

# Cyprus Limni Resorts and GolfCourses PLC

## Report and financial statements 31 December 2016

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# Cyprus Limni Resorts and GolfCourses PLC

## Board of Directors and other officers

### Board of Directors

Nicolas K. Shacolas (Chairman)  
Marios Panayides (Managing Director)  
Marios N. Shacolas  
Georgios Georgiades  
Christos Mavrellis  
Chrysoula N. Shacola  
Eleni N. Shacola  
Makis Constantinides  
Demetris Demetriou  
Demetris Papapetrou  
Stephos Stephanides

### Company Secretary

**George P. Mitsides**  
11 Mesologgiou Street  
Acropolis  
Nicosia

### Registered office

Shacolas Building  
Old Nicosia - Limassol road  
Athalassa  
Nicosia  
Cyprus

### Legal Consultants

Demetriades Chrysses & Co

### Managing Director

Marios Panayides

### Financial Controller

Maria Aristidou

# Cyprus Limni Resorts and GolfCourses PLC

## **Declaration of the members of the Board of Directors and the Company Officials for the drafting of the financial statements**

According to Article 9, subsections (3) (c) and (7) of the Transparency Requirements (Traded Securities on a Regulated Market) Act of 2007 ('Act'), we the members of the Board of Directors and other officers responsible for the financial statements of Cyprus Limni Resorts and GolfCourses PLC for the year ended 31 December 2016, we confirm that, to the best of our knowledge:

(a) the annual financial statements presented on pages 16 to 53 were:

(i) prepared in accordance with International Financial Reporting Standards as adopted by the European Union and in accordance with the provision of subsection (4) of the Act, and

(ii) give a true and fair view of assets and liabilities, financial position and the loss of Cyprus Limni Resorts and GolfCourses PLC, and

(b) The Management report provides a fair overview of the developments and performance of the business and financial position of Cyprus Limni Resorts and GolfCourses PLC, together with a description of the principal risks and uncertainties faced by the Company.

### **Members of the Board of Directors**

#### **Executive Chairman**

Nicolas K. Shacolas

#### **Executive Directors**

Eleni N Shacola

Marios N. Shacola

Chrysoulla N. Shacola

Marios Panayides

Demetris Demetriou

#### **Non-executive Directors**

Christos Mavrellis

Demetris Papapetrou

Stephos Stephanides

Georgios Georgiades

Makis Constantinides

#### **Responsible for Preparation of Financial Statements**

Maria Aristidou - Financial Controller

Nicosia, 26 April 2017

# Cyprus Limni Resorts and GolfCourses PLC

## Management Report

1 The Board of Directors presents its report together with the audited financial statements of the Company for the year ended 31 December 2016.

### Principal activities and nature of operations of the Company

2 The principal activities of the Company, which are unchanged from last year, is the planning and development of Limni Bay an integrated mixed-use golf resort of high quality and standards on its own freehold land in Limni area in Polis Chrysochou - Pafos. The resort will include two signature golf courses, a premium international branded 5+ star hotel and wellness center, high quality residential units and other related facilities and amenities. The Company owns additional land mainly in nearby Kynousa village which is available for future development. A secondary activity of the Company is agricultural plantations. The total freehold land owned by the Company is 3 300 000 m2.

### Changes in group structure

3 During the year there were no changes in the Group structure of the Company. The Company does not intend to proceed with any acquisitions or mergers.

### Review of developments, position and performance of the Company's business

4 The Company's net loss for the year 2016 amounted to €711.513 compared to a net loss of €2.961.208 for the year 2015. The higher net loss last year was mainly due to a fair value loss of €2.334.406 relating to the value of the Company's land in Kynousa and a corresponding deferred tax credit of €466.266, which occurred in 2015 and were not repeated in 2016.

5 During the year ended 31 December 2016 the Company invested a total amount of €7.272.578 for the development of the Limni Bay project, part of which was capitalised as new plant and equipment amounting to €878.574 (2015: €1.108.568), while the remainder of €6.394.004 (2015: €8.031.708) was classified under Inventories. As at 31 December 2016 the Company's total assets amounted to €214.276.440 (2015: €207.697.937) and its net assets amounted to €60.966.473 (2015: net assets €61.677.986).

6 In March 2016 the Company has restructured its loan facilities with its bank, securing longer repayment term as well as reduction in interest rates as part of the loans restructuring, it has also secured an interest refund of €1.552.483 which is reflected in the Balance sheet as Deferred Revenue.

# Cyprus Limni Resorts and GolfCourses PLC

## Management Report (continued)

### Principal risks and uncertainties

7 The principal risks and uncertainties faced by the Company are disclosed in Notes 1, 3 and 4 of the financial statements.

Following a long and relatively deep economic recession, the Cyprus economy began to record positive growth in 2015 which accelerated during 2016. The restrictive measures and capital controls which were in place since March 2013 were lifted in April 2015 and on the back of the strength of the economy's performance and the strong implementation of required measures and reforms, Cyprus exited its economic adjustment programme in March 2016. In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have proceeded with a number of upgrades of the credit ratings for the Cypriot sovereign, and although the rating continues to be "non-investment grade", the Cyprus government has regained access to the capital markets. The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating from the high levels of non performing exposures, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus, including continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty following the result of the Brexit referendum; and political uncertainty in Europe in view of Brexit and the refugee crisis.

8 This operating environment may have a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

### Use of financial instruments by the Company

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

10 The Company's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by a central treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and investment of excess liquidity.

# Cyprus Limni Resorts and GolfCourses PLC

## Management Report (continued)

### Foreign exchange risk

11 The Company receives services from abroad and is subject to foreign exchange risk arising from various transactions and balances, mainly to the US Dollar and British Pound. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities that are measured in a currency that is not the functional currency of the Company.

12 The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

### Cash flow and fair value interest rate risk

13 The Company's interest rate risk arises from interest-bearing assets and long term borrowings. Interest-bearing assets and borrowings at variable rates expose the Company to cash flow interest rate risk. Interest bearing assets and borrowings issued at fixed rates expose the Company to fair value interest rate risk.

14 The Company's interest rate risk arises from long-term borrowings. Both bank borrowings and borrowings from related parties are issued at fixed rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The interest rates of borrowings from related parties are set by the Group's management and are reassessed at regular intervals based on market conditions.

### Liquidity risk

15 Management monitors the current liquidity position of the Company based on expected cash flows and expected revenue receipts. On a long-term basis, liquidity risk is defined based on the expected future cash flows at the time of entering into new credit facilities or leases and based on budgeted forecasts. Management believes that it is successful in managing the Company's liquidity risk.

# Cyprus Limni Resorts and GolfCourses PLC

## Management Report (continued)

### Future developments of the Company

16 In December 2013 the Company secured the amended planning permits for the Master Plan (Golf Courses 6 & 7) of the Limni Bay resort relating to golf courses, residential units, road network and other amenities and facilities. Following this, the Company has proceeded with detailed designs for the various elements of the resort to the authorities for the purpose of obtaining the related building permits.

17 In November 2015 the Company has submitted an application for revising the above planning permits mainly in order to incorporate in the Master Plan the development of the 5-star international hotel of capacity of 160 rooms in a plot near the beach earmarked for this purpose. In August 2016, the Cyprus Environmental Authority issued its Environmental Opinion and we now await the issuance of the revised planning permits for the Master Plan of the project.

18 In order to promote development of high quality tourism and infrastructure projects in the country the Cyprus Government has recently made permanent the additional building incentives given to golf course developments.

19 Finally, the management of the Company is taking steps in order to invite investors to participate in the share capital of the Company in order to finance the development of the project as soon as possible after the issuance of the abovementioned permits.

20 The improvement of the Cypriot economy, the expected significant increase of tourism in Cyprus during 2017 and future years as well as the significantly improved prospects of real estate resort projects such as golf courses, provide an optimistic and positive outlook for the proposed Limni Bay resort development of the Company.

### Results

21 The Company's results for the year are set out on pages 16 and 17. The loss for the year is carried forward.

### Share capital

22 There were no changes in the share capital of the Company.

### Board of Directors

23 The members of the Board of Directors at 31 December 2016 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2016.

24 In accordance with the Company's Articles of Association Messrs Nicolas K. Shacolas, Eleni N. Shacola, Marios Shacola, Demetris Demetriou and Makis Constantinides retire at the next Annual General Meeting and, being eligible, offer themselves for re-election.

# Cyprus Limni Resorts and GolfCourses PLC

## Management Report (continued)

### Board of Directors (continued)

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

### Events after the balance sheet date

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

### Directors' Interests in the Company's share Capital

27 The direct and indirect interests of the Board of Directors in the Company's share capital, at 31 December 2016 and as at the date of this report, were as follows:

	26-Apr-17 %	31-Dec-16 %
Nicolas K. Shacolas	4,19	4,19
Marios N. Shacolas	18,87	18,87
Christos Mavrellis	-	-
Marios Panayides	-	-
Chrysoulla N. Shacola	18,87	18,87
Eleni N. Shacola	18,87	18,87
Makis Constantinides	-	-
Demetris Demetriou	-	-
Demetris Papapetrou	-	-
Georgios Georgiades	-	-
Stephos Stephanides	-	-



# Cyprus Limni Resorts and GolfCourses PLC

## Management Report (continued)

### Events after the balance sheet date (continued)

#### Major Shareholders

28 At the date of this report, the shareholders of the Company holding directly or indirectly over 5% of the Company's issued share capital were as follows:

	Percentage of shareholding
Arsinoe Investments Company Limited	70,57%
N K Shacolas (Holdings) Limited	17,40%
Chrysochou Merchants Limited	11,73%
Marios N. Shacola (through the above Companies)	18,87%
Marina Shacola (through the above companies)	18,87%
Chrysoulla N. Shacola (through the above Companies)	18,87%
Eleni N. Shacola (through the above Companies)	18,87%

#### Branches

29 The Company did not operate through any branches during the year.

#### Independent Auditors

30 The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

#### By Order of the Board

**G P Mitsides**  
**Company Secretary**

Nicosia,  
26 April 2017



## *Independent auditor's report*

**To the Members of Cyprus Limni Resorts and GolfCourses PLC**

### *Report on the audit of the financial statements*

#### *Our opinion*

In our opinion, the accompanying financial statements of Cyprus Limni Resorts and GolfCourses PLC ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

#### **What we have audited**

We have audited the financial statements which are presented in pages 16 to 53 which comprise:

- the balance sheet as at 31 December 2016;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

#### **Independence**

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers Ltd, Julia House, 3 Themistocles Dervis Street, CY-1066 Nicosia, Cyprus  
P O Box 21612, CY-1591 Nicosia, Cyprus  
T: +357 22- 555 000, F: +357 - 22 555 001, [www.pwc.com.cy](http://www.pwc.com.cy)

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## Our audit approach

### Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we considered the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



- Overall materiality: €1.285.000, which represents 0,6% of total assets
- Key highlights from the audit
  - We performed work on material financial statement line items.
  - We followed a risk-based approach and utilized targeted testing and/or sampling using the materiality level mentioned above in our work.
  - We incorporated elements of unpredictability in our audit work.

We have identified the following key audit matter:

- Impairment Assessment of Inventories and land included in Property, Plant and Equipment that will be used in the construction of the hotel and two golf courses.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

**Overall materiality** €1.285.000

**How we determined it** 0,6% of total assets

**Rationale for the materiality benchmark applied**

We chose total assets as the benchmark for calculating materiality, because in our view this the focus of the users of these financial statements. We chose 0,6% which based on our experience is within the range of acceptable quantitative materiality thresholds.

We agreed with those charged with governance that we would report to them individual misstatements identified during our audit above € 64.250 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

#### **How we tailored our audit scope**

We have designed and performed our audit to cover the audit of the Company's financial statements as a whole, taking into account the Company's operations, the structure of the Company, the accounting processes, the controls and the industry in which the Company operates.

Overall, we have obtained sufficient and appropriate audit evidence in relation to the Company's financial information as a whole, to provide a basis for an audit opinion on the financial statements.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><u>Impairment assessment of Inventories and land included in Property, Plant and Equipment that will be used for the construction of the hotel and two golf courses</u></p> <p>Refer to Note 2, "Summary of Significant Accounting Policies", Note 3, "Critical Accounting Estimates and Judgements", Note 15, "Property, Plant and Equipment" and Note 18, "Inventories".</p> <p>The Company is planning the development of its land for tourist purposes with the construction of a hotel and two golf courses, along with development activities.</p> <p>As at 31 December 2016 the carrying value of Inventories amounted to €183.110.249</p>	<p>Our procedures in relation to Management's assessment of net realisable/recoverable value included an evaluation of the independent international real estate experts' competency, capabilities and objectivity.</p> <p>With respect to the appropriateness of the future cash flows used in the calculation we evaluated the components of this information with the masterplan, the licenses obtained from the authorities, as well as by comparison with general economic and sector specific expectations. With</p>



representing 85 % of Company's total assets and the carrying value of land for the construction of the hotel and the two golf courses amounted to €25,055,784 representing 12 % of the Company's total assets. Inventories are stated at the lower of cost and net realisable value whilst land for the construction of the hotel and the two golf courses is stated at cost less impairment.

Management considers that the hotel and the golf courses are an integral part of the whole project and therefore assesses any need to write them down to net realisable/recoverable amount by reference to a unified project valuation exercise which incorporates a financial appraisal report prepared by international real estate experts. The results of this measurement depend to a large extent on Management's assessment of future cash flows and the discount rate used, and is subject to considerable variability, particularly as a result of the fact that the project is at an early stage of development.

the knowledge that even relatively small changes in the discount rate applied can have a material effect on the assessment of impairment of inventories and the land for the construction of the hotel and the two golf courses, we also focused our testing on the parameters used to determine the discount rate applied and other key assumptions, and re-performed the calculations.

Furthermore we evaluated the adequacy of the Company's disclosures regarding the impairment assessment of inventories and the land for the construction of the hotel and the two golf courses.

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### Other information

The Board of Directors is responsible for the other information. The other information comprises the Management Report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### Responsibilities of the Board of Directors for the financial statements

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



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### *Report on other legal requirements*

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Company's 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 financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the management report, whose preparation is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, and the information given is consistent with the financial statements.
- In our opinion and in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the management report.





*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 to 2016 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.

The engagement partner on the audit resulting in this independent auditor's report is Nicos A. Theodoulou.

Nicos A. Theodoulou  
Certified Public Accountant and Registered Auditor  
for and on behalf of

PricewaterhouseCoopers Limited  
Certified Public Accountants and Registered Auditors

Nicosia, 26 April 2017



# Cyprus Limni Resorts and GolfCourses PLC

## Income statement for the year ended 31 December 2016

	Note	2016 €	2015 €
Revenue	5	75.933	104.092
Administrative expenses	8	(811.603)	(1.029.957)
Other income	6	65.840	18.400
Other losses - net	7	-	(2.334.406)
<b>Operating loss</b>		<b>(669.830)</b>	<b>(3.241.871)</b>
Finance costs	10	(41.683)	(185.243)
<b>Loss before income tax</b>		<b>(711.513)</b>	<b>(3.427.114)</b>
Income tax credit	11	-	465.906
<b>Loss for the year</b>		<b>(711.513)</b>	<b>(2.961.208)</b>
<b>Loss per share attributable to the Company's shareholders (cents per share):</b>			
		<b>2016 €</b>	<b>2015 €</b>
Basic and fully diluted	12	(0,24)	(0,99)

The notes on pages 21 to 53 are an integral part of these financial statements.

# Cyprus Limni Resorts and GolfCourses PLC

## Statement of comprehensive income for the year ended 31 December 2016

	Note	2016 €	2015 €
Loss for the year		<u>(711,513)</u>	<u>(2,961,208)</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Deferred tax adjustment	23	<u>-</u>	<u>(540)</u>
		<u>-</u>	<u>(540)</u>
Other comprehensive income for the year, net of tax		<u>-</u>	<u>(540)</u>
Total comprehensive income for the year		<u><u>(711,513)</u></u>	<u><u>(2,961,748)</u></u>

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 11.

The notes on pages 21 to 53 are an integral part of these financial statements.

# Cyprus Limni Resorts and GolfCourses PLC

## Balance sheet at 31 December 2016

	Note	2016 €	2015 €
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	26.172.784	25.328.526
Investment property	16	4.500.000	4.500.000
Investment in subsidiaries	17	51.986	51.986
Available-for-sale financial assets		<u>453</u>	<u>453</u>
		<b>30.725.223</b>	<b>29.880.965</b>
<b>Current assets</b>			
Inventories	18	183.110.249	176.716.245
Other receivables	19	382.188	1.094.097
Cash in hand and at bank	20	<u>58.780</u>	<u>6.630</u>
		<b>183.551.217</b>	<b>177.816.972</b>
<b>Total assets</b>		<b><u>214.276.440</u></b>	<b><u>207.697.937</u></b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	21	30.000.000	30.000.000
Retained earnings		<u>30.966.473</u>	<u>31.677.986</u>
<b>Total equity</b>		<b><u>60.966.473</u></b>	<b><u>61.677.986</u></b>
<b>Non-current liabilities</b>			
Deferred revenue	24	1.552.483	-
Borrowings	22	134.482.411	34.063.964
Deferred tax liabilities	23	<u>16.805.808</u>	<u>16.805.808</u>
		<b>152.840.702</b>	<b>50.869.772</b>
<b>Current liabilities</b>			
Trade and other payables	24	466.279	1.682.362
Borrowings	22	<u>2.986</u>	<u>93.467.817</u>
		<b>469.265</b>	<b>95.150.179</b>
<b>Total liabilities</b>		<b><u>153.309.967</u></b>	<b><u>146.019.951</u></b>
<b>Total equity and liabilities</b>		<b><u>214.276.440</u></b>	<b><u>207.697.937</u></b>

On 26 April 2017 the Board of Directors of Cyprus Limni Resorts and GolfCourses PLC authorised these financial statements for issue.

Marios Panayides , Managing Director

Demetris Demetriou, Director

The notes on pages 21 to 53 are an integral part of these financial statements.

# Cyprus Limni Resorts and GolfCourses PLC

## Statement of changes in equity for the year ended 31 December 2016

	Share capital €	Retained earnings <sup>(1)</sup> €	Total €
<b>Balance at 1 January 2015</b>	<u>30.000.000</u>	<u>34.639.734</u>	<u>64.639.734</u>
<b>Comprehensive income</b>			
Loss for the year	<u>-</u>	<u>(2.961.208)</u>	<u>(2.961.208)</u>
<b>Other comprehensive income</b>			
Land and buildings:			
Reassessment of deferred tax due to change in applicable tax rates	<u>-</u>	<u>(540)</u>	<u>(540)</u>
Total other comprehensive income	<u>-</u>	<u>(540)</u>	<u>(540)</u>
Total comprehensive income for the year	<u>-</u>	<u>(2.961.748)</u>	<u>(2.961.748)</u>
<b>Balance at 31 December 2015/1 January 2016</b>	<u>30.000.000</u>	<u>31.677.986</u>	<u>61.677.986</u>
<b>Comprehensive income</b>			
Loss for the year	<u>-</u>	<u>(711.513)</u>	<u>(711.513)</u>
<b>Balance at 31 December 2016</b>	<u>30.000.000</u>	<u>30.966.473</u>	<u>60.966.473</u>

- (1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The special contribution for defence rate increased to 17% in respect of profits of year of assessment 2009 and to 20% in respect of profits of years of assessment 2010 and 2011 and is reduced back to 17% in respect of profits of years of assessment 2012 onwards. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

The notes on pages 21 to 53 are an integral part of these financial statements.

# Cyprus Limni Resorts and GolfCourses PLC

## Statement of cash flows for the year ended 31 December 2016

	Note	2016 €	2015 €
<b>Cash flows from operating activities</b>			
Loss before income tax		(711.513)	(3.427.114)
Adjustments for:			
Depreciation of property, plant and equipment	15	34.316	56.389
Fair value losses on investment property	16	-	2.334.406
Interest income	10	-	(1.229)
Interest expense	10	41.827	171.061
		<u>(635.370)</u>	<u>(866.487)</u>
Changes in working capital:			
Inventories		(1.380.475)	(2.584.613)
Other receivables		711.909	(84.268)
Trade and other payables		<u>(1.216.083)</u>	<u>(324.250)</u>
<b>Cash used in operations</b>		<u>(2.520.019)</u>	<u>(3.859.618)</u>
Income tax paid		-	(360)
<b>Net cash used in operating activities</b>		<u>(2.520.019)</u>	<u>(3.859.978)</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	15	(192.550)	(363.218)
Interest received		-	1.229
<b>Net cash used in investing activities</b>		<u>(192.550)</u>	<u>(361.989)</u>
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		3.500.000	-
Repayments of bank borrowings		(10.000.000)	-
Proceeds from loans from related parties	26(v)	12.877.001	6.899.195
Repayments of loans from related parties	26(v)	(9.000)	-
Interest paid		<u>(41.827)</u>	<u>(2.730.116)</u>
<b>Net cash from financing activities</b>		<u>6.326.174</u>	<u>4.169.079</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>3.613.605</u>	<u>(52.888)</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>(3.557.811)</u>	<u>(3.504.923)</u>
<b>Cash and cash equivalents at end of year</b>	20	<u>55.794</u>	<u>(3.557.811)</u>

The notes on pages 21 to 53 are an integral part of these financial statements.

# Cyprus Limni Resorts and GolfCourses PLC

## Notes to the financial statements

### 1 General information

#### Country of incorporation

The Company is incorporated and domiciled in Cyprus as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. On 29 March 2010 the shares of the company were introduced to the Emerging Company's Market 'ECM' of the Cyprus Stock Exchange. Its registered office is at Shacolas Building, Old Nicosia - Limassol road, Athalassa, Nicosia, Cyprus.

#### Principal activities

The principal activity of the Company, which is unchanged from last year, is the design and development of land for the creation of high quality tourist complexes with a multiple use and global impact which will include golf courses, hotel, residential units and other related developments. Related activity of the company is the agricultural plantations.

#### Operating environment of the Company

Following a long and relatively deep economic recession, the Cyprus economy began to record positive growth in 2015 which accelerated during 2016. The restrictive measures and capital controls which were in place since March 2013 were lifted in April 2015 and on the back of the strength of the economy's performance and the strong implementation of required measures and reforms, Cyprus exited its economic adjustment programme in March 2016. In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have proceeded with a number of upgrades of the credit ratings for the Cypriot sovereign, and although the rating continues to be "non-investment grade", the Cyprus government has regained access to the capital markets. The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating from the high levels of non performing exposures, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus, including continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty regarding the result of the Brexit referendum; and political uncertainty in Europe in view of Brexit and the refugee crisis.

This operating environment could affect (1) the ability of the Company to obtain new borrowings or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions, (2) the ability of the Company to proceed with its ambitious development project and (3) the cash flow forecasts of the Company's management in relation to the impairment assessment for financial and non-financial assets.

The economic conditions described above may have an adverse impact on the Company's real estate valuation, bankers (inability to provide adequate finance) and future revenue from the sale of properties.

# Cyprus Limni Resorts and GolfCourses PLC

## 1 General information (continued)

### Operating environment of the Company (continued)

The Company's management has assessed :

1) Whether the net realizable value for the Company's inventory exceeds cost. Where net realizable value is below cost, the excess should be charged to the profit or loss for the year.

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

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

On the basis of the evaluation performed, the Company's management has concluded that no provisions or impairment charges are necessary.

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

## 2 Summary of significant accounting policies

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

### Basis of preparation

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

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2016 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The Company has prepared these separate financial statements as all its subsidiaries would be excluded from inclusion in consolidated financial statements because their impact would be immaterial in accordance with International Financial Reporting Standards and Article 142A of the Cyprus Companies Law, Cap.113.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property at fair value.

The financial statements have been prepared on a going concern basis. The Board of Directors has made an assessment of the ability of the Company to continue as a going concern (Note 1) and has satisfactorily concluded that the Financial statements can be prepared on this basis.

# Cyprus Limni Resorts and GolfCourses PLC

## 2 Summary of significant accounting policies (continued)

### Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### Going concern

In assessing the Company's status as a going concern the Directors considered the current intentions and financial position of the Company. The delay in receiving the planning permits and the problems faced by the Cyprus economy and the banking sector have delayed the financing of the project due to multiple restrictions placed. The Company's loans with original maturity 31 December 2015, the repayment of which would be made as part of the overall financing that would be obtained for the implementation of the project, were restructured in March 2016 and their maturity has been extended to 30 January 2021. During this period the Company expects to be able to obtain all the appropriate licences and building permits and proceed with the project in accordance with the master plan and feasibility study prepared for the project. The Directors have prepared an assessment based on which the Company will be able to continue as a Going Concern and meet its obligations as they are expected to fall due. In making this assessment the Directors considered financial and other support by the parent company, which confirmed that it will financially support the Company, to the extend required for the foreseeable future.

### Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning 1 January 2016. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

### Revenue recognition

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



# Cyprus Limni Resorts and GolfCourses PLC

## 2 Summary of significant accounting policies (continued)

### Revenue recognition (continued)

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

#### (i) Sales of goods

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

#### (ii) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to the stage completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

### Employee benefits

The Company and the employees contribute to the Government Social Insurance Fund based on employees' salaries. In addition, the Company operates a defined contribution scheme the assets of which are held in a separate trustee-administered fund. The scheme is funded by payments from employees and by the Company. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no further payment obligations once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

### Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

# Cyprus Limni Resorts and GolfCourses PLC

## 2 Summary of significant accounting policies (continued)

### Foreign currency translation (continued)

#### (ii) Transactions and balances

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

### Current and deferred income tax

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

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

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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

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

# Cyprus Limni Resorts and GolfCourses PLC

## 2 Summary of significant accounting policies (continued)

### Property, plant and equipment

Land and buildings comprising mainly golf courses under construction and other construction activities are shown at cost less subsequent depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Land and buildings under construction that are not ready for their intended use are not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

	%
Plantations	10
Furniture, fittings and equipment	15
Motor vehicles	20
Computer Hardware	33
Machinery	15
Renovation of houses at pier block	20

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

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

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

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

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

# Cyprus Limni Resorts and GolfCourses PLC

## 2 Summary of significant accounting policies (continued)

### Investment property

Investment property, principally comprising land, is held for capital appreciation and is not occupied by the Company. Investment property is carried at fair value, representing open market value determined annually by the Company's management after taking into consideration all relevant available information, including valuations of independent valuers, market conditions and other factors.

### Impairment of non-financial assets

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

### Financial assets

#### (i) Classification

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

- **Loans and receivables**

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

- **Available-for-sale financial assets**

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

# Cyprus Limni Resorts and GolfCourses PLC

## 2 Summary of significant accounting policies (continued)

### Financial assets (continued)

#### (ii) Recognition and measurement

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

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

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

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

#### (iii) Impairment of financial assets

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

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss.

# Cyprus Limni Resorts and GolfCourses PLC

## 2 Summary of significant accounting policies (continued)

### Financial assets (continued)

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

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

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

### Investments in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

# Cyprus Limni Resorts and GolfCourses PLC

## 2 Summary of significant accounting policies (continued)

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Inventories consist of the cost of land and work in progress in connection with the construction of residential units and include raw materials, direct labour, other direct costs and expenses associated with construction work including borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete.

### Retentions

Retentions represent amounts of progress billings issued to the Company for contract work that are not paid until the satisfaction of conditions specified in the contract for their payment or until defects have been rectified.

### Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment.

### Share capital

Ordinary shares are classified as equity.

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

### Provisions

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

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

### Borrowings

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

# Cyprus Limni Resorts and GolfCourses PLC

## 2 Summary of significant accounting policies (continued)

### Borrowings (continued)

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

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any gain or loss on extinguishment is recognised in profit or loss except to the extent that it arises as a result of transactions with shareholders acting in their capacity as shareholders when it is recognised directly in equity. The terms are considered to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

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

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

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

### Trade and other payables

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

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



# Cyprus Limni Resorts and GolfCourses PLC

## 2 Summary of significant accounting policies (continued)

### Cash and cash equivalents

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

### Segmental Analysis

The Company considers that there are no separate operating segments under IFRS 8 "Operating Segments" for which there is discrete financial information for making decisions on allocating resources and evaluating their performance. The Management of the Company (Board of Directors) (upper body for making operational decisions) take decisions for resource allocation and assessing their performance based on internal reports at Company level. These reports are in accordance with IFRS used for the preparation of the financial statements. There is no additional information on the performance of individual segments.

## 3 Financial risk management

### (i) Financial risk factors

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

The Company's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by a central treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and liquidity risk.

- **Market risk**

- Foreign exchange risk**

- The Company receives services from abroad and is subject to foreign exchange risk arising from various transactions and balances, mainly to the US Dollar and British Pound. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities that are measured in a currency that is not the functional currency of the Company.

- The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

# Cyprus Limni Resorts and GolfCourses PLC

## 3 Financial risk management (continued)

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

#### • Market risk (continued)

##### Cash flow and fair value interest rate risk

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings from related parties were issued at fixed rates. The interest rates are set by the Group's management and are reassessed at regular intervals based on market conditions.

The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

#### • Liquidity risk

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

	Less than 1 year €	Between 2 to 5 years €	Over 5 years €
<b>At 31 December 2015</b>			
Borrowings	93,467,817	41,404,961	-
Trade and other payables	<u>1,682,362</u>	<u>-</u>	<u>-</u>
	<u>95,150,179</u>	<u>41,404,961</u>	<u>-</u>
	Less than 1 year €	Between 2 to 5 years €	Over 5 years €
<b>At 31 December 2016</b>			
Borrowings	2,986	148,934,785	13,026,413
Trade and other payables	<u>466,279</u>	<u>-</u>	<u>-</u>
	<u>469,265</u>	<u>148,934,785</u>	<u>13,026,413</u>

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The management maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow.

The Board of Directors and Management of the Company has taken all the necessary actions needed to refinance its existing borrowings (See Note 22).

The borrowings of the Company are secured by corporate guarantees and mortgage of its land (Note 22), while the company has guaranteed the borrowings of the Parent Company (Note 26).

# Cyprus Limni Resorts and GolfCourses PLC

## 3 Financial risk management (continued)

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

The ultimate parent company confirmed that it will financially support the Company in case they need it.

### (ii) Capital risk management

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016	2015
	€	€
Total borrowings (Note 22)	134.485.397	127.531.781
Less: cash and cash equivalents (Note 20)	(58.780)	(6.630)
Net debt	134.426.617	127.525.151
Total equity	60.966.473	61.677.986
Total capital as defined by management	195.393.090	189.203.137
Gearing ratio	69%	67%

The increase in the gearing ratio during 2016 resulted primarily from borrowings taken during the year for financing the working capital needs of the Company.

### (iii) Fair value estimation

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

# Cyprus Limni Resorts and GolfCourses PLC

## 4 Critical accounting estimates and judgements

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

### Critical accounting estimates and assumptions

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

- **Fair value of investment property**

The fair value of investment property is determined using valuation techniques. Refer to Note 16 for the relevant disclosure of valuation technique used for the determination of the fair value of the Company's Investment Properties.

- **Golf licences**

In accordance with the provisions of the contracts signed during 2013 between the Company and the planning authority department of the Cyprus Government, the Company has undertaken to pay an aggregate amount of €10.000.000 to the Government over a period of 10 years from the signing date of the contracts in December 2013. Having considered legal advice, management has assessed that no financial, legal or constructive obligation arises for this amount as of 31 December 2016 as the Company may avoid these costs prior to commencement of the development of the project. The Company has disclosed these amounts as capital commitments in Note 25.

### Critical judgements in applying the Company's accounting policies

- **Borrowings restructuring**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts, including costs or fees incurred for the modification, is recognised in profit or loss.

# Cyprus Limni Resorts and GolfCourses PLC

## 4 Critical accounting estimates and judgements (continued)

### Critical judgements in applying the Company's accounting policies (continued)

- **Borrowings restructuring (continued)**

In assessing whether a modification in the terms of a financial liability is substantial, management considers whether the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. During the period, the terms of the Company's bank loan agreement were amended resulting into a 5 year extension of the loans, a change in the bank interest rates from floating to fixed rates and to an immediate refund of interest due to the change in the interest rates being applied retrospectively. The refund was provided through adjustment of the existing carrying amount of the loan.

During the period, the terms of the Company's bank loan agreements were amended resulting, amongst others, into a 5 year extension of their maturity date loans, a change in their bank interest rates from floating to fixed rates and an immediate cash payment of €10 million to the bank. The change in the interest rates resulted into a reduction from an average effective interest rate of 5,52% as of the date of the restructuring to a 4% fixed interest rate, applicable for the period from 01.01.2016 to 31.12.2017, and subsequently increased to 5% for the period from 01.01.2018 to 31.12.2019 and 6% for the period from 01.01.2020 to 31.01.2021. The decrease in the interest rate was the result of the overall decrease in market interest rates.

In addition, as part of the restructuring, it was agreed that the bank would proceed with an immediate partial refund of interest charged during the period from 1 January 2015 until 30 March 2016 (date of the restructuring) by retrospectively recalculating the interest charged in the said period using a 4% interest rate instead of the current interest rate as per the loan agreements during that period. The refund was effected through a reduction of the contractual amount due by €1.552.483 and will be recognized in the Company's financial statements over time as discussed below.

# Cyprus Limni Resorts and GolfCourses PLC

## 4 Critical accounting estimates and judgements (continued)

### Critical judgements in applying the Company's accounting policies (continued)

- Borrowings restructuring (continued)**

Management assessed whether the modification in the terms of the bank loans was substantial and concluded that this was not, on the basis of the fact that the discounted present value of the cash flows under the new terms and discounted using the original effective interest rate of the loans was less than 10% from the discounted present value of the remaining cash flows of the original loan, for each restructured loan. Management concluded that the gain arising from the modification should be recognised over the term of the loans through adjustment of their effective interest rate as this treatment more appropriately reflects the substance of the arrangement. In making this assessment, management noted that although there are indications that part of this gain, being the gain arising from the refund, relates to prior years' interest, on balance the entire gain on modification is the result of the falling market interest rates and as such recognising the impact over time by adjusting the loans' effective interest rate best reflects the effect that the new interest rate environment has had on the remaining amounts due under the loans.

## 5 Revenue

	2016 €	2015 €
Net income from plantations	75.833	103.792
Other income	<u>100</u>	<u>300</u>
	<u><b>75.933</b></u>	<u><b>104.092</b></u>

## 6 Other income

	2016 €	2015 €
Other income	<u><b>65.840</b></u>	<u><b>18.400</b></u>

## 7 Other losses

	2016 €	2015 €
Investment property:		
Fair value losses (Note 16)	<u><b>-</b></u>	<u><b>(2.334.406)</b></u>

# Cyprus Limni Resorts and GolfCourses PLC

## 8 Expenses by nature

	2016 €	2015 €
Depreciation, amortisation and impairment charges (Notes 15 and 16)	34.316	56.389
Repairs and maintenance	30.436	28.972
Operating lease payments	3.800	2.300
Insurance	12.787	13.077
Auditors' remuneration charged by statutory audit firm	17.000	17.000
Auditors' remuneration charged by statutory audit firm-prior year	(4.000)	-
Staff costs (Note 9)	242.468	307.610
Advertising and promotion	7.129	10.432
Transportation expenses	1.508	3.508
Other expenses	137.698	69.152
Services rendered	187.012	211.049
Motor car expenses	21.821	18.998
Municipality taxes	8.138	8.139
Legal fees	16.476	5.972
Stock exchange fees	19.534	14.131
Director fees	31.850	41.850
Petrol and fuel	7.088	4.835
Immovable property tax	4.659	14.909
Environmental committee legal expenses	31.883	201.634
<b>Total selling and marketing costs, administrative expenses and other expenses</b>	<b>811.603</b>	<b>1.029.957</b>

The total fees charged by the Company's statutory auditor for the statutory audit of the annual financial statements of the Company for the year ended 31 December 2016 amounted to €17.000 (2015: €17.000). The total fees charged by the Company's statutory auditor for the year ended 31 December 2016 for other assurance services amounted to €2.000 (2015: €Nil) and for tax advisory services amounted to €4.650 (2015: €4.000).

## 9 Staff costs

	2016 €	2015 €
Salaries	218.165	275.856
Termination benefits	23.125	30.196
Pensions	1.178	1.558
	<b>242.468</b>	<b>307.610</b>
Average number of staff employed during the year	<b>13</b>	<b>14</b>

The Company participates in a defined contribution scheme, the Cyprus Trading Corporation Plc Employees' Provident Fund, which is funded separately and prepares its own financial statements whereby employees are entitled to payment of certain benefits upon retirement or prior termination of service.

# Cyprus Limni Resorts and GolfCourses PLC

## 10 Finance costs

	2016 €	2015 €
Interest expense:		
Bank borrowings	41.827	171.061
Net foreign exchange (gain)/loss	<u>(144)</u>	<u>15.411</u>
Interest income:		
Bank balances	<u>-</u>	<u>(1.229)</u>
	<u><b>41.683</b></u>	<u><b>185.243</b></u>

## 11 Income tax expense

	2016 €	2015 €
<b>Current tax:</b>		
Defence contribution	<u>-</u>	<u>360</u>
<b>Deferred tax (Note 23):</b>		
Origination and reversal of temporary differences	<u>-</u>	<u>(466.266)</u>
Total deferred tax	<u>-</u>	<u>(466.266)</u>
Income tax credit	<u><b>-</b></u>	<u><b>(465.906)</b></u>

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

	2016 €	2015 €
Loss before tax	<u><b>(711.513)</b></u>	<u><b>(3.427.114)</b></u>
Tax calculated at the applicable corporation tax rate of 12,5%	<b>(88.939)</b>	(428.389)
Tax effect of expenses not deductible for tax purposes	<b>9.411</b>	14.945
Tax effect of allowances and income not subject to tax	<b>(4.489)</b>	(4.530)
Tax effect of tax losses for which no deferred tax asset was recognised	<b>84.017</b>	126.173
Tax effect of difference between corporation tax rate and capital gains tax rate and effect of inflation	-	(174.465)
Special defence contribution	<u>-</u>	<u>360</u>
Income tax credit	<u><b>-</b></u>	<u><b>(465.906)</b></u>

The Company is subject to income tax on taxable profits, at the rate of 12,5%.

As from tax year 2012 brought forward losses of only five years may be utilised. Up to 31 December 2008, under certain conditions interest may be subject to special contribution for defence at the rate of 10%. In such cases 50% of the same interest will be exempt from income tax thus having an effective tax rate burden of approximately 15%. From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011, and to 30% as from 29 April 2013.

In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012; reduced to 17% as from 1 January 2014. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence.



# Cyprus Limni Resorts and GolfCourses PLC

## 11 Income tax expense (continued)

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon, etc) are exempt from Cyprus income tax.

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

### Tax effects of components of other comprehensive income

	Year ended 31 December					
	2016			2015		
	Before tax €	Tax (charge)/ credit €	After tax €	Before tax €	Tax (charge)/ credit €	After tax €
<b>Land and buildings:</b>						
Deferred tax adjustment	-	-	-	-	(540)	(540)
Other comprehensive income	-	-	-	-	(540)	(540)

## 12 Loss per share

The basic and fully diluted losses per share are calculated by dividing the loss attributed to the shareholders of the Company with the weighted average number of issued shares during the year.

	2016 €	2015 €
Loss for the year attributed to shareholders	<u>(711.513)</u>	<u>2.961.208</u>
Weighted average number of issued shares	<u>300.000.000</u>	<u>300.000.000</u>
Loss per share - cents	<u>(0,24)</u>	<u>(0,99)</u>

## 13 Financial instruments by category

	Loans and receivables €	Available-for- sale €	Total €
<b>31 December 2016</b>			
<b>Assets as per balance sheet</b>			
Available-for-sale financial assets	-	453	453
Other receivables (excluding prepayments and statutory receivable)	137.663	-	137.663
Cash and cash equivalents	<u>58.780</u>	<u>-</u>	<u>58.780</u>
<b>Total</b>	<u>196.443</u>	<u>453</u>	<u>196.896</u>
		Other financial liabilities €	
<b>Liabilities as per balance sheet</b>			
Borrowings		134.485.397	
Trade and other payables (excluding statutory liabilities)		<u>459.979</u>	
<b>Total</b>		<u>134.945.376</u>	

# Cyprus Limni Resorts and GolfCourses PLC

## 13 Financial instruments by category (continued)

	Loans and receivables €	Available-for- sale €	Total €
<b>31 December 2015</b>			
<b>Assets as per balance sheet</b>			
Available-for-sale financial assets	-	453	453
Trade and other receivables (excluding prepayments and statutory receivable)	946.719	-	946.719
Cash and cash equivalents	6.630	-	6.630
<b>Total</b>	<b>953.349</b>	<b>453</b>	<b>953.802</b>
		Other financial liabilities €	
<b>Liabilities as per balance sheet</b>			
Borrowings		127.531.781	
Trade and other payables (excluding statutory liabilities)		1.674.519	
<b>Total</b>		<b>129.206.300</b>	

## 14 Credit quality of financial assets

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

	2016 €	2015 €
Counterparties without external credit rating		
Group 1	120.827	108.992
Group 2	16.836	837.727
	<b>137.663</b>	<b>946.719</b>
	2016 €	2015 €
<b>Cash at bank and short-term bank deposits<sup>(1)</sup></b>		
Caa2	<b>57.002</b>	<b>3.007</b>

<sup>(1)</sup> The rest of the balance sheet item 'cash and cash equivalents' is cash in hand.

Group 1 – companies within the group, parent entity, common control companies and associates with no defaults in the past.

Group 2 – Other receivables with no defaults in the past

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

None of the loans and receivables from related parties is past due or impaired.

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## 15 Property, plant and equipment

	Land and buildings €	Pier €	Renovation of houses at pier block €	Motor vehicles €	Furniture, fixtures and office equipment €	Plantations €	Computer Hardware €	Total €
<b>At 1 January 2015</b>								
Cost	23,081,851	968,620	49,178	258,663	857,405	27,480	5,367	25,248,564
Accumulated depreciation	-	-	-	(238,338)	(722,798)	(7,800)	(3,281)	(972,217)
Net book amount	23,081,851	968,620	49,178	20,325	134,607	19,680	2,086	24,276,347
<b>Year ended 31 December 2015</b>								
Opening net book amount	23,081,851	968,620	49,178	20,325	134,607	19,680	2,086	24,276,347
Additions	1,099,014	-	-	-	9,554	-	-	1,108,568
Depreciation charge (Note 8)	-	-	(20,796)	(14,550)	(20,061)	-	(982)	(56,389)
Closing net book amount	24,180,865	968,620	28,382	5,775	124,100	19,680	1,104	25,328,526
<b>At 31 December 2015</b>								
Cost	24,180,865	968,620	103,977	258,663	866,959	27,480	5,367	26,411,931
Accumulated depreciation	-	-	(75,595)	(252,888)	(742,859)	(7,800)	(4,263)	(1,083,405)
Net book amount	24,180,865	968,620	28,382	5,775	124,100	19,680	1,104	25,328,526
<b>Year ended 31 December 2016</b>								
Opening net book amount	24,180,865	968,620	28,382	5,775	124,100	19,680	1,104	25,328,526
Additions	874,919	-	-	-	3,655	-	-	878,574
Depreciation charge (Note 8)	-	-	(14,299)	(5,775)	(13,468)	-	(774)	(34,316)
Closing net book amount	25,055,784	968,620	14,083	-	114,287	19,680	330	26,172,784
<b>At 31 December 2016</b>								
Cost	25,055,784	968,620	103,977	258,663	870,614	27,480	5,367	27,290,505
Accumulated depreciation	-	-	(89,894)	(258,663)	(756,327)	(7,800)	(5,037)	(1,117,721)
Net book amount	25,055,784	968,620	14,083	-	114,287	19,680	330	26,172,784

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## 15 Property, plant and equipment (continued)

Bank borrowings are secured on the Company's land (including investment properties and inventories (Notes 16 and 18)) for €80.500.000 (2015: €80.500.000) (Note 22).

Interest amounting to €686.023 (2015: €745.350) relating to loans granted to the Company for financing the cost of construction of the project, were capitalised during the year and were included in the cost of construction. The interest rate used for the capitalisation is 4,63% (2015: 5,52%) and represents the borrowing cost of the project for 2016. The total interest capitalised since the commencement of the project in 2007 is €5.200.842 (2015: €4.514.819).

On 1 January 2007 the Board of Directors decided to proceed with the development of the Company's land for tourist purposes with the construction of a hotel and two golf courses, along with land development activities. After this decision, an amount of €9.000.895 which represents the fair value of the land as at 1 January 2007 which will be used for the construction of the hotel and the two golf courses was transferred from investment property to property, plant and equipment. The fair value of the land which was transferred to property, plant and equipment and to inventories has been estimated based on the respective buildable square meters. The buildable square meters is the method which is used each year for the allocation of the construction costs of the project between inventories and property, plant and equipment, as the costs are incurred for the whole project.

The Company has already secured the final planning permits (19 December 2013) for the construction of residential units, golf courses, golf clubs and other related activities.

## 16 Investment property

	2016 €	2015 €
At beginning and end of year	4.500.000	6.834.406
Fair value losses (Note 7)	-	(2.334.406)
At end of year	<u>4.500.000</u>	<u>4.500.000</u>

The investment properties are valued annually on 31 December at fair value comprising open-market value determined annually by the company's management, after taking into consideration all relevant available information, including valuations of independent valuers, market conditions and other factors. The company holds one class of investment property being land held for a currently undetermined use.

Fair value is based in active market process, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If the information is not available, the Company uses alternative valuation methods such as recent prices or less active markets or discounted cash flow projections. These valuations are reviewed annually by the company's management. Changes in fair values are recorded in profit or loss and are included in "other gains – net".

Bank borrowings are secured on the Company's land (including Property, Plant and Equipment and inventories (Notes 15 and 18)) for €80.500.000 (2015: €80.500.000) (Note 22).

# Cyprus Limni Resorts and GolfCourses PLC

## 16 Investment property (continued)

The following table analyses investment property carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The company has classified its Investment property in Level 3 of the hierarchy.

Country	Land – Kynousa, Pelathousa, Lisos		
	€	2016 Total €	2015 Total €
Fair Value hierarchy	3	3	3
Fair Value at 1 January	4.500.000	4.500.000	4.500.000
Fair value at 31 December	4.500.000	4.500.000	4.500.000

## Valuation processes

The Company's investment properties were valued at 31 December 2016 by management taking into account valuation performed by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use. The Company's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the CFO, the management and the independent valuers at least once every year. At each financial year end the finance department:

- verifies all major inputs to the independent valuation report
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

## Information about fair value measurement using significant unobservable inputs (Level 3) - 31 December 2016

Property	Valuation €	Valuation technique	Unobservable Inputs	Price Range €
Land - Kynousa, Pelathousa, Lisos	4.500.000	Comparable selling prices	Price per square meter	average: €18

# Cyprus Limni Resorts and GolfCourses PLC

## 16 Investment property (continued)

Information about fair value measurement using significant unobservable inputs (Level 3) - 31 December 2015

Property	Valuation €	Valuation technique	Unobservable Inputs	Price Range €
Land - Kynousa, Pelathousa, Lisos	4.500.000	Comparable selling prices	Price per square meter	average: €18

### Sensitivity of management's estimates – 31 December 2016

			€
Land - Kynousa	Change in cap rate	-10,00%	4.050.000
		0,00%	4.500.000
		10,00%	4.950.000

### Sensitivity of management's estimates – 31 December 2015

			€
Land - Kynousa	Change in cap rate	-10,00%	4.050.000
		0,00%	4.500.000
		10,00%	4.950.000

## Valuation techniques underlying management's estimation of fair value

For idle land and buildings, the valuation was determined using comparable prices.

Comparable prices      Based on the location, the size and the quality of the properties including market conditions at the date of the valuation.

There were no changes to the valuation techniques during the year.

## 17 Investments in subsidiaries

	2016 €	2015 €
At beginning of year	<u>51.986</u>	<u>51.986</u>
At end of year	<u>51.986</u>	<u>51.986</u>

The Company's interests in its subsidiaries, all of which are unlisted, were as follows:

Name	Principal activity	2016 % holding	2015 % holding
CSC Kafkalla Viklin Limited	Dormant	100	100
CSC Evloimeni Limni Limited	Dormant	100	100
CSC Kynousa Limni Limited	Dormant	100	100
CSC Mavroli Limni Limited	Dormant	100	100
CSC Kharkoma Limni Limited	Dormant	100	100
CSC Kafkalia Aloni Limited	Dormant	100	100
Akamas Line Company Limited	Dormant	99,99	99,99

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## 17 Investments in subsidiaries (continued)

No consolidated financial statements have been prepared incorporating the results of the above subsidiaries in view of the fact that the subsidiaries are dormant, and therefore the effect of preparing financial statements would be immaterial.

## 18 Inventories

	2016 €	2015 €
Balance at the beginning of the year	176.716.245	168.684.537
Golf Permits	880.031	916.042
Construction cost	17.358	304.081
Professional fees	483.086	1.364.489
Interest expense capitalised	<u>5.013.529</u>	<u>5.447.096</u>
	<u>183.110.249</u>	<u>176.716.245</u>

Interest amounting to €5.013.529 (2015: €5.447.096) relating to loans granted to the Company for financing the cost of construction of the project, were capitalised during the year and were included in the cost of construction. The interest rate used for the capitalisation is 4,63 % (2014: 5,52%) and represents the borrowing cost of the project for 2016. The total interest capitalised in inventories since the commencement of the project in 2007 is €38.008.297 (2015: €32.994.768).

On 1 January 2007 the Board of Directors decided to proceed with the development of the Company's land for tourist purposes with the construction of a hotel and two golf courses, along with development activities. After this decision, an amount of €65.779.465 which represents the fair value of the land as at 1 January 2007 which will be used for development activities was transferred from investment property to inventories, and is included in the cost of inventories shown above. The fair value of the land which was transferred to property, plant and equipment and to inventories has been estimated based on the respective buildable square meters. The buildable square meters is the method which is used each year for the allocation of the construction costs of the project between inventories and property, plant and equipment as the costs are incurred for the whole project.

The company has already secured the final planning permits (19 December 2013) for the construction of residential units, golf courses, golf clubs and other related activities.

Bank borrowings are secured on the Company's land, including Property, plant and Equipment and investment properties (Notes 15 and 16)) for €80.500.000 (2015: €80.500.000) (Note 22).

All inventory items are stated at cost with the exception of inventory that was transferred on 1 January 2007 from investment property which is presented at its fair value at the date of transfer. The current value of inventories and thus the capital base of the Company is significantly higher than its carrying value.

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## 19 Other receivables

	2016 €	2015 €
Receivables from subsidiaries (Note 26(iv))	12.066	17.577
Receivables from related parties (Note 26(iv))	108.761	91.415
Other receivables	16.836	837.727
Prepayments	6.853	7.474
Vat refundable	<u>237.672</u>	<u>139.904</u>
	<u><b>382.188</b></u>	<u><b>1.094.097</b></u>

The fair values of other receivables approximate their carrying amounts.

Other receivables do not include assets that have been impaired.

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

	2016 €	2015 €
Euro - functional and presentation currency	<u><b>382.188</b></u>	<u><b>1.094.097</b></u>

## 20 Cash and bank balances

	2016 €	2015 €
Cash at bank and in hand	<u><b>58.780</b></u>	<u><b>6.630</b></u>

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

	2016 €	2015 €
Cash and bank balances	58.780	6.630
Less:		
Bank overdrafts (Note 22)	<u><b>(2.986)</b></u>	<u><b>(3.564.441)</b></u>
	<u><b>55.794</b></u>	<u><b>(3.557.811)</b></u>

Cash and cash equivalents are denominated in the following currencies:

	2016 €	2015 €
Euro - functional and presentation currency	<u><b>58.780</b></u>	<u><b>6.630</b></u>

## 21 Share capital

	2016		2015	
	Number of shares	€	Number of shares	€
<b>Authorised</b>				
Shares of €0,10 each	<u><b>350 000 000</b></u>	<u><b>35.000.000</b></u>	<u><b>350 000 000</b></u>	<u><b>35.000.000</b></u>
<b>Issued and fully paid</b>				
Shares of €0,10 each	<u><b>35 000 000</b></u>	<u><b>3.500.000</b></u>	<u><b>300 000 000</b></u>	<u><b>30.000.000</b></u>



# Cyprus Limni Resorts and GolfCourses PLC

## 21 Share capital (continued)

The total authorized number of ordinary shares is 350.000.000 shares (2015: 350.000.000 shares) with a par value of €0,10 per share. All issued shares are fully paid.

## 22 Borrowings

	2016 €	2015 €
<b>Current</b>		
Bank overdrafts (Note 20)	2.986	3.564.441
Bank Borrowings	-	89.903.376
	<u>2.986</u>	<u>93.467.817</u>
<b>Non-current</b>		
Bank borrowings	85.593.175	-
Borrowings from related parties (Note 26(v))	48.889.236	34.063.964
	<u>134.482.411</u>	<u>34.063.964</u>
<b>Total borrowings</b>	<u>134.485.397</u>	<u>127.531.781</u>
<b>Maturity of non-current borrowings</b>		
Between 2 and 5 years	124.213.305	34.063.964
Over 5 years	10.269.106	-
	<u>134.482.411</u>	<u>34.063.964</u>

The Company reached an agreement with its main banker for the loans which were due for full repayment on 31 December 2015, during March 2016. This agreement resulted in new terms and conditions. The repayment date was extended to 30 January 2021 and lower fixed interest rates were agreed with the bank. The effective interest rate was 4,73%. The personal guarantees of the two Directors amounting to €46.200.000 have been removed.

The borrowings from the related parties represent loans from Woolworth (Cyprus) Properties Plc and Cassandra Trading Limited which are both of financing nature. Interest from Woolworth (Cyprus) Properties Plc bears interest of 5% up to June 2016 and 4,75% from June to December 2016 (2015: 5%). At 31 December 2016 both parties agreed that no repayment of the above amount will be demanded within the next two years and no terms and conditions were agreed as to the loan security. During the year an amount of €10.000.000 was provided by Cassandra Trading Limited and bears interest of 4,04%. At 31 December 2016 both parties agreed that no repayment of the above amount will be demanded within the next five years and no terms and conditions were agreed as to the loan security.

The Company's banking facilities are secured :

- (i) By mortgage of the Company's land and buildings for €38.500.000 (A' Mortgage number Y2207/08 dated 17/04/2008), €15.000.000 (B' Mortgage number Y170/14 dated 21/3/2014) and €27.000.000 (A' Mortgage number Y 1860/10 dated 22/4/2010) (Notes 15, 16 and 18).
- (ii) By corporate guarantee from its parent company N.K. Shacolas (Holdings) Limited on a guarantee document dated 19/03/2014 for €20.000.000 (Note 26(vii)).

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## 22 Borrowings (continued)

- (iii) By corporate guarantee from its related company Woolworth (Cyprus) Properties Plc on a guarantee document dated 19/03/2014 for €20.000.000 (Note 26(vii)).
- (iv) By corporate guarantees provided by the Company's parent company N.K. Shacolas (Holdings) Limited and related company Woolworth (Cyprus) Properties Plc on a guarantee document dated 28/03/2016 for the total amount of €73.000.000 (Note 26(vii)).
- (v) By pledge of the shares held by Arsinoe Investments Limited, N.K. Shacolas (Holdings) Limited and Chrysochou Merchants Limited, totaling to 299.084.026 from its issued share capital (Note 26 (viii)).

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

	2016 %	2015 %
Bank overdrafts	-	4,77
Bank borrowings	4,63	5,52
Borrowings from related parties (Note 26(v))	4,73	4,87

The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2016 €	2015 €
6 months or less	-	93.467.817
6-12 months	-	34.063.964
1-5 years	<u>134.485.397</u>	-
	<u>134.485.397</u>	<u>127.531.781</u>

During the year all the bank borrowings which were at variable interest rates in 2015 have been set at fixed interest rates thus the Company is not subject to exposure from changes in interest rates.

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

	2016 €	2015 €
Euro - functional and presentation currency	<u>134.485.397</u>	<u>127.531.781</u>

## 23 Deferred tax liabilities

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

	2016 €	2015 €
<b>Deferred tax liabilities:</b>		
- Deferred tax liabilities to be settled after more than twelve months	<u>16.805.808</u>	<u>16.805.808</u>

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## 23 Deferred tax liabilities (continued)

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

	2016 €	2015 €
At beginning of year	16.805.808	17.271.534
Charge included in profit or loss (Note 11)	-	(466.266)
Tax charge relating to components of other comprehensive income (Note 11)	-	540
At end of year	<u>16.805.808</u>	<u>16.805.808</u>

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

### Deferred tax liabilities

	Fair value gains €
At 1 January 2015	17.271.534
Charged/(credited) to:	
Income statement (Note 11)	(466.266)
Other comprehensive income (Note 11)	540
At 31 December 2015	<u>16.805.808</u>
At 1 January 2016	16.805.808
Charged/(credited) to:	
Income statement (Note 11)	-
Other comprehensive income (Note 11)	-
At 31 December 2016	<u>16.805.808</u>

Deferred tax assets are recognized for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred tax assets of €551.614 (2015: €566.731) in respect of losses amounting to €4.412.913 (2015: €4.533.846) since the project is still at its initial stage.

## 24 Trade and other payables

	2016 €	2015 €
<b>Current:</b>		
Trade payables	193.579	179.197
Social insurance and other taxes	6.300	7.843
Payables to related parties (Note 26(iv))	220.610	615.420
Other payables	24.382	24.504
Accrued expenses	21.408	97.275
Retentions for contract work	-	758.123
	<u>466.279</u>	<u>1.682.362</u>
<b>Non - Current:</b>		
Deferred revenue (1)	1.552.483	-
	<u>2.018.762</u>	<u>1.682.362</u>

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

- (1) The amount of €1.552.483 classified in long term "deferred revenue", represents bank interest refund arising on the bank loan restructuring which occurred during March 2016. The interest refund will be amortised over the term of the loan, using the effective interest method, consistent with the accounting treatment of the associated bank borrowings.

# Cyprus Limni Resorts and GolfCourses PLC

## 24 Trade and other payables (continued)

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

	2016 €	2015 €
Euro - functional and presentation currency	<u>2,018,762</u>	<u>1,682,362</u>

## 25 Commitments

### (i) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2016 €	2015 €
Property, plant and equipment	924.813	1.045.177
Inventories	<u>6.758.627</u>	<u>7.638.263</u>
	<u>7.683.440</u>	<u>8.683.440</u>

The ageing analysis of the obligations of the company's capital expenditure contracted is as follows:

	2016 €	2015 €
No later than 1 year	1.000.000	1.000.000
Later than 1 year and no later than 5 years	4.683.440	4.683.440
Later than 5 years	<u>2.000.000</u>	<u>3.000.000</u>
	<u>7.683.440</u>	<u>8.683.440</u>

## 26 Related party transactions

The Company is controlled by Arsinoe Investments Company Limited, incorporated in England, which owns 70,57% of the Company's shares, N.K. Shacolas (Holdings) Limited incorporated in Cyprus, which owns 17,40% of the Company's shares and Chrysochou Merchants Limited, incorporated in Cyprus, which owns 11,73% of the Company's shares. The ultimate controlling party is N.K.Shacolas (Holdings) Limited. During 2015 the shareholding of the N.K.Shacolas (Holdings) Limited was diluted among the Shacola's family and none of them control the Company.

The following transactions were carried out with related parties:

### (i) Sales of goods and services

	2016 €	2015 €
Sales of professional services:		
Woolworth (Cyprus) Properties Plc	-	9.022
CTC Plc	105.893	-
Superhome Center (DIY) Limited	7.605	4.139
Apex Limited	4.056	-
Ermes Departments Stores Plc	1.670	-
	<u>119.224</u>	<u>13.161</u>

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## 26 Related party transactions (continued)

### (ii) Purchases of goods and services

	2016 €	2015 €
Purchases of professional services:		
Woolworth (Cyprus) Properties Plc	84.873	64.046
N.K. Shacolas (Holdings) Ltd	153.400	-
Ermes Department Stores Plc	-	36.362
CTC Automotive Limited	5.895	5.080
CTC Plc	-	102.014
Superhome Center (DIY) Limited	310	-
Argosy Trading Co Limited	355	-
Ideea Distribution of Appliances Ltd	856	-
	<u>245.689</u>	<u>207.502</u>

### (iii) Directors' remuneration

The total remuneration of the Directors was as follows:

	2016 €	2015 €
Emoluments in their executive capacity	<u>31.850</u>	<u>41.850</u>

### (iv) Year-end balances arising from sales/purchases of goods/services

	2016 €	2015 €
Receivables from related parties (Note 19):		
Limni Mines Limited	9.361	9.361
Limni Air & Seas Tourist Limited	991	991
Limni Foods & Fisheries Limited	923	923
Limni Development Project Limited	2.226	2.226
Danapan Limited	68.665	68.560
CSC Kafkalla Viklin Limited	2.011	2.011
CSC Evloimeni Limni Limited	2.011	2.011
CSC Kynousa Limni Limited	2.011	2.011
CSC Mavroli Limni Limited	2.011	2.011
CSC Kharkoma Limni Limited	2.011	2.011
CSC Kafkalla Aloni Limited	2.011	2.011
Superhome Center (DIY) Limited	13.343	4.294
Arsinoe Investment Company Limited	6.926	6.926
Apex Limited	4.827	2.146
Argosy Trading Co Limited	1.499	1.499
Superhome Center (DIY) Limited	<u>120.827</u>	<u>108.992</u>
Payables to related parties (Note 24):		
Domex Trading Company Limited	1.659	1.659
PLC's Management Limited	-	33.401
Ideea Distribution of Appliances Ltd	1.671	453
CTC Automotive Limited	7.819	1.131
Ermes Department Stores Plc	38.375	257.314
Argosy Trading Company Limited	978	862
Akamas Lime Company Limited	39.081	39.081
Cyprus Trading Corporation Plc	125.978	121.715
N.K. Shacolas (Holdings) Ltd	4.046	159.171
Superhome Center (DIY) Limited	1.003	633
	<u>220.610</u>	<u>615.420</u>

The above balances bear no interest and are repayable on demand.

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## 26 Related party transactions (continued)

### (v) Borrowings from related parties

	2016 €	2015 €
Borrowings from related party:		
At beginning of year	34.063.964	25.709.178
Borrowings advanced during year	11.078.424	6.399.855
Borrowings repaid during year	(9.000)	-
Interest charged (Note 10)	1.957.271	1.455.591
Balances transferred from related companies	<u>1.798.577</u>	<u>499.340</u>
At end of year (Note 22)	<u>48.889.236</u>	<u>34.063.964</u>

The borrowings from the related parties represent loans from Woolworth (Cyprus) Properties Plc and Cassandra Trading Limited which are both of financing nature. Interest from Woolworth (Cyprus) Properties Plc bears interest of 5% up to June 2016 and 4,75% from June to December 2016 (2015: 5%). At 31 December 2016 both parties agreed that no repayment of the above amount will be demanded within the next two years and no terms and conditions were agreed as to the loan security. During the year an amount of €10.000.000 was provided by Cassandra Trading Limited and bears interest of 4,04%. At 31 December 2016 both parties agreed that no repayment of the above amount will be demanded within the next five years and no terms and conditions were agreed as to the loan security.

### (vi) Guarantees

The Company guaranteed loans of the ultimate parent company for the amount of €47.816.675. No losses are expected from the default of terms and liabilities that the parent entity agreed with the financial institution.

### (vii) Corporate guarantees

The Company's bank facilities are secured by corporate guarantees provided by the Company's parent company N.K. Shacolas (Holdings) Limited and related company Woolworth (Cyprus) Properties Plc for €20.000.000 each respectively, and for €73.000.000 jointly.

### (viii) Pledge of shares

The Company pledged the shares held by Arsinoe Investments Limited, N.K. Shacolas (Holdings) Limited and Chrysochou Merchants Limited, totaling to 299.084.026 shares, from its issued share capital, as security for its bank facilities.

## 27 Events after the balance sheet date

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

Independent auditor's report on pages 9 to 15.