

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Directors	Costas St. Galatariotis (Cypriot), Executive Chairman Thomas M. Schmidheiny (Swiss), Vice Chairman, Non Executive Director George St. Galatariotis (Cypriot), Executive Director Stavros G. St. Galatariotis (Cypriot), Executive Director Alexis G. St. Galatariotis (Cypriot), Executive Director Tasos Anastasiou (Cypriot), Executive Director Vassos G. Lazarides (Cypriot), Finance Director Michalis Mousiouttas (Cypriot), Non Executive Director Constantinos Pittas (Cypriot), Non Executive Director Riginos Tsanos (Cypriot), Non Executive Director Costas St. Galatariotis (Alternate Director for: Stephan Popper and Thomas M. Schmidheiny) Stephan Popper (Swiss), Non Executive Director (Resigned on 18/3/2014)
Secretary	C.C.C. Secretarial Limited, Limassol, Cyprus
Independent Auditors	Deloitte Limited, Limassol, Cyprus
Legal advisors	Chrysses Demetriades & Co LLC Mouaimis & Mouaimis LLC Christophi & Associates LLC
Bankers	Bank of Cyprus Public Company Limited Hellenic Bank Public Company Limited Alpha Bank Public Company Limited Eurobank EFG Cyprus Limited

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

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

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 190 (1) / 2007 we, the members of the Board of Directors and the Company officials responsible for the drafting of the consolidated financial statements of C.C.C. Tourist Enterprises Public Company Limited (the "Company") and the Company's separate financial statements for the year ended 31 December 2013, on the basis of our knowledge, declare that:

- a) the consolidated financial statements which are presented on pages 9 to 58:
 - (i) have been prepared in accordance with the applicable International Financial Reporting Standards and the provisions of section (4), and
 - (ii) provide a true and fair view of the assets and liabilities, the financial position and the profit or loss of the consolidated and Company's separate financial statements as a whole and
- b) the Board of Directors' report provides a fair review of the developments and the performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the main risks and uncertainties which they face.

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

Limassol, 24 April 2014

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

For the year ended 31 December 2013

The Board of Directors presents its annual report on the affairs of C.C.C. Tourist Enterprises Public Company Limited (the "Company") and its subsidiaries (the "Group") together with the Group's and the Company's audited financial statements for the year ended 31 December 2013.

Incorporation and principal activities

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

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

Results

The consolidated loss for the year, was € 6.014.655 (2012: loss € 7.039.516).

Dividends

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

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

Financial performance

During the year, the turnover of the Group decreased by 24% (€15,8 million in 2013 compared to €20,8 million in 2012). After the Eurogroup decision in March 2013 there was a significant decrease in the hotel reservations. As a result, the operating profit before finance cost, depreciation and tax was decreased by €2,01 million (€1,07 million in 2013 compared to €3,08 million in 2012).

The finance cost increased to €3,8 million compared to €3,4 million in 2012. In year 2013, there was an exchange gain of €75 thousand compared to exchange loss of €104 thousand in 2012. Despite the decrease in operating results, the net loss for the year was decreased by € 1,0 million due to the decrease of negative deferred tax (€4,70 million in year 2012, which resulted from changes in tax legislation passed due to the implementation of the memorandum of understanding between Cyprus and Troika, compared to €1,04 million in 2013 due to changes in applicable tax rates).

Financial position

Total assets at the end of the year were € 101,6 million (2012: € 122,7 million) of which € 97,5 million (2012: € 118,9 million) represents the carrying value of the Group's property, plant and equipment substantially reflecting the hotel's land and buildings. Equity decreased from € 46,1 million in 2012 to €23,9 million in the current year as a result of the loss suffered in the year and the reduction in the carrying value of land and buildings, net of the reversal of deferred tax.

Issue of share capital in L' Union Nationale (Tourism and Sea Resorts) Ltd and change in its shareholding structure

On 23 October 2013, the Company signed an "Agreement and plan of Subscription" with Emerald Coast Properties Ltd, "the Investor", according to which the Company's subsidiary, L' Union Nationale (Tourism and Sea Resorts) Ltd, would have issued at par 20.000.000 shares of a new class, with a nominal value of €1 each, to be subscribed by the Investor, with the Company waiving its pre-emption rights. The conclusion of the transaction was subject to completion of certain conditions and to due diligence from the Investor, the scope of which was to verify certain parameters and representations.

REPORT OF THE BOARD OF DIRECTORS (Cont'd)

Expected future developments of the Group

Issue of share capital in L' Union Nationale (Tourism and Sea Resorts) Ltd and change in its shareholding structure (Cont'd)

On 31 January 2014, all conditions of the above agreement (the "Agreement") have been satisfied and the subsidiary company by a special Resolution on the same day issued and allotted 20.000.000 shares with nominal value of €1 each, to the Investor for the subscription price of €20.000.000. After the issue of the said new shares, the Company and the Investor each have 50% share in L' Union Nationale (Tourism and Sea Resorts) Ltd and therefore as from the year ended 31 December 2014 the investment of the Company in L' Union Nationale (Tourism and Sea Resorts) Ltd will be accounted for under the equity method in accordance with IFRS 11 "Joint Arrangements".

The new funds will be primarily used for the renovation of the Le Meridien Limassol Spa and Resort which is expected to take place in 2014, as well as for the strengthening of the subsidiary's working capital.

The Group expects to recognise a loss of €1,4m in 2014 from the transaction described above, being the difference between the book value of the assets attributable to the subsidiary before and after the completion of the Agreement.

Other than as described above, it is not expected that there will be any other significant changes in the activities of the Group in the foreseeable future.

Risks and uncertainties

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

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

- international and national economic and geopolitical conditions;
- the impact of war, terrorist activity but also epidemics, which affect travelers;
- increases in labour and energy costs;
- increased competition within Cyprus and the neighbouring countries.
- The economic environment in Cyprus (see also note 29)

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

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

Branches

The Company and the Group do not maintain any branches.

Share Capital

On 31 December 2013 the issued and fully paid up share capital of the Company consisted of 141.692.040 ordinary shares at €0,43 each.

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

REPORT OF THE BOARD OF DIRECTORS (Cont'd)

Significant events after the end of the financial year

Any significant events that occurred after the end of the financial year are described in note 30 to the financial statements.

Corporate Governance Code

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

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

Position of shareholders who hold a significant stake in the share capital of the Company, at least 5% of the issued share capital

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

	24 April 2014	31 December 2013
	%	%
The Cyprus Cement Public Company Ltd	67,29	67,29
Thomas M. Schmidheiny	13,56	13,56

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

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

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

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

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

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS (Cont'd)

Directors' interest in the share capital of the Company

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

	24 April 2014	31 December 2013
	%	%
Costas St. Galatariotis (*)	67,30	67,30
Thomas M. Schmidheiny (**)	13,56	13,56
George St. Galatariotis	0,00	0,00
Stavros G. St. Galatariotis	0,00	0,00
Alexis G. St. Galatariotis	0,00	0,00
Tasos Anastasiou	0,00	0,00
Vassos G. Lazarides	0,00	0,00
Michalis Mousiouttas	0,00	0,00
Constantinos Pittas	0,00	0,00
Stephan Popper	0,00	0,00
Riginos Tsanos	1,89	1,89

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

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

Board of Directors

The members of the Board of Directors at the date of this report are shown on page 1. On 18 March 2014 Mr. Stephan Popper has resigned from the Board of Directors. In accordance with the Company's Articles of Association Messrs. Thomas M. Schmidheiny, Michalis Mousiouttas and Stavros G. Galatariotis retire by rotation and being eligible, offer themselves for re-election with exception of Mr. Thomas M. Schmidheiny who wish to resign, at the forthcoming Annual General Meeting.

Independent Auditors

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

By order of the Board of Directors

C.C.C. Secretarial Limited,
Secretary

Limassol, 24 April 2014

Independent auditor's report

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

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

We have audited the accompanying consolidated financial statements of **C.C.C. Tourist Enterprises Public Company Limited** and its subsidiary (the "Group") and the separate financial statements of **C.C.C. Tourist Enterprises Public Company Limited** (the "Company") which comprise the consolidated statement of financial position and the statement of financial position of the Company as at 31 December 2013, and the consolidated statements of comprehensive income, changes in equity and cash flows, and the statements of comprehensive income, changes in equity and cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of consolidated and separate financial statements of the Company that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Board Members: Christis M. Christoforou (Chief Executive Officer), Eleftherios N. Philippou, Nicos S. Kyriakides, Nicos D. Papakyriacou, Athos Chrysanthou, Costas Georghadjis, Antonis Taliotis, Panos Papadopoulos, Pieris M. Markou, Nicos Charalambous, Nicos Spanoudis, Maria Paschalis, Alexis Agathocleous, Alkis Christodoulides, Christakis Ioannou, Yiannos Ioannou, Paul Mallis, Panicos Papamichael, Christos Papamarkides, George Martides, Kerry Whyte, Andreas Georgiou, Christos Neocleous, Demetris Papapericleous, Andreas Andreou, Alecos Papalexandrou, George Pantelides, Panayiota Vayianou, Michael Christoforou (Chairman Emeritus).

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Deloitte Limited is a private company, registered in Cyprus (Reg. No. 162812). **Offices:** Nicosia, Limassol, Larnaca.

Member of Deloitte Touche Tohmatsu Limited

Independent auditor's report

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

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

Opinion

In our opinion, the consolidated financial statements and the separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2013, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.
- The consolidated 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 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 financial statements.

Pursuant to the requirements of 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 Laws of 2009 and 2013 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.

Demetris Papapericleous
Certified Public Accountant and Registered Auditor
for and behalf of
Deloitte Limited
Certified Public Accountants and Registered Auditors

Limassol, 24 April 2014

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

**CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 €	Restated 2012 €
Revenue		15.766.089	20.771.799
Cost of food and beverage consumed		(1.895.557)	(2.408.089)
Operating and administration costs	5	(12.801.973)	(15.248.746)
		<hr/>	<hr/>
Depreciation	11	1.068.559 (1.883.502)	3.114.964 (1.859.532)
Finance costs, net	8	(3.780.278)	(3.394.313)
Exchange gain/(loss), net	8	75.111	(103.832)
Share of loss of associate and joint venture	13	(109.280)	(41.550)
		<hr/>	<hr/>
Loss before taxation	7	(4.629.390)	(2.284.263)
Taxation	9	(1.385.265)	(4.755.253)
		<hr/>	<hr/>
Loss for the year		(6.014.655)	(7.039.516)
		<hr/>	<hr/>
Other comprehensive income for the year			
<u>Items that may not be reclassified subsequently to income statement</u>			
Reversal of revaluation of land and buildings		(20.131.724)	(23.153.826)
Reversal of deferred tax liability relating to the reduction in the carrying amount of land and buildings/transfer from deferred tax	18	3.997.139	4.285.467
		<hr/>	<hr/>
Total comprehensive loss for the year		(22.149.240)	(25.907.875)
		<hr/>	<hr/>
Loss per share		€ cent	€ cent
Basic and fully diluted loss per share	10	(4,24)	(4,97)
		<hr/>	<hr/>

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	2013 €	Restated 2012 €
ASSETS			
Non-current assets			
Property, plant and equipment	11	97.500.000	118.951.446
Investment in joint venture / associates	13	1.155.539	1.263.311
		<u>98.655.539</u>	<u>120.214.757</u>
Current assets			
Property for development	12	790.333	790.333
Inventories	14	752.054	849.123
Receivables and prepayments	15	1.187.732	811.242
Receivable from related companies	25	149.325	-
Cash and cash equivalents	21	92.095	70.554
		<u>2.971.539</u>	<u>2.521.252</u>
Total assets		<u><u>101.627.078</u></u>	<u><u>122.736.009</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	60.927.577	60.927.577
Other reserves		13.666.240	29.800.825
Retained losses		(50.643.959)	(44.629.304)
Total equity		<u>23.949.858</u>	<u>46.099.098</u>
Non-current liabilities			
Bank loans	17	52.894.844	47.354.961
Deferred taxation	18	9.932.909	12.549.195
		<u>62.827.753</u>	<u>59.904.156</u>
Current liabilities			
Payables and accruals	19	3.931.039	3.882.937
Current portion of bank loans	17	-	3.919.251
Loan due to related parties	17	897.000	-
Bank overdrafts	17	10.021.428	8.930.567
		<u>14.849.467</u>	<u>16.732.755</u>
Total liabilities		<u>77.677.220</u>	<u>76.636.911</u>
Total equity and liabilities		<u><u>101.627.078</u></u>	<u><u>122.736.009</u></u>

On 24 April 2014 the Board of Directors of C.C.C. Tourist Enterprises Public Company Limited authorised these financial statements for issue.

Costas St. Galatariotis
Executive Chairman

Vassos G. Lazarides
Finance Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<u>CAPITAL RESERVES (note a)</u>				Total €
	Share capital €	Share premium account €	Revaluation reserve €	Accumulated losses (note b) €	
1 January 2012	60.927.577	1.756.398	47.394.927	(38.071.929)	72.006.973
Comprehensive income					
Reversal of revaluation of land and buildings/transfer of excess depreciation to retained earnings	-	-	(23.635.967)	482.141	(23.153.826)
Reversal of deferred tax liability relating to the reduction in the carrying amount of land and buildings (note 18)	-	-	4.285.467	-	4.285.467
Loss for the year	-	-	-	(7.039.516)	(7.039.516)
31 December 2012/ 1 January 2013	<u>60.927.577</u>	<u>1.756.398</u>	<u>28.044.427</u>	<u>(44.629.304)</u>	<u>46.099.098</u>
Comprehensive income					
Reversal of revaluation of land and buildings	-	-	(20.131.724)	-	(20.131.724)
Reversal of deferred tax liability relating to the reduction in the carrying amount of land and buildings (note 18)	-	-	3.997.139	-	3.997.139
Loss for the year	-	-	-	(6.014.655)	(6.014.655)
31 December 2013	<u><u>60.927.577</u></u>	<u><u>1.756.398</u></u>	<u><u>11.909.842</u></u>	<u><u>(50.643.959)</u></u>	<u><u>23.949.858</u></u>

Notes:

- a. Capital reserves are not available to be distributed in the form of dividends.
- b. Any profits of the Company and the subsidiary company are subject to the "deemed distribution" provisions as described in note 9.

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 €	Restated 2012 €
Cash flows from operating activities			
Loss before taxation		(4.629.390)	(2.284.263)
Adjustments for:			
Interest payable	8	3.782.272	3.394.404
Share of loss from associate and joint venture	13	109.280	41.550
Depreciation	11	1.883.502	1.859.532
Loss on disposal of property, plant and equipment	11	19.174	34.641
Exchange (gain)/loss		(75.111)	12.815
Provision/(reversal) of impairment loss on trade receivables, net	15	2.315	11.065
Operating cash flows before working capital changes		1.092.042	3.069.744
Decrease in inventories	14	97.069	197.912
(Increase)/decrease in receivables and prepayments		(378.805)	92.814
Increase in amount due from related parties		(149.325)	-
Increase/(decrease) in payables and accruals		48.102	(403.342)
Cash generated from operating activities		709.083	2.957.128
Tax paid	9	(2.662)	(47.350)
Net cash generated from operating activities		706.421	2.909.778
Cash flows from investing activities			
Payments for the purchase of property, plant and equipment	11	(582.954)	(662.435)
Additional contributions to investment in joint venture		(3.259)	(99.856)
Net cash used in investing activities		(586.213)	(762.291)
Cash flows from financing activities			
Proceeds from new bank loans	22	52.500.000	3.500.000
Repayment of bank loans	22	(51.199.101)	(2.276.151)
Interest paid	22	(3.387.427)	(3.394.404)
Repayment in amount due to the parent company	22	-	(502.390)
Proceeds from loans received from related parties		897.000	-
Net cash used in financing activities		(1.189.528)	(2.672.945)
Net decrease in cash and cash equivalents		(1.069.320)	(525.458)
Cash and cash equivalents at 1 January		(8.860.013)	(8.334.555)
Cash and cash equivalents at 31 December	21	(9.929.333)	(8.860.013)

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

**PARENT COMPANY INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 €	2012 €
Administration costs		(60.776)	(32.400)
Impairment of investment in subsidiary	20	(22.096.462)	(4.033.787)
Finance income / (cost)	8	583	(4.698)
		<hr/>	<hr/>
Loss before taxation		(22.156.655)	(4.070.885)
Taxation	9	-	(44.696)
		<hr/>	<hr/>
Loss for the year		(22.156.655)	(4.115.581)
Other comprehensive income for the year		-	-
		<hr/>	<hr/>
Total comprehensive expense for the year		<u>(22.156.655)</u>	<u>(4.115.581)</u>

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	2013 €	2012 €
ASSETS			
Non-current assets			
Investment in subsidiary	20	23.711.364	45.807.826
Investment in associate	13	3.417	3.417
		<u>23.714.781</u>	<u>45.811.243</u>
Current assets			
Receivables and prepayments		-	4.000
Amount due from related companies	25	291.656	319.662
		<u>291.656</u>	<u>323.662</u>
Total assets		<u><u>24.006.437</u></u>	<u><u>46.134.905</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	60.927.577	60.927.577
Share premium		1.756.398	1.756.398
Retained losses		(38.735.825)	(16.579.170)
Total equity		<u>23.948.150</u>	<u>46.104.805</u>
Current liabilities			
Payables and accruals	19, 25	35.813	14.854
Bank overdraft	21	22.474	15.246
		<u>58.287</u>	<u>30.100</u>
Total liabilities		<u>58.287</u>	<u>30.100</u>
Total equity and liabilities		<u><u>24.006.437</u></u>	<u><u>46.134.905</u></u>

On 24 April 2014 the Board of Directors of C.C.C. Tourist Enterprises Public Company Limited authorised these financial statements for issue.

Costas St. Galatariotis
Executive Chairman

Vassos G. Lazarides
Finance Director

**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Share capital €	Share premium account (note a) €	Accumulated losses (note b) €	Total €
1 January 2012	60.927.577	1.756.398	(12.463.589)	50.220.386
Comprehensive income				
Loss for the year	-	-	(4.115.581)	(4.115.581)
31 December 2012/1 January 2013	60.927.577	1.756.398	(16.579.170)	46.104.805
Comprehensive income				
Loss for the year	-	-	(22.156.655)	(22.156.655)
31 December 2013	60.927.577	1.756.398	(38.735.825)	23.948.150

Notes:

- a. Share premium account is not available to be distributed in the form of dividends.
- b. Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed this amount as dividends. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2012 the rate was 15% up to 30 August and 17% thereafter) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

**PARENT COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 €	2012 €
Cash flows from operating activities			
Loss before taxation		(22.156.655)	(4.070.885)
Adjustments for:			
Interest payable		1.411	1.606
Interest received		(1.994)	-
Impairment of investment in subsidiary		22.096.462	4.033.787
		<u>(60.776)</u>	<u>(35.492)</u>
Increase in payables and accruals		20.959	802
Decrease/(increase) in receivables and prepayments		4.000	(4.000)
		<u>(35.817)</u>	<u>(38.690)</u>
Cash used in operating activities		(35.817)	(38.690)
Tax paid		-	(44.696)
Interest paid		(1.411)	(1.606)
Interest received		1.994	-
		<u>(35.234)</u>	<u>(84.992)</u>
Net cash used in operating activities		(35.234)	(84.992)
Cash flows from investing activities			
Decrease in amount due to related companies		28.006	80.000
		<u>28.006</u>	<u>80.000</u>
Net cash generated from investing activities		28.006	80.000
Net decrease in cash and cash equivalents		(7.228)	(4.992)
Cash and cash equivalents at 1 January		(15.246)	(10.254)
		<u>(15.246)</u>	<u>(10.254)</u>
Cash and cash equivalents at 31 December	21	(22.474)	(15.246)
		<u><u>(22.474)</u></u>	<u><u>(15.246)</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. INCORPORATION AND PRINCIPAL ACTIVITIES

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

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

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

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

Part of the above freehold land of total area of 8.000 sq.m., which was not used by the hotel complex was transferred during 2007 to land under development. During the year 2011, part of this land was sold to a third party with whom the subsidiary company formed the L' Union Branded Residences Partnership noted above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of compliance

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

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

Basis of preparation

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of preparation (Cont'd)

The same accounting principles and bases of computation were applied as those applied for the preparation of the annual financial statements for the year ended 31 December 2012 except from the change in accounting policy as explained in note 3 of these financial statements and relates to the first time adoption of IFRS11 "Joint Ventures".

Going concern basis

For the year ended 31 December 2013, the Group incurred a loss before taxation of € 4.629.390 (2012: € 2.284.263) and at 31 December 2013, its current liabilities exceeded its current assets by € 11.877.928 (2012: € 14.211.503). The availability and accessibility of liquid assets (cash) that will allow the Group to be consistent and repay its obligations are important factors in the assessment of the Group to be considered as a going concern for the preparation of consolidated financial statements.

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

- i. On 22 October 2013, the subsidiary company agreed with its main bankers to be granted a new bank loan in the amount of €52,5 million which was used to repay all existing bank loans of the subsidiary company with the said banking institution. Under the terms of the new loan the previously applicable repayment terms are extended and the interest rate is reduced. The first instalment (relating to interest) of the amount of €1,3 million will be made on 31 December 2014. In 2015 total payments will be €2,8 million and thereafter the subsidiary company will pay €274,5 thousand per month until 2044 with two bullet payments of €3 million up to 2018 and €7 million up to 2025.
- ii. As described in note 30, the Company reached an agreement with Emerald Coast Properties Ltd, "the Investor", according to which the Company's subsidiary, L' Union Nationale (Tourism and Sea Resorts) Ltd, would be issued at par 20.000.000 (twenty million) shares of a new class, with a nominal value of €1 each, to be subscribed by the Investor. The new funds will be primarily used for the renovation of Le Meridien Limassol Spa and Resort, as well as for the strengthening of its working capital. During 2014 the subsidiary Company issued the above shares and the related €20 million have been paid in into the subsidiary. An amount of €6,6 million from these funds have been used to reduce the overdraft of the subsidiary company, €0,9 million were used to repay related party debts, €0,5 million have been used for working capital needs and the remaining €12 million have been deposited in a bank account to be used for the renovation of the hotel.

Application of new and revised International Financial Reporting Standards (IFRSs)

A. General

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2013. Except as mentioned below, the adoption of these standards did not have a material effect on the accounting policies of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

• **IAS 1 “Presentation of Financial Statements” on the Presentation of items of Other Comprehensive Income (Amendment):**

In the current year, the Group has applied for the first time the amendments to IAS 1 that introduce new terminology for the Statement of Comprehensive Income. Under the amendments to IAS 1, the Statement of Comprehensive Income is renamed to Income Statement and Other Comprehensive Income. The amendments to IAS 1 retain the option to present the Income Statement and Other Comprehensive Income in either a single statement or in two separate but consecutive statements. The amendments to IAS 1 also require items of other comprehensive income to be grouped, along with the corresponding income tax, into two categories: (a) items that will not be reclassified subsequently to the Income Statement and (b) items that may be reclassified subsequently to the Income Statement when specific conditions are met.

The adoption of these amendments, which have been applied retrospectively, did not have any effect on the profit or loss of the Company and the Group, but has changed the presentation of the Income Statement and Other Comprehensive Income.

• **IFRS 13 “Fair Value Measurement”:**

In the current year, the Group has applied IFRS 13 for the first time. This standard establishes a single source of guidance for fair value measurements that are required or permitted by other standards both for financial and non-financial instrument items, and analyses the disclosures that need to be made in the financial statements about fair value measurements.

IFRS 13 defines fair value as the price that an entity would receive to sell an asset or pay to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

IFRS 13 is applied from 1st of January 2013 onwards but the disclosures do not need to be applied for the comparative information provided for periods before the initial application of the standard. The adoption of IFRS 13 did not have any significant effect in the financial statements of the Company and the Group.

- Amendments to IFRS 1 “First-time Adoption of IFRS” – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 “Financial Instruments: Disclosures” – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 1 “Presentation of financial statements” – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

- Amendments to IAS 19 “Employee Benefits” – Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 July 2012).
- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 12 “Income Taxes – Deferred Tax: Recovery of Underlying Assets” (effective for annual periods beginning on or after 1 January 2013).

The following new and revised IFRS which are effective for accounting periods starting 1 January 2013 have been adopted by the Group in the current year even though in accordance with the EU endorsement process they should be adopted, at the latest for years starting on or after 1 January 2014.

- IFRS 11 “*Joint Arrangements*” – The effect of the adoption of IFRS 11 is further discussed in note 3 to the financial statements.
- IFRS 10 “*Consolidated financial statements*” – Established principles for the presentation and preparation of consolidated financial statements.
- IFRS 12 “*Disclosures of interests in other entities*” – Includes requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IAS 27 (revised 2011) “*Separate financial statements*” – Includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 (revised 2011) “*Associates and joint ventures*” – Includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. New and revised IFRSs in issue but not effective

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2013:

(i) Standards and Interpretations adopted by the EU

- Amendments to IAS 32 “Financial instruments: presentation” – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014),
- IAS “39 Novation of Derivatives and Continuation of Hedge Accounting” (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 1 - Government loans (effective for annual periods beginning on or after 1 January 2013)
- Improvements to IFRSs 2009 – 2011 (issued on 17 May 2012) (effective for annual periods beginning on or after 1 January 2013)

(ii) Standards and Interpretations not adopted by the EU

- IFRS 9 “Financial Instruments” (issued 12 November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued 16 December 2011) (effective for annual periods beginning on or after 1 January 2015).
- Amendment to IFRS 7 “Financial Instruments: Disclosures” – disclosures on transition to IFRS 9 (effective date not finalised)
- IFRS 14 “Regulatory Deferral Accounts” (issued on 30 January 2014) (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions” (issued on 21 November 2013) (effective for annual periods beginning on or after 1 January 2013)
- Annual improvements to IFRSs 2012 – 2012 (issued on 12 December 2013) (effective for annual periods beginning on or after 1 July 2013)
- Annual improvements to IFRSs 2011 – 2013 (issued on 12 December 2013) (effective for annual periods beginning on or after 1 July 2013)
- IFRIC 21 “Levies” (effective for annual periods beginning on or after 1 January 2014).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests which represent ownership interests and entitle their holders proportionate share of net assets of the entity in the event of liquidation may be initially measured either at fair value or at the proportionate share of the non-controlling interest in net of the identifiable net assets acquired.

The choice of measurement basis is made on a transaction basis. Other types of non-controlling interests are measured at fair value or, if appropriate to the requirements of other IFRSs.

Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share or losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. An excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment in associates and joint ventures (Cont'd)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profit and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue

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

Property, plant and equipment

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

No depreciation is provided on land and assets under construction. The remaining property, plant and equipment are depreciated based on the acquisition cost less the estimated residual value with equal annual depreciation charge over their expected useful economic lives. The annual depreciation rates are as follows:

	Years
Hotel and buildings	50
Plant and machinery	13
Computer hardware – software	5
Furniture and fittings	13
Motor vehicles	5
Cutlery and linen	4

Impairment of property, plant and equipment

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

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

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

Repairs and maintenance

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

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

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each year end date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the year end date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are retranslated with the rate at the translation rate.

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

Transaction costs for the issue of new share capital.

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

Employer contribution to Provident Fund

The subsidiary company contributes to the Hotel Industry Employees Provident Fund for the employees who are members of the Fund and according to the scheme in which both the employees and subsidiary company make contributions.

The subsidiary company also contributes to the provident fund of the Galatariotis Group of companies for its key management personnel and in accordance to the scheme both the key management personnel and subsidiary company make contributions. On 25th of April 2013, a decision was taken to dissolve the provident fund of the Galatariotis Group of companies.

Inventories

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

Property under development

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

Net finance costs

Net finance costs comprise interest payable on borrowings and other financial facilities granted by third parties net of interest receivable on cash at banks or from amounts due from third parties. Interest is recognised in the income statement when it becomes accrued, except where capitalised in accordance with the accounting policy as explained above in "Property, plant and equipment".

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing

Leases are classified as finance leases when according with the terms of the lease, all the risks and rewards of ownership are substantially transferred to the lessee. All other leases are classified as operating leases.

Operating leases

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

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

Taxation

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

Current tax

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

Deferred tax

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

Deferred tax liabilities for which for taxable temporary differences are recognized and are associated with investments in subsidiaries and associates, and interest in joint ventures except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax (Cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised.

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

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

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

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

Royalty fees

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

Investment in subsidiary company

The investment in the subsidiary company is stated at cost less any provision for impairment in the separate financial statements of the Company.

Segmental analysis

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Provisions

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

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

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

Investments

Investments are recognized and derecognised on the date the transaction is carried out, when the purchase or sale of the investment subject to contract terms that require delivery of the investment in time frames established by the market concerned and are initially measured at fair value plus transaction costs directly attributable to the acquisition or issue, except in the case of a financial asset or liability measured at fair value through the statement of comprehensive income.

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

Financial instruments

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

Trade receivables

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

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

Cash and cash equivalents

These comprise of cash in hand and bank balances.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Borrowings

Borrowings are recognized at original borrowing amount, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income during the period of the borrowing using the effective interest method.

Impairment of financial assets

The Group reviews the carrying amounts of financial assets at each year end date to determine whether there is an indication that those assets have suffered an impairment loss. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

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

Equity instruments

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Financial guarantee contract liabilities

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

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

Financial liabilities

Financial liabilities are classified as “other financial liabilities”.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

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

Comparatives

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

3. ADOPTION OF NEW STANDARD / RESTATEMENT OF COMPARATIVES

Regarding the Group’s investment in the joint venture L’ Union Branded Residences, the Group has applied, for the first time the new standard IFRS 11 “Joint Ventures”, which replaces the standard IAS 31 “Interest in Joint Ventures”.

IFRS 11 was first adopted on the 1st of January 2013. Under IFRS 11, the use of the equity method is mandatory unlike IAS 31 in which the method of proportionate consolidation was allowed and was used by the Group from the date of incorporation of the joint venture L’ Union Branded Residences in 2011.

Following the above, the comparative figures of the consolidated income statement, consolidated statement of comprehensive income and consolidated financial position have been restated to conform with the application of the equity method used from 1st January 2013.

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

3. ADOPTION OF NEW STANDARD / RESTATEMENT OF COMPARATIVES (Cont'd)

	As stated before 31 December 2012	Restatements and reclassifications 31 December 2012	Restated 31 December 2012
Property under development	2.220.027	(1.429.694)	790.333
Trade debtors and prepayments	821.105	(9.863)	811.242
Investment in associate and joint venture	5.728	1.257.583	1.263.311
Cash and cash equivalents	507.794	(437.240)	70.554
Trade and other payables	(4.502.151)	619.214	(3.882.937)
Total effect of restatements	<u>(947.497)</u>	<u>-</u>	<u>(947.497)</u>

	As stated before 01 January 2012- 31 December 2012	Restatements and reclassifications 01 January 2012- 31 December 2012	Restated 01 January 2012- 31 December 2012
Operating and administration costs	(15.292.744)	43.998	(15.248.746)
Finance cost, net	(3.394.405)	92	(3.394.313)
Share of profit/(loss) of associate and joint venture	2.540	(44.090)	(41.550)
Net effect of restatement	<u>(18.684.609)</u>	<u>-</u>	<u>(18.684.609)</u>

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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 described below:

Fair value of land and buildings

The best evidence of fair value is the current price in an active market for similar assets. In the absence of such information, the management of 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 and methods including the current market value method that takes into account recent prices and transactions of comparable assets, the capitalisation of profit method which is based on the net annual profits of the hotel complex, the replacement cost method and the fair value method based on gross operating income (G.O.P).

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

Residual value of hotel premises

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

Provision for obsolete and slow moving inventories

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

The amount of provision is recognized in profit or loss. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow-moving inventory are reviewed regularly and adjusted accordingly.

Provision for doubtful debts

The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

5. OPERATING AND ADMINISTRATION COSTS

The Group	2013	Restated 2012
	€	€
Payroll costs (note 6)	6.147.993	7.160.010
Heat, light & power	1.912.112	2.310.625
Advertising, sales & promotion	505.589	614.368
Laundry expenses	544.480	619.212
Repairs and maintenance	677.042	926.517
Management fees from related party (note 25)	178.600	174.970
Other operating costs	2.836.157	3.443.044
	<u>12.801.973</u>	<u>15.248.746</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

6. PAYROLL COSTS

The Group

	2013 €	2012 €
Payroll costs	6.147.993	7.160.010
Payroll costs include:		
<i>Provident Fund Contributions to:</i>		
Hotel Industry Employees	126.965	383.976
Directors Provident Fund	7.245	28.450
<i>Social Insurance Contributions:</i>		
Employees	388.739	415.729
Directors	6.473	7.250

7. LOSS BEFORE TAXATION

This is stated after charging:

	The Group		The Company	
	2013 €	Restated 2012 €	2013 €	2012 €
Depreciation	1.883.502	1.859.532	-	-
Auditors' remuneration for statutory audit services	31.200	31.200	7.200	7.200
Auditors' remuneration for other services	3.350	3.350	3.350	3.350
Directors' remuneration:				
as executive directors				
Salaries	227.510	284.500	-	-
employer's contributions	24.877	40.689	-	-
	252.387	325.189	-	-
as members of the Board	4.400	4.400	4.400	4.400

The salaries of executive directors of €227.510 (2012: €284.500) relate to Mr. Costas St. Galatariotis €139.510 (2012: €196.500) and Mr. Alexis G. St. Galatariotis €88.000 (2012: €88.000). On 31 January 2014 a new contract has been signed with Mr. Alexis G. St. Galatariotis with agreed emoluments of €101.000, yearly. As from 1 October 2013, Mr. Costas St. Galatariotis did not receive any remuneration in his capacity as executive director.

The employers contributions of €24.877 (2012: €40.689) include provident fund contributions for the executive director Mr. Costas St. Galatariotis €15.483 (2012: €19.650) and Mr. Alexis G. St. Galatariotis €9.394 (2012: €8.800) and life insurance contributions for Mr. Costas St. Galatariotis €284 (2012: €2.809) and Mr. Alexis G. St. Galatariotis €1.446 (2012: €2.180).

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

8. FINANCE COSTS AND EXCHANGE DIFFERENCES

	The Group		The Company	
	2013	Restated 2012	2013	2012
	€	€	€	€
Finance costs				
Interest on long-term loans	2.903.089	2.646.151	-	-
Interest on loan from parent company (notes 25)	-	13.104	-	-
Bank overdraft and other bank charges	878.964	730.360	1.192	1.391
Other finance costs	219	4.789	219	3.307
	<u>3.782.272</u>	<u>3.394.404</u>	<u>1.411</u>	<u>4.698</u>
Finance income				
Interest received on amount receivable from a related company (note 25)	(1.994)	-	(1.994)	-
	<u>(1.994)</u>	<u>-</u>	<u>(1.994)</u>	<u>-</u>
Total net finance costs/(income)	<u>3.780.278</u>	<u>3.394.404</u>	<u>(583)</u>	<u>4.698</u>
Exchange differences				
Exchange (gain)/loss net (see note below)	(75.111)	103.832	-	-
	<u>(75.111)</u>	<u>103.832</u>	<u>-</u>	<u>-</u>

Note: The gain of €75.111 relates to realised exchange gain on repayment of Swiss Franc denominated loan of the subsidiary company (see note 17).

9. TAXATION

Taxation charge

	The Group		The Company	
	2013	2012	2013	2012
	€	€	€	€
Deferred taxation (note 18)	1.380.853	4.705.751	-	-
Defence fund on dividends not paid	-	44.696	-	44.696
Share of tax of associate company (note 12)	1.750	2.152	-	-
Other taxes	2.662	2.654	-	-
	<u>1.385.265</u>	<u>4.755.253</u>	<u>-</u>	<u>44.696</u>
Taxation charge	<u>1.385.265</u>	<u>4.755.253</u>	<u>-</u>	<u>44.696</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

9. TAXATION (Cont'd)

Taxation charge (Cont'd)

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

	The Group		The Company	
	2013	2012	2013	2012
	€	€	€	€
Loss before taxation	<u>(4.629.390)</u>	<u>(2.284.263)</u>	<u>(22.156.655)</u>	<u>(4.070.885)</u>
Tax at the applicable income tax rate of 12,5% / 10%	(578.674)	(228.426)	(2.769.582)	(407.089)
Tax effect of expenses that are not deductible in determining taxable profit	304.951	224.559	2.768.880	403.379
Tax effect of allowances and income that are not taxable	(457.815)	(342.637)	-	-
Effect of deferred taxation not recognized	731.538	346.504	702	3.710
Defence fund on dividends not paid	-	44.696	-	44.696
Share of tax of associate company (note 12)	1.750	2.152	-	-
Other taxes	2.662	2.654	-	-
Deferred tax (note 18)	<u>1.380.853</u>	<u>4.705.751</u>	<u>-</u>	<u>-</u>
Tax charge	<u>1.385.265</u>	<u>4.755.253</u>	<u>-</u>	<u>44.696</u>

The corporation tax rate during the year ended 31 December 2013 was 12,5%.

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

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2012 the rate was 15% up to 30 August 2012 and 17% thereafter) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividend paid for the years profits. This special contribution is payable by the Company on behalf of shareholders.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

9. TAXATION (Cont'd)

Taxation charge (Cont'd)

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

Tax losses

During 2013, the House of Representatives passed a number of new and amending laws under the Memorandum of Understanding between the Republic of Cyprus and Troika for economic improvement of the fiscal matters of the State.

Companies will be able to carry forward tax losses incurred over the next five years from the end of the tax year in which they were incurred, to be offset against taxable income (previously no time restriction was in place).

The above modification takes place from January 1, 2013.

Because of this change, the Group's management wrote off the entire deferred tax asset relating to taxable losses available to be carried forward.

On 31 December 2013 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 € 25.941.840 (2012: € 21.478.249). The Company's tax losses that were available to be carried forward to be offset with taxable profits in the next five years amounted to € 115.461 (2012: € 160.275)

10. BASIC AND FULLY DILUTED LOSS PER SHARE

The Group

	2013	2012
	€	€
Net loss for the year	(6.014.655)	(7.039.516)
Weighted average number of shares	141.692.040	141.692.040
	€ cent	€ cent
Basic and fully diluted loss per share	(4,24)	(4,97)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
11. PROPERTY, PLANT AND EQUIPMENT**

The Group

	Freehold land and buildings €	Plant and machinery €	Furniture and fittings €	Motor vehicles €	Cutlery & linen €	Total €
Year ended 31 December 2013						
Cost or valuation						
At 1 January 2013	121.777.949	7.011.111	8.024.103	173.394	1.913.555	138.900.112
Additions	170.097	79.066	124.000	-	209.791	582.954
Disposals	-	(40.233)	(17.375)	-	(6.862)	(64.470)
Reversal of previous revaluation	(20.131.724)	-	-	-	-	(20.131.724)
At 31 December 2013	101.816.322	7.049.944	8.130.728	173.394	2.116.484	119.286.872
Depreciation						
At 1 January 2013	7.616.193	5.252.217	6.464.798	161.417	454.041	19.948.666
Charge for the year	585.424	392.374	384.522	8.485	512.697	1.883.502
On disposals	-	(29.572)	(13.113)	-	(2.611)	(45.296)
At 31 December 2013	8.201.617	5.615.019	6.836.207	169.902	964.127	21.786.872
Net book value						
At 31 December 2013	93.614.705	1.434.925	1.294.521	3.492	1.152.357	97.500.000
Year ended 31 December 2012						
Cost or valuation						
At 1 January 2012	145.368.272	6.787.446	8.037.730	179.434	1.702.057	162.074.939
Additions	45.644	335.665	69.628	-	211.498	662.435
Disposals	-	(112.000)	(83.255)	(6.040)	-	(201.295)
Reversal of previous revaluation	(23.635.967)	-	-	-	-	(23.635.967)
At 31 December 2012	121.777.949	7.011.111	8.024.103	173.394	1.913.555	138.900.112
Depreciation						
At 1 January 2012	7.511.153	4.917.637	6.150.302	158.837	-	18.737.929
Charge for the year	587.181	419.395	390.295	8.620	454.041	1.859.532
On disposals	-	(84.815)	(75.799)	(6.040)	-	(166.654)
Write off of depreciation on impairment	(482.141)	-	-	-	-	(482.141)
At 31 December 2012	7.616.193	5.252.217	6.464.798	161.417	454.041	19.948.666
Net book value						
At 31 December 2012	114.161.756	1.758.894	1.559.305	11.977	1.459.514	118.951.446

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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

Commitments

As at 31 December 2013, the net book value of the bungalows which are subject to commitment agreements, as described in note 24, amounted to € 1.519.972 (2012: € 1.519.972).

Pledges and guarantees

The land and buildings of the Group are subject to first, second and third priority mortgages up to an amount of €35,1 million (2012: € 35,1 million), while other property, plant and equipment are subject to fixed and floating charges up to an amount of € 6,8 million, as security for the provision of the loans and other facilities described in note 22 of the financial statements.

Fair value measurement of property, plant and equipment

On 7 February 2014, the Group's management received a report of the market value of the hotel Complex of the subsidiary company prepared by the independent professional valuers Rois Nicolaides - K.Talattinis - Ph. Christodoulou Chartered Surveyors & Valuers. The valuers have used 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 complex, the construction cost method/replacement cost and the fair value method based on the gross operating profit (G.O.P). The valuers have selected the G.O.P. method as the most suitable approach to assess the hotel complex, taking into account probable other use, or possible increase of the G.O.P., taking into account the physical and legal characteristics of the property.

On the basis of the above report, the subsidiary company took the decision to reduce the value of the hotel complex by € 20,1 million. The above reduction was recognized in the other Comprehensive Income for the year since it reverses the revaluation surplus of the hotel complex recognized in previous years.

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 December 2013
	€	€	€	€
Hotel Complex	-	-	97.500.000	97.500.000

There were no transfers between Level 1, Level 2 and Level 3 during the year.

On historical cost basis the carrying value of land and buildings would have been € 4.281.818 (2012: € 4.281.818) and €64.487.138 (2012: € 64.902.465) respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

12. PROPERTY UNDER DEVELOPMENT

The Group

	2013	Restated 2012
	€	€
Balance 1 January	790.333	790.333
Balance 31 December	<u>790.333</u>	<u>790.333</u>

13. INVESTMENT IN ASSOCIATE COMPANY AND JOINT VENTURES

	2013	Restated 2012
	€	€
The Group		
Investment in associated company (i)	5.143	5.728
Investment in joint venture (ii)	1.150.396	1.257.583
	<u>1.155.539</u>	<u>1.263.311</u>

(i) Investment in associated Company

The Group

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

The Group's share of net assets of the associate company amounted to € 5.143 (2012: €5.728). The Group's share of profit before tax of the associate company amounted to €1.166 (2012: €2.540) and its share of tax to €1.750 (2012: €2.152).

Total assets of the associate as at 31 December 2013 were €486.565 (2012: € 349.951) and total liabilities €460.850 (2012: € 323.015).

The Company

The cost of the investment in the associated company amounted to €3.417.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

13. INVESTMENT IN ASSOCIATE COMPANY AND JOINT VENTURES (Cont'd)

(ii) Investment in joint venture

On 7 October 2011 the subsidiary company established the partnership L' Union Branded Residences (the "Partnership") together 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 Complex. The said land is co-owned by the subsidiary company and the Partner following the sale made by the subsidiary company to the Partner of part of its property under development (2.843 square meters).

The movement of investments in joint venture is analysed as follows:

	2013 €	Restated 2012 €
Land used in partnership (owned by the Group)	1.171.967	1.171.967
<i>Partners current and capital account</i>		
Balance 1 January	85.616	29.850
Contributions during the year	3.259	99.856
Share of loss for the year	(110.446)	(44.090)
Balance 31 December	(21.571)	85.616
Total investment in Joint Venture	1.150.396	1.257.583

Summarised financial information in respect of the assets and liabilities of the partnership is provided below:

	2013 €	2012 €
Available for sale financial assets	58.699	-
Other financial assets - restricted deposits	200.998	-
Assets under construction	1.917.065	504.459
Trade and other receivables	-	13.765
Cash and cash equivalents	8.360	874.481
Trade and other payables	(2.253.299)	(1.246.830)
Group's share of net (liabilities)/assets	(21.571)	85.616
Group's share of total revenue	-	-
Group's share of total loss for the year	(110.446)	(44.090)

The share of loss in joint venture mainly relates to impairment with respect to unsecured deposits of the partnership in Bank of Cyprus ("BOC") calculated based on capitalization of 47,5% of these deposits and their estimated impairment given their conversion to BOC shares.

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14. INVENTORIES

The Group	2013	2012
	€	€
Repairs and maintenance	273.737	267.471
Food and beverage	183.895	236.021
Inventories for the "spa" operation	94.627	120.989
Other	199.795	224.642
	<u>752.054</u>	<u>849.123</u>

15. RECEIVABLES AND PREPAYMENTS

The Group	2013	2012
	€	€
Trade receivables	1.150.343	735.238
Other receivables and prepayments	118.724	154.024
Allowance for doubtful debts	(81.335)	(78.020)
	<u>1.187.732</u>	<u>811.242</u>

Note:

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

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

Movement in provision for doubtful debts:

	2013	2012
	€	€
On 1 January	78.020	82.283
Provisions during the year	13.607	27.726
Write off as uncollectible	-	(15.328)
Bad debts recovered	(10.292)	(16.661)
On 31 December	<u>81.335</u>	<u>78.020</u>

Ageing of the Group's receivables:

Year	Total receivables	Outstanding but not due yet	Overdue 0 – 30 days	Overdue between 30 – 60 days	Overdue between 60 -120 days	Overdue more than 120 days
	€	€	€	€	€	€
2013	1.150.343	266.645	309.513	380.031	151.387	42.767
2012	735.238	239.106	106.787	225.355	114.555	49.435

Ageing of impaired receivables (provision for doubtful debts)

Year	Total receivables	Overdue 60 – 90 days	Overdue 90 – 120 days	Overdue more than 120 days
	€	€	€	€
2013	81.335	2.252	-	79.083
2012	78.020	-	28.585	49.435

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16. SHARE CAPITAL

	2013 €	2012 €
Authorised		
150.000.000 ordinary shares of € 0,43 each	64.500.000	64.500.000
Issued and fully paid shares		
141.692.040 ordinary shares of € 0,43 each	60.927.577	60.927.577

17. BORROWINGS

On 22 October 2013, the subsidiary Company agreed with the main bank providing financing to the subsidiary company to be granted a new bank loan in the amount of €52.500.000 which was used to repay all existing bank loans of the subsidiary company with the said banking institution. Under the terms of the new loan the previously applicable repayment terms are extended and interest rate is reduced. The first instalment (relating to interest) of the amount of €1,3 million will be made on 31 December 2014. In 2015 total payments will be €2,8 million and thereafter the subsidiary company will pay €274,5 thousand per month until 2044 with two bullet payments of €3 million up to 2018 and €7 million up to 2025. The new loan carries interest at 4,75% (variable rate of the Bank currently at 4,25% plus margin of 0,5%).

	2013 €	2012 €
I. Secured bank loans		
Non-current portion		
Denominated in Euro	52.894.844	43.405.213
Denominated in Swiss Francs	-	3.949.748
	<u>52.894.844</u>	<u>47.354.961</u>
Current portion		
Denominated in Euro	-	3.519.251
Denominated in Swiss Francs	-	400.000
	<u>-</u>	<u>3.919.251</u>
Total secured bank loans	<u>52.894.844</u>	<u>51.274.212</u>

The weighted average effective interest rate on the above bank loans were 5,33% (2012: 6,69%) for the Euro denominated loans and 4,58% (2012: 4,52%) for the Swiss Francs denominated loans.

As noted above under the terms of the new loan interest rate is reduced to an effective rate of 4,75%.

	2013 €	2012 €
II. Unsecured related party loans (note 25)		
C.C.C. Secretarial Limited	40.000	-
K + G Complex Public Company Limited	857.000	-
	<u>897.000</u>	<u>-</u>

The loans due to related parties do not carry interest and are payable on demand. During 2014, both loans have been repaid.

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

17. BORROWINGS (Cont'd)

III. Bank overdrafts

Secured bank overdrafts	9.594.578	8.490.350
Unsecured bank overdrafts	426.850	440.217
	10.021.428	8.930.567
	10.021.428	8.930.567

Notes:

- (i) The weighted average effective interest rate on the above bank overdrafts is 7,75% (2012: 6,97%).
- (ii) The bank overdrafts of the Company have common securities with the long term loans and in addition are secured by the corporate guarantees of the parent company for € 1.640.000 and corporate guarantee of the Company for €1.500.000.

18. DEFERRED TAXATION

The Group

	Tax losses €	Revaluation of hotel complex €	Accelerated capital allowances €	Total €
1 January 2013	-	7.843.444	4.705.751	12.549.195
Debited to Income Statement (note ii)	-	-	1.380.853	1.380.853
Reversal of deferred tax arising from reversal of previous revaluation of hotel complex	-	(3.997.139)	-	(3.997.139)
31 December 2013	-	3.846.305	6.086.604	9.932.909
1 January 2012	(4.598.441)	12.128.911	4.598.441	12.128.911
Debited to the Income Statement	-	-	107.310	107.310
Reversal of deferred tax arising from reversal of previous revaluation of hotel complex	-	(4.285.467)	-	(4.285.467)
Debited to statement of comprehensive income due to a change in legislation (note i)	4.598.441	-	-	4.598.441
31 December 2012	-	7.843.444	4.705.751	12.549.195

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

18. DEFERRED TAXATION (Cont'd)

The Group

Notes:

- (i) During December 2013, the House of Representatives voted for a number of new and amending laws under the Memorandum of Understanding between the Republic of Cyprus and Troika for economic improvement of the fiscal matters of the Republic.

Companies will be able to carry forward tax losses incurred over the next five years from the end of the tax year in which they were incurred, to be offset against taxable income (previously no time restriction was in place).

The above modification becomes effective from January 1, 2013.

Because of this change, the Group's management proceeded with the write of the deferred taxation in relation to tax losses.

On 31 December 2013 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 € 25.941.840 (2012: € 21.478.249). The Company's tax losses carried forward to be offset with future taxable profits in the next five years amounted to € 115.461 (2012: € 160.275).

- (ii) On 18 April 2013 legislation was enacted by the House of Representatives to increase the corporate tax rate from 10% to 12,5% with effect from 1 January 2013. Because of this change, the deferred tax liability relating to accelerated capital allowances was increased by € 1,2 million.
- (iii) The calculation of deferred tax rate was 12,5%, while the share of temporary differences arising from the revaluation of land at the rate of 20% which is the current rate of taxation on capital gains, taking into account indexation.

19. PAYABLES AND ACCRUALS

	The Group		The Company	
	2013	Restated 2012	2013	2012
	€	€	€	€
Trade payables	2.095.626	2.281.431	-	-
Other payables and accrued expenses	1.704.868	1.601.506	3.953	14.854
Payable to related parties (note 25)	130.545	-	-	-
	<u>3.931.039</u>	<u>3.882.937</u>	<u>3.953</u>	<u>14.854</u>

Notes

- (i) The above trade and other payables and accrued expenses are payable within one year.

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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20. INVESTMENT IN SUBSIDIARY

The Company

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

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

	2013	2012
	€	€
Balance 1 January and 31 December	45.807.826	49.841.613
Impairment	(22.096.462)	(4.033.787)
	<u>23.711.364</u>	<u>45.807.826</u>

On 31 December 2013 the Company impaired its investment in the subsidiary company L 'Union Nationale (Tourism and Sea Resorts) Limited to the amount of the total equity of the subsidiary of € 23.711.364. The impairment was deemed necessary after the reduction in the carrying value of the hotel complex of the subsidiary company.

21. CASH AND CASH EQUIVALENTS

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

The Group	2013	2012	Change in
	€	€	year
			€
Cash at bank and in hand	92.095	70.554	21.541
Bank overdrafts	(10.021.428)	(8.930.567)	(1.090.861)
	<u>(9.929.333)</u>	<u>(8.860.013)</u>	<u>(1.069.320)</u>
The Company			
Bank overdraft	<u>(22.474)</u>	<u>(15.246)</u>	<u>(7.228)</u>

**NOTES TO THE FINANCIAL STATEMENTS
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22. ANALYSIS OF CHANGES IN FINANCING ACTIVITIES

The Group Year ended 31 December 2013	Long-term bank loans €	Related party loans €	Total €
Balance 1 January 2013	51.274.212	-	51.274.212
New loans	52.500.000	897.000	53.397.000
Interest charge for the year	2.903.089	-	2.903.089
Repayments of capital and interest capitalised in previous years	(51.199.101)	-	(51.199.101)
Repayments of interest during the year	(2.508.245)	-	(2.508.245)
Exchange gain	(75.111)	-	(75.111)
Balance 31 December 2013	<u>52.894.844</u>	<u>897.000</u>	<u>53.791.844</u>

The Group Year ended 31 December 2012	Long-term bank loans €	Parent company loan €	Total €
Balance 1 January 2012	50.037.548	502.390	50.539.938
New loans	3.500.000	-	3.500.000
Interest charge for the year	2.646.151	13.104	2.659.255
Repayments of capital and interest capitalised in previous years	(2.276.151)	(502.390)	(2.778.541)
Repayments of interest during the year	(2.646.151)	(13.104)	(2.659.255)
Exchange loss	12.815	-	12.815
Balance 31 December 2012	<u>51.274.212</u>	<u>-</u>	<u>51.274.212</u>

Summary of borrowings and overdraft arrangements

The Group

The Group as at 31 December 2013 had the following financing facilities with banks.

- overdraft limit of € 10,9 million (31 December 2012: € 8,9 million)

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

1. First, second and third and mortgage over the land and buildings of the subsidiary company for an amount of €35,1m (2012:€35.1m).
2. Fixed and floating charge over the assets of the subsidiary Company for an amount of €6,8m (2012: fixed and floating charge on all assets of the subsidiary company).
3. Unlimited corporate guarantees from the Company.
4. Corporate guarantee from the Cyprus Cement Public Co Ltd for € 52,5m (2012:17,6m) and a first and second mortgage over the property of the above named company for the amount of €8,5m (2012:€2,5m).
5. Negative pledge to the major bank of the Group that the assets of the Group cannot be charged without the banks prior approval.

**NOTES TO THE FINANCIAL STATEMENTS
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22. ANALYSIS OF CHANGES IN FINANCING ACTIVITIES (Cont'd)

The Company

The Company, as at 31 December 2013 enjoyed the following financing facilities from its bankers:

- overdraft facilities of €35.000 (2012: €35.000).

The above facility is unsecured.

23. COMMITMENTS AND CONTINGENCIES

As at 31 December 2013 the Company did not have any capital commitments other than the operating lease commitments described in note 27.

Obligations arising from participation in joint venture (Note 13)

As mentioned in Note 13, the subsidiary Company holds a 50% interest in the partnership L' Union Branded Residences (the "Partnership") which was created to develop up-market luxury residential properties. For this purpose, the "partnership" signed a contract with a specific contractor for the construction of these properties. The total amount of the contract is €4.200.000 and is expected to be completed by May 2014.

The total cost of construction carried out so far amounts to €1.602.572 and is part of the property under construction of the Partnership. The difference of €2.597.428 represents the balance of the contract that the Partnership is committed to pay for the completion of the project.

Pursuant to the provisions of the contract the partnership may at any time terminate the contract and pay to the contractor only the amount of work that has been completed by that time as well as any other materials paid by the contractor.

Bank guarantees

The Company has contingent liabilities with respect to the corporate guarantees given to the subsidiary L' Union Nationale (Tourism and Sea Resorts) Limited for bank borrowings (note 22).

24. LONG-TERM COMMITMENT FOR THE USE OF BUNGALOWS

The Group

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

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

25. RELATED PARTY TRANSACTIONS

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

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

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

The subsidiary company received loans from related companies as described in note 17.

**NOTES TO THE FINANCIAL STATEMENTS
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25. RELATED PARTY TRANSACTIONS (Cont'd)

The following transactions were carried out with related parties:

The Group

Name	Nature of transactions	2013 €	2012 €
C.C.C. Secretarial Limited	Management fees	(178.600)	(174.970)
The Cyprus Cement Public Company Ltd (notes 17)	Interest income/(expense)	1.994	(13.104)

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

Name	Nature	Amounts owed from/(to) related parties	
		2013 €	2012 €
C.C.C. Secretarial Limited	Financing	(40.000)	-
K + G Complex Public Company Ltd	Financing	(857.000)	-
C.C.C. Secretarial Limited	Trading	(130.545)	-
The Cyprus Cement Public Company Ltd	Financing	149.325	-
		<u>(878.220)</u>	<u>-</u>

The Company

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

Name	Nature	Amounts owed from/(to) related parties	
		2013 €	2012 €
C.C.C. Secretarial Limited	Financing	(31.860)	-
The Cyprus Cement Public Company Limited	Financing	149.325	-
L' Union Nationale (Tourism and Sea Resorts) Limited	Financing	142.331	319.662
		<u>259.796</u>	<u>319.662</u>

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

The remuneration and other benefits of the Directors are as shown in notes 5 and 6 of the financial statements.

26. TRANSACTIONS WITH DIRECTORS AND OTHER OFFICERS

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

**NOTES TO THE FINANCIAL STATEMENTS
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27. OPERATING LEASES

The subsidiary company of the Group leases from the Government of Cyprus coastal area 17.392 sq.m. beach at an annual rent of € 119.000 which has been included in other operating expenses.

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

	2013	2012
	€	€
Minimum lease payments	124.228	110.897

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

The Group	2013	2012
	€	€
Within one year	119.000	119.000
Within two to five years	476.000	476.000
After five years	7.854.000	7.973.000
	<u>8.449.000</u>	<u>8.568.000</u>

As per the lease agreement the annual rental fee is subject to revision every five years. During the year, an adjustment to the rental became applicable with retrospective effect from 2011 where the last revision was made. On the basis of the new arrangement the annual rental fee was increased to € 119.000 from € 110.897. Extra payments were made during the year in relation to the prior periods.

28. FINANCIAL RISK MANAGEMENT

1. Financial risk factors

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

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

1.1 Credit risk

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

**NOTES TO THE FINANCIAL STATEMENTS
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28. FINANCIAL RISK MANAGEMENT (Cont'd)

1.1.1. Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	2013	Restated
	€	2012
		€
Cash at bank and in hand	92.095	70.554
Trade receivables	1.187.732	811.242
	<u>1.279.827</u>	<u>811.796</u>
Total credit risk exposure	<u>1.279.827</u>	<u>811.796</u>

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

Based on the above and the past experience, the Group believes that no further provision for impairment of trade receivables will be required for those who have exceeded the credit facility period at the reporting balance sheet date.

Credit quality of financial assets

The table below analyzes the Group deposits, based on the credit rating of banks in which deposits are held:

Cash at bank and short term bank deposits ⁽¹⁾

	Number of	2013	Restated
	Banks	€	2012
			€
Category based on Moody's institution assessment ⁽²⁾			
Ca/NP	1	92.095	70.554
		<u>92.095</u>	<u>70.554</u>
		<u>92.095</u>	<u>70.554</u>

(1) The remaining items of the consolidated statement of financial position 'Cash and cash equivalents' is cash in hand.

(2) The category of cash in bank stated after the evaluation of Moody's institution for the year ended 31 December 2013. For presentation purposes the same category is used for comparative figure as well.

**NOTES TO THE FINANCIAL STATEMENTS
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28. FINANCIAL RISK MANAGEMENT (Cont'd)

1.1.2. Collateral held as security

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

1.1.3 Concentration of credit risk

During the year the subsidiary company generated 28% of its total revenue from one tour operator (2012: 20%). There is no significant concentration of credit risk with respect to other customers as those represent a large number with much smaller volumes.

1.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

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

- € 7,15 million secured overdraft interest rate of 2,25% per annum in addition to the base borrowing rate (4,25%).
- € 1,43 million secured overdraft bearing interest rate of 2,25% per annum in addition to the base borrowing rate (5,5%).
- € 1,50 million secured overdraft bearing interest rate of 2,0% per annum in addition to the base borrowing rate (4,90%).
- € 0,35 million unsecured overdraft bearing interest rate of 1,50% per annum in addition to the six month euribor.
- € 0,43 million unsecured overdraft bearing interest rate of 1,50% per annum in addition to the base borrowing rate (5,75%).

1.2.1 Analysis of financial liabilities taking into account their remaining contractual maturity

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

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

	Carrying amount €'000	Contractual cash flows €'000	On demand and up to 3 months €'000	3 to 12 months €'000	1 to 2 years €'000	2 to 5 years €'000	More than 5 years €'000
31 December 2013							
Secured bank loans	(52.895)	(92.017)	-	(1.306)	(2.839)	(12.882)	(74.990)
Secured bank overdrafts	(9.595)	(9.595)	(9.595)	-	-	-	-
Unsecured bank overdrafts	(427)	(427)	(427)	-	-	-	-
Trade and other payables	(3.800)	(3.800)	(3.800)	-	-	-	-
Loans to related parties	(897)	(897)	(897)	-	-	-	-
	<u>(67.614)</u>	<u>(106.736)</u>	<u>(14.719)</u>	<u>(1.306)</u>	<u>(2.839)</u>	<u>(12.882)</u>	<u>(74.990)</u>

NOTES TO THE FINANCIAL STATEMENTS
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28. FINANCIAL RISK MANAGEMENT (Cont'd)

1.2.1 Analysis of financial liabilities taking into account their remaining contractual maturity (Cont'd)

	Carrying amount €'000	Contractual cash flows €'000	On demand and up to 3 months €'000	3 to 12 months €'000	1 to 2 years €'000	2 to 5 years €'000	More than 5 years €'000
31 December 2012							
Secured bank loans	(51.274)	(63.585)	(3.523)	(3.948)	(13.906)	(15.182)	(27.026)
Secured bank overdrafts	(8.491)	(8.491)	(8.491)	-	-	-	-
Unsecured bank overdrafts	(423)	(423)	(423)	-	-	-	-
Trade and other payables	(3.883)	(3.883)	(3.883)	-	-	-	-
	<u>(64.071)</u>	<u>(76.382)</u>	<u>(16.320)</u>	<u>(3.948)</u>	<u>(13.906)</u>	<u>(15.182)</u>	<u>(27.026)</u>

1.3 Interest rate risk

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

As at 31 December the profile of interest-bearing financial instruments was:

	2013 €	2012 €
The Group		
Variable rate instruments		
Bank overdrafts	10.021.428	8.930.567
Short-term loans	-	3.919.251
Long-term loans	52.894.844	47.354.961
	<u>62.916.272</u>	<u>60.204.779</u>
	2013 €	2012 €
The Company		
Variable rate instruments		
Bank overdrafts	22.474	15.246
	<u>22.474</u>	<u>15.246</u>

The Group

Sensitivity analysis

The tables below indicate the effect on the consolidated statement of comprehensive income and equity from reasonably possible changes in the interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

**NOTES TO THE FINANCIAL STATEMENTS
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28. FINANCIAL RISK MANAGEMENT (Cont'd)

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

	Profit or loss		Equity	
	50bp increase €'000	50bp decrease €'000	50bp increase €'000	50bp decrease €'000
31 December 2013				
Variable rate instruments	(315)	315	(315)	315
	<u>(315)</u>	<u>315</u>	<u>(315)</u>	<u>315</u>
31 December 2012				
Variable rate instruments	(301)	301	(301)	301
	<u>(301)</u>	<u>301</u>	<u>(301)</u>	<u>301</u>

1.4 Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group was exposed to foreign exchange risk arising from currency exposures primarily with respect to its long term debt in Swiss Franc (CHF). The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

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

	CHF 31 December 2013 €'000	CHF 31 December 2012 €'000
Secured bank loans	-	4.350
	<u>-</u>	<u>4.350</u>

During the year, the subsidiary has repaid its loan denominated in Swiss Franc (CHF) realising an exchange gain of €75.111.

Sensitivity analysis

A 5% strengthening/(weakening) of the Euro against the following currency at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	5% change in exchange rates		8% change in exchange rates	
	Effect income statement €'000	Effect equity €'000	Effect income statement €'000	Effect equity €'000
31 December 2013				
CHF	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 December 2012				
CHF	218	218	348	348
	<u>218</u>	<u>218</u>	<u>348</u>	<u>348</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

28. FINANCIAL RISK MANAGEMENT (Cont'd)

1.5 Tourism industry risk

- The political situation in the Southeastern Mediterranean area may seriously impact the tourist industry.
- The operations of the Group are characterised by a high degree of seasonality, between the summer and winter months. Specifically, the Group's high season is in the summer, between April and October and its low season between the months of November and March.
- The competitiveness of Cyprus in the international touristic market and the increasing competition within the Cypriot market may affect the results of the Company.
- The economic situation in Europe and political situation in Russia, the main sources of tourists for the Group, may adversely affect the tourist industry.
- The economic situation in Cyprus as described in note 29.

1.6 Operational risk

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

1.7 Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of Cyprus and EU. The risk is limited to a significant extent due to the supervision applied by relevant compliance officers, as well as by the monitoring controls applied by the Group.

1.8 Litigation risk

Litigation risk is the risk of financial loss, interruption of the Group's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contacts and consequentially of lawsuits. The risk is restricted through the contracts used by the Group to execute its operations.

1.9 Reputation risk

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

**NOTES TO THE FINANCIAL STATEMENTS
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28. FINANCIAL RISK MANAGEMENT (Cont'd)

1.10 Capital risk management

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

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

Gearing ratio

The Board of Directors of the Group monitors capital structure on the basis of the relationship of debt to total capital employed. In connection with this it monitors the cost of capital and the risk associated with it.

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

	2013	2012
	€	€
Debt (i)	62.916.272	60.204.779
Cash at bank and in hand	(92.095)	(70.554)
	<u>62.824.177</u>	<u>60.134.225</u>
Net debt		
	<u>62.824.177</u>	<u>60.134.225</u>
Equity (ii)	<u>23.949.858</u>	<u>46.099.098</u>

Net debt to equity ratio

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

As disclosed in note 30 after the year end, the share capital of the subsidiary company increased by €20.000.000 with the injection of new funds.

1.11 Other risks

The general economic environment prevailing in Cyprus and internationally, as described in note 29, may affect the Group's operations to a great extent. Concepts such as inflation, unemployment, and development of the gross domestic product (G.D.P) are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

28. FINANCIAL RISK MANAGEMENT (Cont'd)

1.12 Fair value

The Group and the Company

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

29. OPERATING ENVIRONMENT IN CYPRUS

The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), for financial support, which resulted into an agreement and the Eurogroup decision of 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus through "bail in". During 2013 the Cyprus economy contracted further with a decrease in the Gross Domestic Product.

The Eurogroup decision on Cyprus includes plans for the restructuring of the financial sector and safeguards deposits below €100.000 in accordance with European Union legislation. In addition, the Cypriot authorities have reaffirmed their commitment to step up efforts in the areas of fiscal consolidation, structural reforms and privatizations.

On 22 March 2013 legislation was enacted by the House of Representatives concerning restrictive measures in respect of transactions executed through the banking institutions operating in Cyprus. The extent and duration of the restrictive measures are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and were enforced on 28 March 2013. The temporary restrictive measures, with respect to banking and cash transactions include restrictions on cash withdrawals, the cashing of cheques and transfers of funds to other credit institutions in Cyprus and abroad. They also provide for the compulsory partial renewal of certain maturing deposits.

On 29 March 2013 the Central Bank of Cyprus issued decrees relating to Laiki Bank and Bank of Cyprus, implementing measures for these two banks under the Resolution of Credit and Other Institutions Law of 2013.

On the basis of the relevant decrees, Laiki Bank was placed into resolution. What remained in Laiki Bank were mainly the uninsured deposits and assets outside Cyprus. The assets of Laiki Bank in Cyprus, the insured deposits and the Eurosystem financing have been transferred to Bank of Cyprus, with compensation for the value of the net assets transferred, the issue of shares by Bank of Cyprus to Laiki Bank.

The recapitalization process for the Bank of Cyprus was completed in accordance with the relevant decrees of the Resolution Authority through "bail-in", that is through the partial conversion of uninsured deposits into shares. In addition, the holders of shares and debt instruments in Bank of Cyprus on 29 March 2013 have contributed to the recapitalization of Bank of Cyprus through the absorption of losses.

On 12 April 2013 the Eurogroup welcomed the agreement that was reached between Cyprus and the Troika institutions regarding the macroeconomic adjustment programme for Cyprus. Subsequently all the necessary procedures for the formal approval of the Board of Directors of the European Stability Mechanism were completed, as well as the ratification by Eurozone member states. Following the completion of the above procedures, the first tranche of the financing of the Republic of Cyprus was released in line with the provisions of the Memorandum.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

29. OPERATING ENVIRONMENT IN CYPRUS (Cont'd)

Following the positive outcome of the first and second quarterly reviews of Cyprus's economic programme by the European Commission, the European Central Bank and the International Monetary Fund during 2013, the Eurogroup endorsed the disbursement of the scheduled tranches of financial assistance to Cyprus.

The uncertain economic conditions in Cyprus, the unavailability of financing, the restructuring of the banking sector through "bail in" for Laiki Bank and Bank of Cyprus, and the imposition of capital controls together with the current situation of the banking system and the continuing overall economic recession, could affect negatively the operations of the Group. The Group's management however, is not in the position to predict all developments which may have an impact on the Cyprus economy and consequently what effect, if any, could have on the future financial performance, cash flows and financial position of the Group.

The Group's management is of the opinion that is taking all the necessary measures to maintain the viability of the Group and maintain/expand its operations in the present business and economic environment.

30. EVENTS AFTER THE REPORTING PERIOD

On 23 October 2013, the Company signed an "Agreement and plan of Subscription" with Emerald Coast Properties Ltd, "The Investor", according to which the Company's subsidiary, L' Union Nationale (Tourism and Sea Resorts) Ltd, would have issued at par 20.000.000 shares of a new class, with a nominal value of €1 each, to be subscribed by the Investor, with the Company waiving its pre-emption rights. The conclusion of the transaction was subject to completion of certain conditions and to due diligence from the investor, the scope of which was to verify certain parameters and representations.

On 31 January 2014, all conditions of the above agreement (the "Agreement") have been satisfied and the subsidiary company by a special Resolution on the same day issued and allotted 20.000.000 shares with nominal value of €1 each, to the Investor for the subscription price of €20.000.000. After the issue of the said new shares, the Company and the Investor each have 50% share in L' Union Nationale (Tourism and Sea Resorts) Ltd and therefore as from the year ended 31 December 2014 the investment of the Company in L' Union Nationale will be accounted for under the equity method in accordance with IFRS 11, "Joint Arrangements".

The new funds will be primarily used for the renovation of the Le Meridien Limassol Spa and Resort which is expected to take place in 2014, as well as for the strengthening of the subsidiary's working capital.

The Group expects to recognise a loss of €1,4m in 2014 from the transaction described above, being the difference between the book value of the assets attributable to the subsidiary before and after the completion of the Agreement.

There are no other significant events after the end of the financial year, which have bearing on the understanding of the financial statements.