C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

C.C.C. TOURIST ENTERPRISES PUBLIC COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

C o n t e n t s

BOARD OF DIRECTORS AND OTHER OFFICERS

Directors	Costas St. Galatariotis (Cypriot), Executive Chairman
	George St. Galatariotis (Cypriot), Director
	Stavros G. St. Galatariotis (Cypriot), Director
	Alexis G. St. Galatariotis (Cypriot), Director
	Tasos Anastasiou (Cypriot), Director
	Michalis Mousiouttas (Cypriot), Director
	Constantinos Pittas (Cypriot), Director
	Riginos Tsanos (Cypriot), Director
	Thomas M. Schmidheiny (Swiss), Director (Resigned on 20 June 2014)
	Vassos G. Lazarides (Cypriot), Director (Passed away on 30 October 2014)
	Stephan Popper (Swiss), Director (Resigned on 18 March 2014)
Secretary	C.C.C. Secretarial Limited, Limassol, Cyprus
Independent Auditors	Deloitte Limited, Limassol, Cyprus
Legal advisors	Christophi & Associates LLC
Bankers	Bank of Cyprus 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 until 2013,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 2014, on the basis of our knowledge, declare that:

a) the consolidated financial statements which are presented on pages 10 to 53:
   (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	....
George St. Galatariotis	Director	....
Stavros G. St. Galatariotis	Director	....
Alexis G. St. Galatariotis	Director	....
Tasos Anastasiou	Director	....
Michalis Mousiouttas	Director	....
Constantinos Pittas	Director	....
Riginos Tsanos	Director	…………………………….

Responsible for the preparation of the condensed interim consolidated financial statements

Name	**Position**	**Signature**
Elena Stylianou	Finance Manager	……………………………………

Limassol, 28 April 2015

REPORT OF THE BOARD OF DIRECTORS

For the year ended 31 December 2014

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 2014.

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 principal activity of the Group is the 24,98% participation in L' Union Nationale (Tourism and Sea Resorts) Limited ("L Union") (from 1 February 2014 until 30 September 2014: 50%, Until 31 January 2014: 100%). L' Union's principal activities, is the erection and development of hotels, the carrying on of the business of hoteliers, the development and promotion of tourism and touristic activities, and the development of luxurious villas for sale.

<u>Issue of share capital in L' Union Nationale (Tourism and Sea Resorts) Limited and change in its shareholding structure</u>

On 23 October 2013, the Company signed an "Agreement and plan of Subscription" with Emerald Coast Properties Limited, "the Investor", according to which the Company's subsidiary, L' Union Nationale (Tourism and Sea Resorts) Limited, 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") were 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) Limited.

The Group recognized a loss of €1.497.123 from the transaction described above which is the difference between the carrying value of the assets of the subsidiary attributable to the Company before and after the completion of the agreement.

<u>Additional issue of share capital in L' Union Nationale (Tourism and Sea Resorts) Limited and change in its shareholding structure</u>

On 6 June 2014, The Company signed a Memorandum of Understanding (MOU) with Emerald, which held 50% of the issued shares of L' Union. According to the MOU the issued share capital of L' Union would increase approximately by €52,5 million through the issue of new shares to Emerald (and simultaneous waiver of all and any pre-emption rights of the Company).

On 30 September 2014, the Share Capital Restructuring of L' Union was completed. With the restructuring, the issued share capital of L 'Union increased by €52,5 million by issuing of 40.076.336 shares of nominal value of €1,31 each share. By issuing of these shares, the Company holds 24.98% of the total issued shares of L 'Union. The Proceeds have been used exclusively for the re-payment of bank debt of L'Union to the Bank of Cyprus Public Company Ltd.

From this transaction, the Group has recognized an accounting profit of €2.007.272, which concerns the difference between the book value of the assets of L 'Union Nationale attributable to the Company before and after the completion of the restructuring.

REPORT OF THE BOARD OF DIRECTORS (Cont'd)

For the year ended 31 December 2014

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

As a result of the above transactions, the results of the subsidiary L'Union for the year ended 31 December 2013 and period ended 31 January 2014 are presented together with the loss/profit of the above transactions in discontinued operations in the consolidated income statement. From 1 February until 30 September 2014, the Company's investment in L 'Union is presented using the equity method in accordance with IFRS 11 "Joint Arrangements". From 1 October 2014, the Company's investment in L 'Union is also presented using the equity method in accordance with IAS 28 " Investments in Associates and Joint Ventures".

Results

The consolidated loss for the year, was €67.463 (2013: loss €6.014.655).

The final results for the year 2014 as shown in the consolidated financial statements, differ from the preliminary results published on 27 February 2015 (final: loss €67.463, preliminary: profit €185.682).

Following detailed examination and analysis of the existing assets of the hotel complex and taking into consideration the planning for the renovation of the hotel which is in progress, the management of the associate company L' Union proceeded with additional provisions for write offs of property, plant and equipment which are not expected to be used after the renovation of the hotel complex of L'Union.

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

The results during the year have improved significantly compared to the corresponding period last year (2014: loss of €67.463, 2013: loss of €6.014.655). The improvement is mainly due to the transactions described above (see "Incorporation and principal activities"), and due to the improvement of L 'Union's results (2014: loss of €852.696, 2013: loss of €5.953.878).

The Group has recognized an accounting profit of €2.007.272 due to the loss of control in joint venture (note 4 (iv)). The gain is partially offset by a loss of € 1.497.123 due to the loss of control in subsidiary (note 4 (ii)) and due to the loss for the period from discontinued of €837.117 (note 4 (i)).

The results of the operations of L 'Union have improved because of the significant reduction in financial expenses and interest which was waived due to the restructuring and repayment of the bank loans and the profits arising from the completion of the sale of houses in the partnership L'Union Branded Residence. The improvement of the results is partially offset by provisions for write offs of property, plant and equipment (note 10 (i)).

Financial position

Total assets for the year end were €23.915.059 (2013: €101.627.078). The reduction in the Group's assets is due to the loss of control in the subsidiary company L'Union. The 2014 consolidated financial position includes only the share of the associated company L'Union compared to 2013 where L'Union had been fully consolidated as a subsidiary.

Net assets decreased from €23.94.858 in 2013 to €23.870.929 in 2014 as a result of the loss for the year.

REPORT OF THE BOARD OF DIRECTORS (Cont'd)

Expected future developments of the Group

Other than the developments described in caption "Incorporation and principal activities" 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 20)

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 19 and 20 to the financial statements.

Branches

The Company and the Group do not maintain any branches.

Share Capital

On 31 December 2014 the issued and fully paid up share capital of the Company consisted of 141.692.040 ordinary shares at €0,43 each.

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

Significant events after the end of the financial year

Any significant events that occurred after the end of the financial year are described in note 21 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 Manager.

REPORT OF THE BOARD OF DIRECTORS (Cont'd)

Corporate Governance Code (Cont'd)

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:

	28 April 2015	31 December 2014
	%	%
The Cyprus Cement Public Company Ltd	67,30	67,30
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 8 members and meetings are convened at regular intervals. The Board of Directors approves the Company's strategy and supervises the adoption and realization of the Company's strategic development.

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:

	28 April 2015	31 December 2014
	%	%
Costas St. Galatariotis (*)	67,30	67,30
Riginos Tsanos	1,89	1,89
George St. Galatariotis	0	0
Stavros G. St. Galatariotis	0	0
Alexis G. St. Galatariotis	0	0
Tasos Anastasiou	0	0
Michalis Mousiouttas	0	0
Constantinos Pittas	0	0

(*) 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.

REPORT OF THE BOARD OF DIRECTORS (Cont'd)

Board of Directors

The members of the Board of Directors at the date of this report are shown on page 1. On 18 March 2014 and 20 June 2014, Mr. Stephan Popper and Mr Thomas M. Schmidheiny have resigned from the Board of Directors, respectively. On 30 October 2014, Mr Vassos G. Lazarides has passed away. In accordance with the Company's Articles of Association Messrs. George St. Galatariotis, Constantinos Pittas and Tasos Anastasiou retire by rotation and being eligible, offer themselves for re-election.

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, 28 April 2015

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/associate (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 2014, 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.

Independent Auditor's Report (Cont'd)

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 2014, 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 it 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, 28 April 2015

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 €	2013 €
Continuing operations			
Share of profit in joint venture/associate		359.068	1.166
Operating and administration costs		(66.810)	(60.776)
Net finance costs	6	(2.057)	583
Profit/(loss) before taxation	5	290.201	(59.027)
Taxation	7	(30.695)	(1.750)
Profit/(loss) for the period from continuing operations		259.506	(60.777)
Discontinued operations			
Loss for the period from discontinued operations	4 (i)	(837.117)	(5.953.878)
Effect from loss of control in subsidiary company	4 (ii)	(1.497.124)	-
Effect from loss of joint control in joint venture	4 (iv)	2.007.272	-
Loss for the period		(67.463)	(6.014.655)
Other comprehensive income for the year			
Continued operations			
Share of deferred tax relating to revaluation of land of associated company		(11.466)	-
Discontinued operations			
Items that may not be reclassified subsequently to income statement			
Reversal of revaluation of land and buildings		-	(20.131.724)
Reversal of deferred tax liability relating to the reduction in the carrying amount of land and buildings/transfer from deferred tax		-	3.997.139
Total comprehensive loss for the year		(78.929)	(22.149.240)
Loss per share		**€ cent**	**€ cent**
Basic and fully diluted loss per share	**8**	(0,00)	(4,24)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	2014 €	2013 €
ASSETS			
Non-current assets			
Property, plant and equipment	**9**	-	97.500.000
Investment in partnership		-	1.150.396
Investment in associates	**10**	23.706.445	5.143
		23.706.445	98.655.539
Current assets			
Property for development		-	790.333
Inventories		-	752.054
Receivables and prepayments		-	1.187.732
Receivable from related companies		208.614	149.325
Cash and cash equivalents		-	92.095
		208.614	2.971.539
Total assets		23.915.059	101.627.078
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**11**	60.927.577	60.927.577
Other reserves		4.720.010	13.666.240
Retained losses		(41.776.658)	(50.643.959)
Total equity		23.870.929	23.949.858
Non-current liabilities			
Bank loans	**12**	-	52.894.844
Deferred taxation	**13**	-	9.932.909
		-	62.827.753
Current liabilities			
Payables and accruals	**14**	11.768	3.931.039
Loan due to related parties	**12**	-	897.000
Bank overdrafts	**12**	32.362	10.021.428
		44.130	14.849.467
Total liabilities		44.130	77.677.220
Total equity and liabilities		23.915.059	101.627.078

On 28 April 2015 the Board of Directors of C.C.C. Tourist Enterprises Public Company Limited authorised these financial statements for issue.

Costas St. Galatariotis
Executive Chairman

George St. Galatariotis
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	CAPITAL RESERVES (note a)				
	Share capital €	**Share premium account €**	**Revaluation reserve €**	**Accumulated losses (note b) €**	**Total €**
1 January 2013	60.927.577	1.756.398	28.044.427	(44.629.304)	46.099.098
Comprehensive income					
Reversal of revaluation of land and buildings/transfer of excess depreciation to retained earnings	-	-	(20.131.724)	-	(20.131.724)
Reversal of deferred tax liability relating to the reduction in the carrying amount of land and buildings (note 13)	-	-	3.997.139	-	3.997.139
Loss for the year	-	-	-	(6.014.655)	(6.014.655)
31 December 2013/ 1 January 2014	60.927.577	1.756.398	11.909.842	(50.643.959)	23.949.858
Comprehensive income					
Transfer from revaluation reserve to accumulated losses due to loss of control in subsidiary company (Note 4)	-	-	(8.934.764)	8.934.764	-
Share of deferred tax relating to revaluation of land of associated company	-	-	(11.466)	-	(11.466)
Loss for the year				(67.463)	(67.463)
31 December 2014	60.927.577	1.756.398	2.963.612	(41.776.658)	23.870.929

Notes:

a. Capital reserves are 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 as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2013 and 2014 and 17% for 2014 and thereafter (in 2013 the rate was 15% up to 30 August 2013 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.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 €	2013 €
Cash flows from operating activities			
Loss before taxation		(36.768)	(4.629.390)
Adjustments for:			
Interest payable		455.696	3.782.272
Share of profit/(loss) from associate and joint venture		(359.067)	109.280
Depreciation		155.426	1.883.502
Effect of loss of control in subsidiary company	**4(ii)**	1.497.124	-
Effect of loss of joint control in joint venture	**4(iv)**	(2.007.272)	-
Loss on disposal of property, plant and equipment		-	19.174
Exchange gain		-	(75.111)
Provision/(reversal) of impairment loss on trade receivables, net		-	2.315
Operating cash flows before working capital changes		(294.861)	1.092.042
(Increase)/decrease in inventories		(6.478)	97.069
(Increase)/decrease in receivables and prepayments		789.932	(378.805)
(Decrease)/ increase in payables and accruals		(40.265)	48.102
Cash generated from operating activities		448.328	858.408
Tax paid		-	(2.662)
Net cash generated from operating activities		448.328	855.746
Cash flows from investing activities			
Payments for the purchase of property, plant and equipment		(25.984)	(582.954)
Increase in amount due from related parties		(59.289)	(149.325)
Cash flow effect from loss of control in subsidiary company	**4(ii)**	9.533.916	
Additional contributions to investment in joint venture		-	(3.259)
Net cash inflow / (outflow) used in investing activities		9.448.643	(735.538)
Cash flows from financing activities			
Proceeds from new bank loans		-	52.500.000
Repayment of bank loans		-	(51.199.101)
Interest paid		-	(3.387.427)
Proceeds from loans received from related parties		-	897.000
Net cash used in financing activities		-	(1.189.528)
Net increase/(decrease) in cash and cash equivalents		9.896.971	(1.069.320)
Cash and cash equivalents at 1 January		(9.929.333)	(8.860.013)
Cash and cash equivalents at 31 December		(32.362)	(9.929.333)

PARENT COMPANY INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 €	2013 €
Administration costs		(66.828)	(60.776)
Impairment of investment in subsidiary		-	(22.096.462)
Effect of loss of control in subsidiary company	**15**	(2.334.240)	-
Finance (cost)/ income	**6**	(2.057)	583
Loss before taxation	**5**	(2.403.125)	(22.156.655)
Taxation	**7**	-	-
Loss for the year		(2.403.125)	(22.156.655)
Other comprehensive income for the year		-	-
Total comprehensive expense for the year		(2.403.125)	(22.156.655)

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	2014 €	2013 €
ASSETS			
Non-current assets			
Investment in subsidiary	**15**	-	23.711.364
Investment in associates	**10**	21.380.541	3.417
		21.380.541	23.714.781
Current assets			
Amount due from related companies	**18**	208.614	291.656
		208.614	291.656
Total assets		21.589.155	24.006.437
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**11**	60.927.577	60.927.577
Share premium		1.756.398	1.756.398
Retained losses		(41.138.950)	(38.735.825)
Total equity		21.545.025	23.948.150
Current liabilities			
Payables and accruals	**14**	11.768	35.813
Bank overdraft	**12**	32.362	22.474
		44.130	58.287
Total liabilities		44.130	58.287
Total equity and liabilities		21.589.155	24.006.437

On 28 April 2015 the Board of Directors of C.C.C. Tourist Enterprises Public Company Limited authorised these financial statements for issue.

Costas St. Galatariotis
Executive Chairman

George St. Galatariotis
Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital €	Share premium account (note a) €	Accumulated losses (note b) €	Total €
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 2013/1 January 2014	60.927.577	1.756.398	(38.735.825)	23.948.150
Comprehensive income				
Loss for the year			(2.403.125)	(2.403.125)
31 December 2014	60.927.577	1.756.398	(41.138.950)	21.545.025

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 2013 and 2014 and 17% for 2014 and thereafter (in 2013 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.

PARENT COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 €	2013 €
Cash flows from operating activities			
Loss before taxation		(2.403.125)	(22.156.655)
Adjustments for:			
Interest payable		2.057	1.411
Interest received		-	(1.994)
Effect of loss of control in subsidiary company	**15**	2.334.240	-
Impairment of investment in subsidiary	**15**	-	22.096.462
		(66.828)	(60.776)
(Decrease)/increase in payables and accruals		(24.045)	20.959
Decrease in receivables and prepayments		-	4.000
Cash used in operating activities		(90.873)	(35.817)
Tax paid		-	-
Interest paid		(2.057)	(1.411)
Interest received		-	1.994
Net cash used in operating activities		(92.930)	(35.234)
Cash flows from investing activities			
Decrease in amount due from related companies		83.042	28.006
Net cash generated from investing activities		83.042	28.006
Net decrease in cash and cash equivalents		(9.888)	(7.228)
Cash and cash equivalents at 1 January		(22.474)	(15.246)
Cash and cash equivalents at 31 December		(32.362)	(22.474)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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 holds 24,98% (from 1 February 2014 until 30 September 2014: 50%, Until 31 January 2014: 100%)of the share capital of the company L’Union Nationale (Tourism and Sea Resorts) Limited (the “L’ Union”) which was incorporated in Cyprus in 1981. The associated company is the owner company of the luxurious hotel complex Le Meridien Limassol Spa & Resort (“Le Meridien”) .L’ Union’s principal activities, is the erection and development of hotels, the carrying on of the business of hoteliers, the development and promotion of tourism and touristic activities, and the development of luxurious villas for sale.

The hotel complex Le Meridien Limassol Spa 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 L’union formed the L’ Union Branded Residences Partnership noted above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of compliance

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

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

Basis of preparation

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

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

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

Basis of preparation (Cont'd)

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

A. General

In the current year, the Company/ Group has adopted all of the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2014. Except as mentioned below the adoption of these Standards did not have a material effect on the accounting policies of the Company.

The following standards have been adopted by the Company/Group for the first time for the financial year beginning on or after 1 January 2014 and had no material impact on the Company/Group:

Standard/ Interpretation	**Effective for annual periods beginning on or after:**
IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.	1 January 2014
IFRS 11 "Joint Arrangements" focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.	1 January 2014
IFRS 12 "Disclosure of Interests in Other Entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.	1 January 2014
IAS 27 (2011) "Separate Financial Statements"	1 January 2014
IAS 28 (2011) "Investments in Associates and Joint Ventures"	1 January 2014
Transition guidance to IFRS 10, 11 and 12	1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014
Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendment to IAS 36: Recoverable amount disclosures for non-financial assets	1 January 2014
Amendment to IAS 39: Novation of derivatives and continuation of hedge accounting	1 January 2014
IFRIC Interpretation 21 "Levies"	1 January 2014

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

Application of new and revised International Financial Reporting Standards (IFRSs) (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 2014:

i) Adopted by the European Union

Standard/ Interpretation	Effective for annual periods beginning on or after:
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
Improvements to IFRSs 2010-2012 Cycle	1 July 2014
Improvements to IFRSs 2011-2013 Cycle	1 July 2014

ii) Not yet adopted by the European Union

Standard/ Interpretation	Effective for annual periods beginning on or after:
IFRS 9 “Financial Instruments”	1 January 2018
IFRS 14 “Regulatory Deferral Accounts”	1 January 2016
IFRS 15 “Revenue from Contracts with Customers”	1 January 2017
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to IAS 1: Disclosure Initiative	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016 (To be amended)
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016
Amendments to IAS 16 and IAS 41: Bearer Plants	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016

The Company/Group is in the process of evaluating the effect that the adoption of the above standards will have on the financial statements of the Company, and it does not intend to early adopt any of them.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

Changes in the Group's ownership interests in existing subsidiaries (Cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Non-current Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is recognised as met only when the sale is highly probable and the asset (or disposal Group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and Disposal Group) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group (cash generating unit) that has either been disposed of, or classified as held for sale, and

- represents a separate major line of business or geographical area of operation
- is a subsidiary acquired exclusively with a view to resale
- is part of a single coordinated plan to dispose of a major line of business or geographical area of operation

Results of discontinued operations for the current year and comparatives are separately disclosed in order to evaluate the financial effects of discontinued operations.

The share capital increase and change in the shareholding structure of L'Union as described in the note 4, has resulted in the loss of control in the subsidiary company and therefore the results of the subsidiary L'Union for the year ended 31 December 2013 and for January 2014 are presented together with the loss of the above transaction in discontinued operations in the consolidated statement profit or loss and other comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment in associates and joint ventures (Cont'd)

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.

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 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.

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 2014

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".

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Provisions (Cont'd)

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.

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 portofolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portofolio past the average credit period, as well as objective changes in national or local economic conditions that correlate with default on receivables.

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

In respect to 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.

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. 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.

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

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:

Impairment of investments in subsidiaries/associates/joint ventures

The Group/ The Company periodically evaluates the recoverability of investments in subsidiary/associates/joint venture whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries/associates may be impaired, the estimated future discounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

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).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4. LOSS FROM DISCONTINUED OPERATIONS

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

On 23 October 2013, the Company signed an "Agreement and plan of Subscription" with Emerald Coast Properties Limited, "the Investor", according to which the Company's subsidiary, L' Union Nationale (Tourism and Sea Resorts) Limited, 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) Limited The new funds were primarily used for the renovation of the Le Meridien Limassol Spa and Resort which stated in November, as well as for the strengthening of the subsidiary's working capital.

The Group recognized a loss of €1.497.124 from the transaction described above which is the difference between the carrying value of the assets of the subsidiary attributable to the Company before and after the completion of the agreement.

Additional issue of share capital in L' Union Nationale (Tourism and Sea Resorts) Limited and change in its shareholding structure

On 6 June 2014, The Company signed a Memorandum of Understanding (MOU) with Emerald, which held 50% of the issued shares of L' Union. According to the MOU the issued share capital of L' Union would increase approximately by €52,5 million through the issue of new shares to Emerald (and simultaneous waiver of all and any pre-emption rights of the Company).

On 30 September 2014, the Share Capital Restructuring of L' Union was completed. With the restructuring, the issued share capital of L 'Union increased by €52,5 million by issuing of 40.076.336 shares of nominal value of €1,31 each share. By issuing of these shares, the Company holds 24.98% of the total issued shares of L 'Union. The Proceeds have been used exclusively for the re-payment of bank debts of L'Union to the Bank of Cyprus Public Company Ltd.

From this transaction, CCCT has recognized an accounting profit of €2.007.272, which concerns the difference between the book value of the assets of L 'Union Nationale attributable to the Company before and after the completion of the restructuring.

As a result of the above transactions, the results of the subsidiary L'Union for the year ended 31 December 2013 and period ended 31 January 2014 are presented together with the loss/profit of the above transaction in discontinued operations in the consolidated income statement. From 1 February until 30 September 2014, the Company's investment in L 'Union is presented using the equity method in accordance with IFRS 11 "Joint Arrangements".From 1 October 2014, the Company's investment in L 'Union is also presented using the equity method in accordance with IAS 28 " Investments in Associates and Joint Ventures".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4. LOSS FROM DISCONTINUED OPERATIONS (Cont'd)

(i) Results from discontinued operations

	1/1/2014-31/1/2014 €	2013 €
Revenue	440.688	15.766.089
Operating and administration costs	(844.996)	(14.636.754)
Depreciation	(155.424)	(1.883.502)
Net finance costs	(277.385)	(3.705.750)
Share of loss in a partnership	-	(110.446)
Loss before taxation	(837.117)	(4.570.363)
Taxation	-	(1.383.515)
Loss for the period / year from discontinued operations	(837.117)	(5.953.878)
Other comprehensive income for the period / year		
Items that may not be reclassified subsequently to income statement		
Reversal of revaluation of land and buildings	-	(20.131.724)
Reversal of deferred tax liability relating to the reduction in the carrying amount of land and buildings/transfer from deferred tax	-	3.997.139
Total comprehensive loss for the period / year	(837.117)	(22.088.463)

Note:

The above results for the year ended 31 December 2013 relate to the 100% results of L' Union for all the year whereas for the year ended 31 December 2014 relate to the 100% of the results of L' Union only for January 2014 in which the Company's share was 100%.

(ii) Effect of loss of control in subsidiary company

	31/01/2014 €
Property, plant and equipment	97.370.558
Investment in partnership	1.150.396
Property under development	790.333
Inventories	758.532
Trade and other receivables	397.800
Cash and cash equivalents	(9.533.916)
Trade and other payables (including related party payables)	(3.879.006)
Deferred taxation	(9.932.909)
Bank loans and bank overdrafts	(54.247.540)
Net position	**22.874.248**
Net position of L' Union before issue of shares	(22.874.248)
Share of net position L' Union after issue of shares	21.377.124
Loss from loss of control	**(1.497.124)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4. LOSS FROM DISCONTINUED OPERATIONS (Cont'd)

(iii) Net cash inflow on loss of control in subsidiary company

	31/01/2014 €
Cash and cash equivalent in L' Union on the date of loss of control	9.533.916
Cash flow effect from loss of control in subsidiary company	9.533.916

(iv) Effect of loss of joint control in joint venture

	30/09/2014 €
Property, plant and equipment	96.832.672
Investment in partnership	1.150.396
Property under development	790.333
Inventories	641.431
Trade and other receivables	2.391.905
Cash and cash equivalents	10.442.341
Trade and other payables	(5.574.596)
Deferred taxation	(9.932.909)
Bank loans and bank overdrafts	(52.662.673)
Net position	**44.078.900**
Share of net assets of L' Union before issue of shares (50%)	22.039.450
Share of net assets of L' Union after issue of shares(24,98%)	24.046.722
Profit from loss of joint control	2.007.272

(v) Cash flow from Discontinued operations are as follows:

Discontinued operations

	2014 €	2013 €
Cash flow from operating activities	884.465	896.575
Cash flow from investing activities	(25,984)	(593.218)
Cash flow from financing activities	-	(1.365.450)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

5. LOSS BEFORE TAXATION

This is stated after charging:

	The Group/ The Company	
Continuing operations	**2014**	**2013**
	€	**€**
Auditors' remuneration for statutory audit services	7.200	7.200
Auditors' remuneration for other services	3.350	3.350
Directors' remuneration:		
as members of the Board - current year	3.200	400
- prior year	4.000	4.000

6. FINANCE COSTS AND EXCHANGE DIFFERENCES

	The Group/ The Company	
Continuing operations		
	2014	**2013**
Finance costs	**€**	**€**
Bank overdraft and other bank charges	1.842	1.192
Other finance costs	215	219
	2.057	1.411
Finance income		
Interest received on amount receivable from a related company (note 18)	-	(1.994)
	-	(1.994)
Total net finance costs/(income)	2.057	(583)

7. TAXATION

Taxation charge

Continuing operations	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	€	**€**	**€**	**€**
Share of tax of associate company (note 10(ii))	30.695	1.750	-	-
Taxation charge	30.695	1.750	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

7. TAXATION (Cont'd)

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

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	€	**€**	**€**	**€**
Loss before taxation	(36.768)	(62.527)	(2.403.125)	(22.156.655)
Tax at the applicable income tax rate of 12,5%	(4.596)	(7.816)	(300.391)	(2.769.582)
Tax effect of expenses that are not deductible in determining taxable profit	2.114	7.114	297.909	2.768.880
Effect of deferred taxation not recognized	2.482	702	2.482	702
Share of tax of associate company	30.695	1.750	-	-
Tax charge of losses carried forward	30.695	1.750	-	-

The corporation tax rate during the year ended 31 December 2014 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.

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. 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 €100.923 (2013: €115.461).

8. BASIC AND FULLY DILUTED LOSS PER SHARE

The Group

	2014	**2013**
	€	**€**
Net loss for the year	(67.463)	(6.014.655)
Weighted average number of shares	141.692.040	141.692.040
	€ cent	**€ cent**
Basic and fully diluted loss per share	(0,00)	(4,24)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

9. PROPERTY, PLANT AND EQUIPMENT

The Group

Year ended 31 December 2014	Freehold land and buildings €	Plant and machinery €	Furniture and fittings €	Motor vehicles €	Cutlery & linen €	Total €
Cost or valuation						
At 1 January 2014	101.816.322	7.049.944	8.130.728	173.394	2.116.484	119.286.872
Additions	-	17.792	16.845	-	347	34.984
Effect of loss of control in subsidiary company(note 4(ii))	(101.816.322)	(7.067.736)	(8.147.573)	(173.394)	(2.116.831)	(119.321.856)
At 31 December 2014	-	-	-	-	-	-
Depreciation						
At 1 January 2014	8.201.617	5.615.019	6.836.207	169.902	964.127	21.786.872
Charge for the year	48.785	32.698	32.044	3.492	38.408	155.426
Effect of loss of control in subsidiary company (note 4(ii))	(8.250.402)	(5.647.717)	(6.868.251)	(173.394)	(1.002.535)	(21.942.298)
At 31 December 2014	-	-	-	-	-	-
Net book value						
At 31 December 2014	-	-	-	-	-	-

Year ended 31 December 2013	Freehold land and buildings €	Plant and machinery €	Furniture and fittings €	Motor vehicles €	Cutlery & linen €	Total €
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

Pledges and guarantees-2013

In 2013, the land and buildings of the subsidiary of the Group were subject to first, second and third priority mortgages up to an amount of €35,1 million, while other property, plant and equipment were 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 12 of the financial statements.

Fair value measurement of property, plant and equipment-2013

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, as of 31 December 2013, would have been €4.281.818 and €64.487.138 respectively.

10. INVESTMENT IN JOINT VENTURE/ASSOCIATE COMPANIES

	The Group		The Company	
	2014 €	2013 €	2014 €	2013 €
Investment in associated company- L'Union Nationale (Tourism and Sea Resorts) Limited (i)	23.700.467	-	21.377.124	-
Investment in associated company- C.C.C Secretarial Limited(ii)	5.978	5.143	3.417	3.417
	23.706.445	5.143	21.380.541	3.417

10. INVESTMENT IN JOINT VENTURE/ASSOCIATE COMPANIES (CONT'D)

Details of the Group's investment in associated companies at the end of the reporting period are as follows:

Name of associated Company	Principal activity	% Holding	
		2014	**2013**
L' Union Nationale (Tourism and Sea Resorts) Limited	Hotel operations	24,98% (1/2/2014 30/9/2014:50%)	-
C.C.C Secretarial Limited	Secretarial and other professional services	20%	20%

(i) Investment in L' Union Nationale (Tourism and Sea Resorts) Limited

The Company

The investment in L'Union is initially recognised at the share of net assets of the associated company as of the 31 January 2014 which is the date that the Company has lost the control.(note 4(ii)).

The Group

The share capital increase and change in the shareholding structure of L'Union, as described in note 4. As a result of these transactions, the Company's investment in L 'Union is classified as a joint venture and presented using the equity method in accordance with IFRS 11 "Joint Arrangements" for the period from 1 February until 30 September 2014 .From 1 October 2014, the Company's investment in L 'Union is classified as associated company and is also presented using the equity method in accordance with IAS 28 " Investments in Associates and Joint Ventures".

Based on agreement signed on 30 September 2014 with Emerald, the Company has an a "call" option to compel L'union to issue solely and exclusively to the Company shares which together with the existing shareholding (ie 24,98%) will constitute 50% of the issued L'Union shares. The option is exercisable after 3 years and before the lapse of 6 years from the Share Capital Restructuring (ie between 30 September 2017 and 30 September 2020).

The associated company has the following shares as of 31 December 2014:

- 20.000.000 ordinary shares of €1,71 each which are owned by the Company (Class "A" shares)
- 20.000.000 ordinary shares of €1 each which are owned by Emerald (Class "B" shares)
- 40.076.336 ordinary shares of €1,31 each which are owned by the Company (Class "C" shares)

All above shares rank pari passu in all respects (including without any restriction in relation to voting and dividends) except from (i) the holders of Class "A" shares shall alone be entitled to appoint and remove one "A" Director of the associated company and to vote in relation to the appointment, election or removal of the one "A" Director of the associated company, (ii) the holders of Class "B" shares shall alone be entitled to appoint and remove three "B" Directors of the associated company and to vote in relation to the appointment, election or removal of the three "B" Directors of the associated company, (iii) the holders Class "C" shares shall alone be entitled to appoint and remove an unlimited number of "C" Directors of the associated company and to vote in relation to the appointment, election or removal of the "C" Directors of the associated company and (iv) as far as the return of capital on winding up of the associated company is concerned the proportion of rights of Class "A" shares, Class "B" shares and Class "C" shares will be 1,71 from 4,02, 1,00 from 4,02 and 1,31 from 4,02 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

10. INVESTMENT IN JOINT VENTURE/ASSOCIATE COMPANIES (CONT'D)

The Group (Cont'd)

As of 31 December 2014, the Company and Emerald have one and five appointed directors, respectively. In addition, general meetings decisions will be taken by a simple majority unless otherwise specified by law.

The Group's movement of the investment in joint venture and associated company during the period is as follows:

	2014 **€**
Balance 1 January 2014	-
Initial recognition of investment (note 4 (ii))	21.377.124
Share of profit of joint venture	662.326
Investment in Joint Venture as of 30 September 2014	22.039.450
Effect of loss of control of 25,02% in joint venture (note 4(iv))	2.007.272
Share of loss before tax in associated company	(304.594)
Share of deferred tax relating to revaluation of land of associated company	(11.466)
Share of deferred tax relating to accelerated capital allowances of the associated company	(30.195)
Investment in associated company as of 31 December 2014	23.700.467

The financial information in regards of the Group's investment in associated company is as follows:

	2014 **€**
Current assets	11.179.415
Non-current assets	96.673.167
Current liabilities	(2.875.234)
Non- current liabilities	(10.099.581)
Net financial position	**94.877.767**

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	853.870
Current liabilities (excluding trade and other payables)	(240.896)
Non-current liabilities (excluding trade and other payables)	(10.099.581)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

10. INVESTMENT IN JOINT VENTURE/ASSOCIATE COMPANIES (CONT'D)

The Group (Cont'd)

The results of L'Union for the year ended 31 December 2014 and 2013 are the following:

	2014 €	2013 €
Revenue	14.516.546	15.766.089
Operating and administration costs	(13.605.712)	(14.636. 754)
Depreciation	(1.752.452)	(1.883.502)
Net finance costs	(1.970.159)	(3.705.750)
Bank loan interest waived	2.715.908	-
Net loss on disposal / impairment of property, plant and equipment	(2.371.446)	-
Share of profit in a partnership	1.735.495	(110.446)
Loss before taxation	(731.820)	(4.570.363)
Taxation	(120.876)	(1.383.515)
Loss for the period	(852.696)	(5.953.878)
Other comprehensive income for the year		
Items that may not be reclassified subsequently to income statement		
Reversal of revaluation of land and buildings	-	(20.131.724)
Reversal of deferred tax liability relating to the reduction in the carrying amount of land and buildings/transfer from deferred tax	-	3.997.139
Deferred tax from revaluation of land	(45.901)	-
Total comprehensive loss for the year	(898.597)	(22.088.463)

Reconciliation of the above summarized financial information to the carrying amounts of the interest in the associated company recognized in the consolidated financial statements:

	2014 €
Net assets of the associate/ joint venture	94.877.767
Proportion of the Group's ownership, interest in the joint venture	24,98%
Carrying amounts of the Group's interest in the joint venture	23.700.467

Commitments and contingencies

Renovation of the hotel

In November 2014, the hotel closed down for renovations and is expected to be completed in the first six months of 2016. As of 31 December 2014, the associated company had capital commitments mainly connected with construction and other related costs in the amount of €17.562.416.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

10. INVESTMENT IN JOINT VENTURE/ASSOCIATE COMPANIES (CONT'D)

The Group (Cont'd)

Operating Lease

The associate company leases from the Government of Cyprus coastal area 17.392 sq.m. beach at an annual rent of €119.000.

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

	2014	2013
	€	€
Minimum lease payments	110.811	124.228

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

	2014	2013
	€	€
Within one year	119.000	119.000
Within two to five years	476.000	476.000
After five years	7.735.000	7.854.000
	8.330.000	8.449.000

As per the lease agreement the annual rental fee is subject to revision every five years

(ii) Investment in C.C.C Secretarial Limited

The Group

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 movement of the investment in joint venture and associated company during the period is as follows:

	2014	2014
	€	€
Opening balance	**5.143**	**5.767**
Share of profit before taxation	1.335	1.166
Share of tax	(500)	(1.790)
Closing balance	**5.978**	**5.143**

The financial information in regards of the Group's investment in associated company is as follows:

	2014	2013
	€	€
Current assets	236.934	93.511
Non-current assets	45.991	65.980
Current liabilities	(225.449)	(100.128)
Non- current liabilities	(27.586)	(33.648)
Net financial position	**29.890**	**25.715**

10. INVESTMENT IN JOINT VENTURE/ASSOCIATE COMPANIES (CONT'D)

	2014	2013
	€	€
Revenue	1.452.433	1.553.996
Costs	(1.438.941)	(1.539.977)
Net finance costs	(6.818)	(8.187)
Profit before taxation	6.674	5.832
Taxation	(2.500)	(8.950)
Profit/(loss) for the period	4.174	(3.118)
Group's share of the profit/(loss)	835	(624)

Reconciliation of the above summarized financial information to the carrying amounts of the interest in the associated company recognized in the consolidated financial statements:

	2014	2013
	€	€
Net assets of the associated company	29.890	25.715
Proportion of the Group's ownership, interest in the associated company	20%	20%
Carrying amounts of the Group's interest in the associated company	5.978	5.143

11. SHARE CAPITAL

	2014	2013
	€	€
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

12. BORROWINGS

On 22 October 2013, the subsidiary Company L'Union 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%.

On 30 September 2014, the said bank loan of L'Union was fully repaid. Based on the repayment agreement of the said loan, bank interest of €2.715.908 has been waived. The profit from the bank interest waived is included in share of profit from joint venture (note 10 (i)).

12. BORROWINGS (Cont'd)

	2014 €	2013 €
I. Secured bank loans		
Non-current portion		
Denominated in Euro	-	52.894.844
	-	52.894.844
Total secured bank loans	-	52.894.844

The weighted average effective interest rate on the above bank loans were 5,33% in 2013. As noted above under the terms of the new loan interest rate was reduced to an effective rate of 4,75%.

	2014 €	2013 €
II. Unsecured related party loans (note 18)		
C.C.C. Secretarial Limited	-	40.000
K + G Complex Public Company Limited		857.000
	-	897.000

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

	2014 €	2013 €
III. Bank overdrafts		
Secured bank overdrafts	-	9.594.578
Unsecured bank overdrafts	32.362	426.850
	32.362	10.021.428

Notes:

(i) The weighted average effective interest rate on the above bank overdrafts was 5,7% (2013: 7,75%)

(ii) The bank overdrafts of the subsidiary Company in 2013 had 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. On 30 September 2014, all the bank loans and overdrafts of L'Union were fully repaid and all pledges and guarantees were removed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

13. DEFERRED TAXATION

The Group

	Revaluation of hotel complex €	Accelerated capital allowances €	Total €
1 January 2014	3.846.305	6.086.604	9.932.909
Effect of loss of control in subsidiary company (note 4(ii))	(3.846.305)	(6.086.604)	(9.932.909)
31 December 2014	-	-	-
1 January 2013	7.843.444	4.705.751	12.549.195
Debited to the Income Statement	-	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

(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.

The Company's tax losses carried forward to be offset with future taxable profits in the next five years amounted to €100.923 (2013: €115.461).

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

14. PAYABLES AND ACCRUALS

	The Group		The Company	
	2014 **€**	**2013** **€**	**2014** **€**	**2013** **€**
Trade payables	-	2.095.626		-
Other payables and accrual	11.768	1.704.868	11.768	35.813
Payable to related parties (note 18)	-	130.545	-	-
	11.768	3.931.039	11.768	35.813

Notes:

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

15. INVESTMENT IN SUBSIDIARY

The Company

As described in note 4, L'Union Nationale (Tourism and Sea Resorts) Limited increased its share capital twice during 2014. The new share capital was subscribed by a third party and thus the Company lost the control in the subsidiary company on 31 January 2014 and accounted for as joint venture from February 2014. L'Union 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 movement of investment in subsidiary is the following:

	2014 **€**	**2013** **€**
Balance 1 January and 31 December	23.711.364	45.807.826
Effect of loss of control in subsidiary company (note 4 & (ii) below)	(23.711.364)	-
Impairment (i)	-	(22.096.462)
Balance 31 December	-	23.711.364

(i) 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.

(ii) As a result of loss of control in subsidiary company, a loss of €2.334.240 was recorded being the difference between the carrying amount of investment as of 31 January 2014 (€23.711.364) and the share of net assets of L'Union after the increase of it share capital (€21.377.124).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

16. ANALYSIS OF CHANGES IN FINANCING ACTIVITIES

The Group **Year ended 31 December 2014**	**Long-term bank loans** **€**	**Related party loans** **€**	**Total** **€**
Balance 1 January 2014	52.894.844	897.000	53.791.844
Interest charge for the period	214.740	-	214.740
Effect of loss of control in subsidiary company (note 4(ii))	(53.109.584)	(897.000)	(54.006.584)
Balance 31 December 2014	-	-	-

The Group **Year ended 31 December 2013**	**Long-term bank loans** **€**	**Parent company loan** **€**	**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	52.894.844	897.000	53.791.844

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

The Group

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

- overdraft limit of €10,9 million

The overdrafts as well as the loans granted to L'union, by its bankers, are secured by the following as of 31 December 2013:

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

On 30 September 2014, all the bank loans and overdrafts of L'Union were fully repaid and all pledges and guarantees were removed.

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

The Company

The Company had the following unsecured financing facilities:

- overdraft facilities of €35.000 (2013: €35.000).

17. COMMITMENTS AND CONTINGENCIES

As at 31 December 2014, the Group/Company did not have any capital commitments or contingencies other than those of its associated companies which are described in note 10.

18. 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.

The following transactions were carried out with related parties:

The Group

Name	Nature of transactions	2014 €	2013 €
C.C.C. Secretarial Limited	Management fees	(17.213)	(178.600)
The Cyprus Cement Public Company Ltd (notes 12)	Interest income/(expense)	-	1.994

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

Name	Nature	Amounts owed from/(to) related parties 2014 €	2013 €
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)
L' Union Nationale (Tourism and Sea Resorts) Limited	Financing	142.331	-
The Cyprus Cement Public Company Ltd	Financing	66.283	149.325
		208.614	(878.220)

The Company

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

Name	Nature	Amounts owed from/(to) related parties 2014 €	2013 €
C.C.C. Secretarial Limited	Financing	-	(31.860)
The Cyprus Cement Public Company Limited	Financing	66.283	149.325
L' Union Nationale (Tourism and Sea Resorts) Limited	Financing	142.331	142.331
		208.614	259.796

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

19. 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, capital risk management and other risks arising from the financial instruments it holds.

The risk management policies employed by the Group/Company 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/Company has no significant concentration of credit risk. The Group/Company 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 Group/ Company has policies to limit the amount of credit exposure to any financial institution.

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 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 Group/Company

	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 2014							
Bank Overdrafts	32.262	32.262	32.262	-	-	-	-
Trade and other payables	11.768	11.768	11.768	-	-	-	-
	44.030	44.030	44.030	-	-	-	-

The Group

	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)				
	(67.614)	(106.736)	(14.719)	(1.306)	(2.839)	(12.882)	(74.990)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

19. FINANCIAL RISK MANAGEMENT (Cont'd)

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 during 2014 has no significant interest-bearing assets or liabilities. 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:

The Group	**2014 €**	**2013 €**
Variable rate instruments		
Bank overdrafts	-	10.021.428
Bank loans	32.362	52.894.844
	32.362	62.916.272

The Company	**2014 €**	**2013 €**
Variable rate instruments		
Bank overdrafts	32.362	22.474
	32.362	22.474

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 2013.

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 €	**50bp decrease €**	**50bp increase €**	**50bp decrease €**
31 December 2014				
Variable rate instruments	(161)	161	(161)	161
31 December 2013				
Variable rate instruments	(315.000)	315.000	(315.000)	315.000

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/Company has not material exposures in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

19. FINANCIAL RISK MANAGEMENT (Cont'd)

1.5 Tourism industry risk

The associated company L'Union is exposed to the following tourist industry risks:

- 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 associated company, may adversely affect the tourist industry.
- The economic situation in Cyprus as described in note 20.

1.6 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.

<u>Gearing ratio</u>

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:

	2014	**2013**
	€	**€**
Debt (i)	32.362	62.916.272
Cash at bank and in hand	-	(92.095)
Net debt	32.362	62.824.177
Equity (ii)	23.870.929	23.949.858
Net debt to equity ratio	0,1%	262%

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

1.7 Fair value

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

20. 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.

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

The capital restrictions were fully relaxed in April 2015.

Following the positive outcome of the reviews of Cyprus’s economic programme by the European Commission, the European Central Bank and the International Monetary Fund during 2013 and 2014, the Eurogroup endorsed the disbursement of the scheduled tranches of financial assistance to Cyprus.

The uncertain economic conditions in Cyprus could affect negatively the operations of the associated company which is the main asset 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.

21. EVENTS AFTER THE REPORTING PERIOD

There are no other significant events after the end of the financial year, which have bearing on the understanding of the financial statements, except the renovation works continuing to be executed on the hotel complex of associated company L’Union. The renovation work is expected to be completed within the first 6 months of 2016, when the hotel is expected to commence again its operations under a new higher class of category yet to be determined.