Cost or valuation | 122.754.525 | 9.072.662 | 817.550 | 8.585.072 | 1.918.845 | 143.148.664 |
| Accumulated depreciation | (8.589.246) | (7.386.860) | (721.382) | (6.963.567) | (454.041) | (24.115.096) |
| Net book amount | 114.165.279 | 1.685.802 | 96.168 | 1.621.505 | 1.464.804 | 119.033.558 |

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

| | **2012 €** | 2011 € |
|---|---|---|
| Net book amount | **132.617** | 69.801 |
| Loss on sale of property, plant and equipment (Note 6) | **(38.539)** | (3.500) |
| Proceeds from sale of property, plant and equipment | **94.078** | 66.301 |

## 16 Property, plant and equipment (continued)

The Group's land and buildings were last revalued in 2012 from independent valuers. Valuations were made on the basis of market value.

The management of the Group received a report of the market value of the hotel property of the subsidiary company by an independent professional valuer. The valuer has evaluated various techniques, including the market value of recent transactions of comparable data, the capitalization of profits method based on the annual net profits of the hotel and the fair value method based on the gross operating profit (G.O.P). The valuer has selected the G.O.P. method as the most suitable approach to assess the fair value of the hotel property, taking also into account the possibility of alternative uses, or the potential increase of the G.O.P. based on the physical and legal characteristics of the property.

On the basis of the above report, the Group's management, reduced the value of the hotel property by €23,2 million. The above reduction was recognized in equity since it reverses a revaluation surplus which was recognized in previous years.

If the land and buildings were stated on the historical cost basis, the book value of land and buildings would be €69.184.283 (2011: €69.688.732).

Bank borrowings are secured on land and buildings of the Group as disclosed in Note 27.

### The Company

| | Land and buildings € | Motor vehicles € | Furniture and fittings € | Total € |
|---|---|---|---|---|
| **At 1 January 2011** | | | | |
| Cost | 164.392 | 202.813 | 978 | 368.183 |
| Accumulated depreciation | (151.241) | (183.240) | (461) | (334.942) |
| Net book amount | 13.151 | 19.573 | 517 | 33.241 |
| **Year ended 31 December 2011** | | | | |
| Opening net book amount | 13.151 | 19.573 | 517 | 33.241 |
| Depreciation charge | (6.576) | (9.786) | (196) | (16.558) |
| Closing net book amount | 6.575 | 9.787 | 321 | 16.683 |
| **At 31 December 2011** | | | | |
| Cost | 164.392 | 202.813 | 978 | 368.183 |
| Accumulated depreciation | (157.817) | (193.026) | (657) | (351.500) |
| Net book amount | 6.575 | 9.787 | 321 | 16.683 |
| **Year ended 31 December 2012** | | | | |
| Opening net book amount | 6.575 | 9.787 | 321 | 16.683 |
| Depreciation charge | (6.575) | (9.787) | (321) | (16.683) |
| Closing net book amount | - | - | - | - |
| **At 31 December 2012** | | | | |
| Cost | 164.392 | 202.813 | 978 | 368.183 |
| Accumulated depreciation | (164.392) | (202.813) | (978) | (368.183) |
| Net book amount | - | - | - | - |

At 31 December 2012, the Company had property, plant and equipment with cost of €164.392 (2011: €153.884) which were fully depreciated but still in use by the Company.

Bank borrowings are secured on land and buildings of the Company as disclosed in Note 27.

## 17 Investment property

### The Group

| | 2012 € | 2011 € |
|---|---|---|
| At beginning of year | 271.960.330 | 272.090.000 |
| Additions | 103.021 | 100.330 |
| Disposals | - | (230.000) |
| Fair value losses (Note 6) | (160.000) | - |
| At end of year | 271.903.351 | 271.960.330 |

### The Company

| | 2012 € | 2011 € |
|---|---|---|
| At beginning of year | 270.780.330 | 270.000.000 |
| Additions | 814.651 | 780.330 |
| Fair value losses (Note 6) | (1.094.981) | - |
| At end of year | 270.500.000 | 270.780.330 |

The investment properties are revalued annually as at 31 December at fair value, comprising the open-market value, based on valuations by an independent, professionally qualified valuer (Note 4).

Investment property which was used as security for bank borrowings obtained by the Group and the Company are disclosed in Note 27.

## 18 Intangible assets

| | Goodwill € | Total € |
|---|---|---|
| **At 1 January 2011** | | |
| Cost | 2.564.749 | 2.564.749 |
| Impairment | - | - |
| Net book amount | 2.564.749 | 2.564.749 |
| **Year ended 31 December 2011** | | |
| Opening and closing net book amount | 2.564.749 | 2.564.749 |
| **At 31 December 2011** | | |
| Cost | 2.564.749 | 2.564.749 |
| Impairment | - | - |
| Net book amount | 2.564.749 | 2.564.749 |
| **Year ended 31 December 2012** | | |
| Opening net book amount | **2.564.749** | **2.564.749** |
| Impairment | **(2.564.749)** | **(2.564.749)** |
| **Closing net book amount** | **-** | **-** |
| **At 31 December 2012** | | |
| Cost | **2.564.749** | **2.564.749** |
| Impairment | **(2.564.749)** | **(2.564.749)** |
| Net book amount | **-** | **-** |

## 18 Intangible assets (continued)

### Impairment test for goodwill

Goodwill included in the financial statements of the Group, comprises of goodwill which arose on the acquisition of the subsidiary company C.C.C. Tourist Enterprises Public Company Limited.

The impairment charge for the year ended 31 December 2012, arose after the testing of the recoverable amount of the cash generating unit based on fair value estimates. The management estimated the fair value of the cash generating unit on the basis of the fair value of the net assets of the subsidiary, taking into consideration the recent valuation of the subsidiary's immovable property. Due to the decrease in the fair value of the net assets and the fact that the current economic environment of Cyprus had a negative impact on the activities of the subsidiary (cash generating unit), the Board of Directors estimated that the goodwill paid has been fully impaired.

## 19 Investments in associates

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| At beginning of year | **52.841.065** | 53.100.400 | **52.597.405** | 52.597.405 |
| Share of loss after tax | **(124.476)** | (297.022) | **-** | - |
| Share of changes in equity | **3.355.539** | 310.684 | **-** | - |
| Dividends (Note 7) | **(272.997)** | (272.997) | **-** | - |
| At end of year | **55.799.131** | 52.841.065 | **52.597.405** | 52.597.405 |

The revenues and results of the main associates and their assets and liabilities, are as follows:

| | Country | Principal activities | % interest held | Assets € | Liabilities € | Revenues € | Loss € |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| Vassiliko Cement Works Public Company Limited(1) | Cyprus | Production and sale of cement | 25,3% | 305.166.000 | 121.328.000 | 69.475.000 | (1.354.000) |
| **2011** | | | | | | | |
| Vassiliko Cement Works Public Company Limited(1) | Cyprus | Production and sale of cement | 25,3% | 351.437.000 | 130.692.000 | 90.306.000 | (1.174.000) |

(1) The associated company Vassiliko Cement Works Public Company Limited is listed in the Cyprus Stock Exchange.

## 20 Investments in subsidiaries

| | The Company | |
|---|---|---|
| | **2012** | 2011 |
| | **€** | € |
| At beginning of the year | **39.783.682** | 39.783.682 |
| Impairment of investment in subsidiary | **(8.800.000)** | - |
| At end of year | **30.983.682** | 39.783.682 |

| **Name** | **Country of incorporation** | **Principal activities** | **% interest held 31 December 2012** | **31 December 2011** |
|---|---|---|---|---|
| | | | **%** | **%** |
| CCC Laundries Limited | Cyprus | Industrial laundry and dry cleaning services - dormant | 100,00 | 100,00 |
| C.C.C. Tourist Enterprises Public Company Limited | Cyprus | Holding of investments in hotel and tourism industry - listed in CSE | 67,29 | 67,29 |
| C.C.C. Secretarial Limited | Cyprus | Secretarial and administration services | 53,46 | 53,46 |
| **Subsidiaries of CCC Laundries Limited** | | | | |
| White Linen (Famagusta) Limited | Cyprus | Dormant | **63,00** | 63,00 |
| CCC Laundries (Paphos) Limited | Cyprus | Dormant | **100,00** | 71,00 |
| **Subsidiary of C.C.C. Tourist Enterprises Public Company Limited** | | | | |
| L'Union Nationale (Tourism and Sea Resorts) Limited | Cyprus | Hotel and tourism | **67,29** | 67,29 |

On 12 March 2012 an agreement was signed whereby the subsidiary company, CCC Laundries Limited, acquired the remaining 29% of the share capital of the other subsidiary, CCC Laundries (Paphos) Limited, from the minority shareholder for the total amount of €1.060.000.

## 21 Non-current receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Receivable from subsidiary companies (Note 32 (vii)) | **-** | - | **-** | 534.845 |

The fair value of receivables from subsidiary companies approximates their carrying amount.

Balances with subsidiary companies are repayable within 2 to 5 years from balance sheet date, bear annual interest rate at basic rate plus 2% and are not secured. The average effective interest rate for the year 2012 was 7% (2011: 7%). Receivables from subsidiary companies are denominated in Euro.

None of the non current receivables is either past due or impaired.

## 22 Available for sale financial assets

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| At beginning and end of year | **2.848** | 2.848 | **-** | - |

The available for sale financial assets, which are not listed, are analysed as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Euro - functional and presentation currency | **2.848** | 2.848 | **-** | - |

The maximum exposure to credit risk at the balance sheet date is the fair value of the debt securities classified as available for sale.

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

## 23 Inventories

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Raw materials, spare parts and other consumables | **224.642** | 505.175 | **-** | - |
| Food and beverage | **236.021** | 242.290 | **-** | - |
| Spa and health club supplies | **120.989** | 125.352 | **-** | - |
| Cleaning supplies | **267.471** | 281.742 | **-** | - |
| Land under development [(1)] | **2.220.027** | 1.982.374 | **-** | - |
| | **3.069.150** | 3.136.933 | **-** | - |

(1) The land under development will be used for the construction and subsequent sale of luxury villas.

During 2011 the subsidiary company has sold to its partner 2.843 sq.m. of land for the amount €2.5 million (Note 33). This transaction resulted in the recognition of €1.199.098 profit from disposal in the profit or loss. The capital gains tax paid for this transaction amounted to €128.935.

## 24 Trade and other receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Trade receivables | **744.717** | 1.003.785 | **-** | - |
| Less: Provision for impairment of trade receivables | **(82.520)** | (91.017) | **-** | - |
| Trade receivables- net | **662.197** | 912.768 | **-** | - |
| Receivables from related parties (Note 32 (v)) | **496.482** | 143.878 | **2.890.768** | 2.485.052 |
| Other receivables and prepayments | **848.265** | 738.704 | **656.829** | 475.985 |
| Less: provision for impairment of receivables – receivables from related parties | **-** | (49.359) | **-** | (49.359) |
| Less: provision for impairment of receivables – other receivables | **(56.793)** | (56.793) | **(56.793)** | (56.793) |
| | **1.950.151** | 1.689.198 | **3.490.804** | 2.854.885 |

The fair value of trade and other receivables which are due within one year approximates their carrying amount at the balance sheet date.

**The Company**

As of 31 December 2012, receivables of €3.490.804 (2011: €2.854.885) were fully performing.

As of 31 December 2012, receivables of 56.793 (2011: €106.152) were impaired and provided for.

**The Group**

As of 31 December 2012, trade receivables of €345.893 (2011: €682.828) were fully performing.

Trade receivables that are less than four months past due are not considered impaired. As of 31 December 2012, trade receivables of €316.304 (2011: €229.940) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

| | The Group | |
|---|---|---|
| | **2012** | 2011 |
| | **€** | € |
| Over 6 months | **316.304** | 229.940 |

As of 31 December 2012, receivables of €139.313 (2011: €197.169) were impaired and provided for. The amount of the provision was €139.313 as of 31 December 2012 (2011: €197.169).

The ageing of the receivables that were provided for is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Over 6 months | **139.413** | 197.169 | **56.793** | 106.152 |

## 24 Trade and other receivables (continued)

Movements in the Company's/Group's provision for impairment of trade receivables are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| At 1 January | **197.169** | 411.169 | **106.152** | 106.152 |
| Provision for receivables impairment | **27.726** | - | **-** | - |
| Receivables written off during the year as uncollectible | **(68.921)** | (36.266) | **(49.359)** | - |
| Unused amounts reversed | **(16.661)** | (177.734) | **-** | - |
| At 31 December | **139.313** | 197.169 | **56.793** | 106.152 |

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in profit or loss (Note 8). Amounts charged to the provision account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above.

The carrying amounts of the Group's and Company's trade and other receivables are denominated in the following currencies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Euro | **1.950.151** | 1.689.198 | **3.490.804** | 2.854.885 |

## 25 Cash and cash equivalents

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Cash at bank and in hand | **508.331** | 160.146 | **537** | 5.893 |
| Short term bank deposits | **-** | 1.560.000 | **-** | - |
| | **508.331** | 1.720.146 | **537** | 5.893 |

The effective interest rate on short term bank deposits was 4,2% and these deposits have an average maturity of 90 days.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Cash and cash equivalents | **508.331** | 1.720.146 | **537** | 5.893 |
| Bank overdrafts (Note 27) | **(11.858.617)** | (13.147.337) | **(1.685.542)** | (3.546.151) |
| | **(11.350.286)** | (11.427.191) | **(1.685.005)** | (3.540.258) |

## 26 Share capital and share premium

| | 31 December 2012 | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | **Number of shares** | **Ordinary share capital €** | **Share premium €** | Number of shares | Ordinary share capital € | Share premium € |
| **Issued and fully paid** | | | | | | |
| At beginning of year | **137.610.883** | **59.172.679** | **848.729** | 137.610.883 | 59.172.679 | 848.729 |
| At end of year | **137.610.883** | **59.172.679** | **848.729** | 137.610.883 | 59.172.679 | 848.729 |

The total authorised number of ordinary shares is 200 000 000 shares (2010: 200 000 000 shares) with a nominal value of €0,43 per share (2011: nominal value of €0,43 per share). All issued shares are fully paid.

## 27 Borrowings

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012 €** | 2011 € | **2012 €** | 2011 € |
| **Current** | | | | |
| Bank overdrafts (Note 25) | **11.858.617** | 13.147.337 | **1.685.542** | 3.546.151 |
| Bank borrowings | **6.901.351** | 6.063.016 | **2.824.000** | 1.329.467 |
| Borrowings from related companies (Note 32(vi)) | **-** | 1.190.005 | **-** | 1.190.005 |
| | **18.759.968** | 20.400.358 | **4.509.542** | 6.065.623 |
| **Non-current** | | | | |
| Bank borrowings | **57.821.792** | 54.360.984 | **10.165.982** | 8.474.068 |
| Borrowings from related companies (Note 32(vi)) | **1.857.417** | - | **1.815.643** | - |
| | **59.679.209** | 54.360.984 | **11.981.625** | 8.474.068 |
| **Total borrowings** | **78.439.177** | 74.761.342 | **16.491.167** | 14.539.691 |

The bank loans are repayable by monthly and six monthly instalments by 2020. The bank loans and overdrafts are secured as follows:

### The Group

(i) By mortgage of Group's land and buildings for €63,1 million (2011 :€ 56,6 million).
(ii) By fixed and floating charge on Group's assets for €12,11 million (2011 :€12,11 million).
(iii) By corporate guarantees of Group companies for an indefinite amount (Note 32 (vii)).

### The Company

(i) By mortgage of Company's land for €24,6 million (2011: €20,6 million).
(ii) By floating charge on Company's assets for the amount of €5,1 million (2011: €5,1 million).

The weighted average effective interest rates at the balance sheet date were as follows:

| | **2012 %** | 2011 % |
|---|---|---|
| Bank overdrafts (Euro) | **7,13** | 7,30 |
| Bank borrowings (Euro) | **6,28** | 5,35 |
| Bank borrowings (Swiss Francs) | **4,52** | 3,54 |

## 27 Borrowings (continued)

The bank borrowings and bank overdrafts are arranged at floating rates. For borrowings at floating rates the interest rate reprises on a monthly basis exposing the Company/the Group to cash flow interest rate risk.

The carrying amounts of short-term bank overdrafts and bank loans approximate their fair value.

The carrying amounts of the borrowings are denominated in the following currencies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Euro | **74.089.429** | 58.863.718 | **16.491.167** | 14.539.691 |
| Swiss Francs | **4.349.748** | 15.897.624 | **-** | - |
| | **78.439.177** | 74.761.342 | **16.491.167** | 14.539.691 |

The exposure of the borrowings to interest rate changes and the contractual repricing dates at the balance sheet date is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| 6 months or less | **78.439.177** | 74.761.342 | **16.491.167** | 14.539.691 |

The Company/Group has the following undrawn borrowing facilities:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Floating rate: | | | | |
| Expiring within one year | **285.327** | 659.088 | **53.835** | 28.743 |

The facilities expiring within one year are annual facilities subject to review at various dates during 2013.

## 28 Deferred income tax liabilities

The analysis of deferred income tax assets and deferred income tax liabilities are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| **Deferred income tax liabilities:** | | | | |
| - Deferred tax liabilities to be settled after more than twelve months | **66.215.116** | 65.732.801 | **53.565.714** | 53.471.683 |
| **Deferred income tax liabilities - net** | **66.215.116** | 65.732.801 | **53.565.714** | 53.471.683 |

## 28 Deferred income tax liabilities (continued)

The gross movement on the deferred income tax account is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| At beginning of year | **65.732.801** | 65.828.739 | **53.471.683** | 53.492.252 |
| Charge/(credit) included in profit or loss (Note 12) | **4.767.782** | (20.569) | **94.031** | (20.569) |
| Tax charge/(credit) relating to components of other comprehensive income | **(4.285.467)** | (75.369) | **-** | - |
| At end of year | **66.215.116** | 65.732.801 | **53.565.714** | 53.471.683 |

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

### Deferred tax liabilities

### The Group

| | Difference between depreciation and wear and tear allowance € | Revaluation of property, plant and equipment € | Investment property € | Tax losses € | Total € |
|---|---|---|---|---|---|
| 1 January 2011 | 4.387.187 | 45.868.560 | 19.960.178 | (4.387.186) | 65.828.739 |
| Charged/(credited) to: | | | | | |
| Profit or loss (Note 12) | 211.255 | - | (20.569) | (211.255) | (20.569) |
| Statement of changes in equity: | | | | | |
| Other comprehensive income | - | (75.369) | - | - | (75.369) |
| At 31 December 2011 | 4.598.442 | 45.793.191 | 19.939.609 | (4.598.441) | 65.732.801 |
| 1 January 2012 | 4.598.442 | 45.793.191 | 19.939.609 | (4.598.441) | 65.732.801 |
| Charged/(credited) to: | | | | | |
| Profit or loss (Note 12) | 107.310 | - | 62.031 | 4.598.441 | 4.767.782 |
| Statement of changes in equity: | | | | | |
| Other comprehensive income | - | (4.285.467) | - | - | (4.285.467) |
| At 31 December 2012 | 4.705.752 | 41.507.724 | 20.001.640 | - | 66.215.116 |

## 28 Deferred income tax liabilities (continued)

### The Company

| | Revaluation of property, plant and equipment € | Investment property € | Total € |
|---|---|---|---|
| 1 January 2011 | 33.664.281 | 19.827.971 | 53.492.252 |
| Credited to: | | | |
| Profit or loss | - | (20.569) | (20.569) |
| At 31 December 2011 | 33.664.281 | 19.807.402 | 53.471.683 |
| 1 January 2012 | 33.664.281 | 19.807.402 | 53.471.683 |
| Charged to: | | | |
| Profit or loss | - | 94.031 | 94.031 |
| At 31 December 2012 | 33.664.281 | 19.901.433 | 53.565.714 |

## 29 Trade and other payables

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012 €** | 2011 € | **2012 €** | 2011 € |
| Trade payables | **4.567.949** | 2.957.880 | **85.600** | - |
| Payables to related parties (Note 32 (v)) | **464.740** | 759.904 | **8.648** | 69.471 |
| Other payables and accrued expenses | **324.190** | 1.791.062 | **162.491** | 61.543 |
| | **5.356.879** | 5.508.846 | **256.739** | 131.014 |

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

## 30 Provisions

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012 €** | 2011 € | **2012 €** | 2011 € |
| Provision for dismantling of machinery and equipment: | | | | |
| At the beginning of the year | **1.904.762** | 1.814.059 | **1.904.762** | 1.814.059 |
| Charged/(credited) to profit or loss: | | | | |
| Discounting effect (Note 8) | **-** | 90.703 | **-** | 90.703 |
| Adjustment of provision (Note 7) | **(479.762)** | - | **(479.762)** | - |
| Dismantling expenses incurred | **(243.347)** | - | **(243.347)** | - |
| | **1.181.653** | 1.904.762 | **1.181.653** | 1.904.762 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012 €** | 2011 € | **2012 €** | 2011 € |
| Current | **1.181.653** | - | **1.181.653** | - |
| Non-current | **-** | 1.904.762 | **-** | 1.904.762 |
| | **1.181.653** | 1.904.762 | **1.181.653** | 1.904.762 |

## 31 Contingencies and commitments

### (i) Operating lease commitments – where the Group is the lessee

The Company leases land from the Cyprus Republic at an annual rental of €8.692, which is included in other operating expenses.

In addition to the lease above which is made by the Company, the subsidiary company L'Union Nationale (Tourism and Sea Resorts) Limited leases from the the Cyprus Republic an area of 17.308 sq.m. of beach land at an annual rental fee of €110.897 which has been included in other operating expenses in profit or loss. The lease expires on 17 January 2019 and the subsidiary has the right to renew it for two consecutive additional periods of 33 years each.

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

In addition to the above, the Group through its subsidiary CCC Laundries Limited, has obligations relating to leases of industrial plots, numbers 8 and 9, located in the Limassol Industrial Area.

The lease relating to the industrial plot number 8 expired on 30 April 2009 and was renewed for an additional period of 33 years. The subsidiary company has the right to renew it for one more consecutive additional period of 33 years. Lease rent is reviewed every five years. Lease rent for the years ended 2012 and 2011 was €917 per annum.

The lease relating to the industrial plot number 9 ended on 31 January 2010 and was renewed for an additional period of 33 years. The subsidiary has the right to renew it for one more consecutive additional period of 33 years. Lease rent is reviewed every five years. Lease rent for the years ended 31 December 2012 and 2011 was €536,94 per annum.

On the basis of the above, at the end of the year, the future minimum amounts payable under the leases, assuming the leases are renewed for the additional two consecutive 33 years' periods based on the current annual rental fees, are as follows:

| | **2012** | 2011 |
|---|---|---|
| | **€** | € |
| Within 1 year | **110.897** | 110.897 |
| Between 2 to 5 years | **443.587** | 443.587 |
| Later than 5 years | **7.430.083** | 7.540.980 |
| | **7.984.567** | 8.095.464 |

## 31 Contingencies and commitments (continued)

### (ii) Capital commitments

Capital expenditure for which contracts have been signed during the balance sheet date but not yet implemented amounted to €1.181.653, and relate to a contract for the dismantling of machinery and equipment on the investment property.

### (iii) Pending legal cases

As at 31 December 2012 there were pending claims against the Group in relation to its activities. Based on legal advice the Group's Board of Directors believes that there is sufficient defence against these claims and no loss is expected to arise for the Group. Therefore no provision has been recognized in these financial statements in relation to these claims.

### (iv) Other contingent liabilities of the Company

The Company has guaranteed bank overdrafts and loans of the Group/related companies CCC Laundries Limited, White Linen (Famagusta) Limited and L'Union Nationale (Tourism and Sea Resorts) Limited for an unlimited amount.

## 32 Related party transactions

The Company is controlled by C.C.C. Holdings & Investments Public Company Limited, which is registered in Cyprus. The ultimate holding company is George S. Galatariotis & Sons Limited.

The related companies are companies under common control and companies controlled by the Directors of the Company.

The following transactions were carried out with related parties:

### (i) Purchases of services

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Related companies: | | | | |
| Secretarial and administration services [1] | **-** | - | **884.980** | 834.000 |
| Rent | **209.628** | 209.628 | **-** | - |
| | **209.628** | 209.628 | **884.980** | 834.000 |

(1) During 2012, an amount of €711.630 (2011: €680.000) related to services charged for the future development of land included in investment property. This amount was capitalized within investment property in the separate financial statements of the Company.

The above sales of services were made at commercial terms and conditions.

## 32 Related party transactions (continued)

### (ii) Sales of services

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Secretarial and administration services: | | | | |
| Holding company | **55.000** | 55.000 | **-** | - |
| Related companies | **672.379** | 541.614 | **-** | - |
| | **727.379** | 596.614 | **-** | - |

The above sales of services were made at commercial terms and conditions.

### (iii) Interest on balances with related parties

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Interest receivable (Note 7): | | | | |
| Subsidiary companies | **-** | - | **185.633** | 189.413 |
| Interest payable (Note 11): | | | | |
| Holding company | **7.868** | 5.894 | **-** | - |
| Associate company | **124.360** | 42.725 | **90.638** | 14.530 |
| | **132.228** | 48.619 | **90.638** | 14.530 |

### (iv) Key management personnel compensation and Directors

The total remuneration of key management personnel (including also Directors' remuneration) was as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Director fees | **12.900** | 12.500 | **8.000** | 8.000 |
| Director emoluments | **696.768** | 696.630 | **-** | - |
| Total Directors | **709.668** | 709.130 | **8.000** | 8.000 |
| Remuneration of key management personnel | **231.298** | 234.647 | **-** | - |
| | **940.966** | 943.777 | **8.000** | 8.000 |

## 32 Related party transactions (continued)

### (iv) Key management personnel compensation and Directors (continued)

**The Group**

| Year ended 31 December 2011 | Fees € | Salaries and employer contributions € | Employer's contribution to provident fund € | Total € |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| George St. Galatariotis | 1.400 | 135.344 | 16.291 | 153.035 |
| Costas St. Galatariotis | 1.400 | 236.193 | 27.436 | 265.029 |
| Stavros G. St. Galatariotis | 1.400 | 84.860 | 9.728 | 95.988 |
| Tasos Anastasiou | 1.400 | 81.544 | 9.296 | 92.240 |
| Vassos G. Lazarides | 3.100 | 86.055 | 9.883 | 99.038 |
| | 8.700 | 623.996 | 72.634 | 705.330 |
| **Non-executive Directors** | | | | |
| Thomas M. Schmidheiny | 1.400 | - | - | 1.400 |
| Michalis Moushouttas | 1.400 | - | - | 1.400 |
| Antonis Antoniou | 1.000 | - | - | 1.000 |
| | 3.800 | - | - | 3.800 |
| **Total** | **12.500** | **623.996** | **72.634** | **709.130** |

| Year ended 31 December 2012 | Fees € | Salaries and employer contributions € | Employer's contribution to provident fund € | Total € |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| George St. Galatariotis | 1.400 | 135.203 | 16.267 | 152.870 |
| Costas St. Galatariotis | 1.400 | 236.405 | 27.436 | 265.241 |
| Stavros G. St. Galatariotis | 1.400 | 84.913 | 9.705 | 96.018 |
| Tasos Anastasiou | 1.400 | 81.597 | 9.274 | 92.271 |
| Vassos G. Lazarides | 3.100 | 86.108 | 9.860 | 99.068 |
| | 8.700 | 624.226 | 72.542 | 705.468 |
| **Non-executive Directors** | | | | |
| Thomas M. Schmidheiny | 1.400 | - | - | 1.400 |
| Michalis Moushouttas | 1.400 | - | - | 1.400 |
| Antonis Antoniou | 1.400 | - | - | 1.400 |
| | 4.200 | - | - | 4.200 |
| **Total** | **12.900** | **624.226** | **72.542** | **709.668** |

## 32 Related party transactions (continued)

### (iv) Key management personnel compensation and Directors (continued)

**The Company**

| | Fees € | Salaries and employer contributions € | Employer's contribution to provident fund € | Total € |
|---|---|---|---|---|
| **Year ended 31 December 2012 and 2011** | | | | |
| **Executive Directors** | | | | |
| George St. Galatariotis | 1.000 | - | - | 1.000 |
| Costas St. Galatariotis | 1.000 | - | - | 1.000 |
| Stavros G. St. Galatariotis | 1.000 | - | - | 1.000 |
| Tasos Anastasiou | 1.000 | - | - | 1.000 |
| Vassos G. Lazarides | 1.000 | - | - | 1.000 |
| | 5.000 | - | - | 5.000 |
| **Non-executive Directors** | | | | |
| Thomas M. Schmidheiny | 1.000 | - | - | 1.000 |
| Michalis Moushouttas | 1.000 | - | - | 1.000 |
| Antonis Antoniou | 1.000 | - | - | 1.000 |
| | 3.000 | - | - | 3.000 |
| **Total** | **8.000** | **-** | **-** | **8.000** |

### (v) Year end balances arising from sales/purchases of services

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012 €** | 2011 € | **2012 €** | 2011 € |
| Receivable from related parties (Note 24): | | | | |
| Related companies | **223.485** | 60.459 | **12.539** | 2.200 |
| Associated companies | **272.997** | 1.250 | **272.997** | 1.250 |
| Ultimate holding company | **-** | 32.810 | **-** | - |
| Subsidiary companies | **-** | - | **2.605.232** | 2.432.243 |
| | **496.482** | 94.519 | **2.890.768** | 2.435.693 |
| Payable to related parties (Note 29): | | | | |
| Subsidiary companies | **-** | - | **8.516** | 52.853 |
| Other related companies | **17.893** | 16.618 | **132** | 16.618 |
| Holding company | **97.960** | 90.092 | **-** | - |
| Company which has significant influence on the Group | **348.887** | 653.194 | **-** | - |
| | **464.740** | 759.904 | **8.648** | 69.471 |

Balances with related parties bear average annual interest at the rate of 7% (2011: 7%).

## 32 Related party transactions (continued)

### (vi) Loans from related companies

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Loans from company which exercises significant influence over the Group: | | | | |
| At beginning of year | **1.190.005** | - | **1.190.005** | - |
| Loans advanced during year | **583.000** | 1.175.475 | **535.000** | 1.175.475 |
| Repayments during year | **(9.540)** | - | **-** | - |
| Interest charged (Note 32(iii)) | **93.952** | 14.530 | **90.638** | 14.530 |
| At end of year (Note 27) | **1.857.417** | 1.190.005 | **1.815.643** | 1.190.005 |

The loan from the company that exercises significant influence over the Group bears average annual interest at 7%, is unsecured and repayable on demand.

### (vii) Year end balances arising from financing facilities

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **€** | € | **€** | € |
| Receivables from subsidiary companies: | - | - | | |
| Non current receivables (Note 21) | - | - | **-** | 534.845 |
| Current receivables (Note 24) | - | - | **2.302** | - |
| | **-** | - | **2.302** | 534.845 |

### (viii) Guarantees for loans provided to related companies

The Company has guaranteed loans and bank overdrafts obtained by subsidiary companies with mortgage amounting to €19.561.923 (2011: €11.245.489) on land held by the Company, with floating charge on the Company's assets and with corporate guarantee of the Company for an unlimited amount.

## 33 Joint venture

On 7 October 2011 a subsidiary company of the Group incorporated the partnership L' Union Branded Residences (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 of land adjacent to the hotel. This land is co-owned by the subsidiary company and the Partner after the sale made by the subsidiary company to the Partner of the part of its property under development (2.843 square meters).

From the period of incorporation of the Partnership and until the end of the year each one of the partners contributed to the development of the property an amount equal to €257.726 each, which was capitalised in the accounting records 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:

| | **2012** **€** | 2011 € |
|---|---|---|
| Current assets | 701.850 | 24.793 |
| Non-current assets | - | - |
| Current liabilities | 600.000 | - |
| Non-current liabilities | - | - |

| | **2012** **€** | 2011 € |
|---|---|---|
| Income | - | - |
| Expenses | 9.871 | 5.305 |
| Other comprehensive income | - | - |

## 34 Events after the balance sheet date

Subsequent to the balance sheet date the operating environment of Cyprus has been affected as described in Note 1.

Additionally, during 2013, the management of the subsidiary company C.C.C. Tourist Enterprises Public Company Limited secured an increase of its overdraft limit for further €2.000.000 from Bank of Cyprus. The increase of the overdraft limit will be applicable up to 30 September 2013.

There were no other material post balance sheet events, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 8 to 10.