



Lordos Hotels
(Holdings) Public Limited



Lordos Hotels
(Holdings) Public Limited

annual report 2008





**CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008**

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CHAIRMAN'S STATEMENT

The 2008 was a difficult year for the Cypriot tourism. Unexpected and particularly severe problems arising from the exceptional international credit and financial crisis, which undermined the business and consumer trust and activity, were added to the serious diachronic problems of the Cypriot tourism.

Despite this negative economic environment, the results of the Group were satisfying. We had a profitable year and the Group's profitability was maintained approximately at the same good levels of 2007.

Turnover amounted to €9.52 million compared to €9.58 million. The gross profit amounted to €4.48 million compared to €4.54 million and the profit before financial expenses, depreciation and taxation (EBITDA) to €2.11 million compared to €2.27 million. The profit before taxation amounted to €615.238 compared to €683.357 and the net profit after taxation to €542.644 compared to €578.633.

The earnings per share attributable to the shareholders are €1,73 cents compared to €1,87 cents in 2007.

The policy of upgrading the tourist product offered in combination with the substantial renovations, which continued this year, assisted in achieving these rather good results. The most effective promotion and advertising of the tourist product in traditional and new markets through international travel agents and the greatest possible utilisation of the internet aimed to increase the occupancy rates and the average price for overnight stay. In addition the achievement of greater share in the conferences market and other events and restraining the expenses and financing costs, also contributed in achieving these results.

We hope these policies will assist the Group to face, in the best possible way, the challenges that have arisen from the international financial crisis.

Unfortunately though, Cypriot tourism continues to suffer from the quality, cost and competitive problems of the tourist product. Despite the rather improvement of the position in the relevant indexes of the World Economic Forum, in 2008, Cyprus is classified at the 21st place (2007: 24th) among 130 countries in the Travel & Tourism Competitiveness Index. Cyprus is classified at the 67th position (2007:95th) in relation to our prices competitiveness and at the 55th (2007:99th) in relation to the high plane ticket's costs and the high airport charges.

Based on relevant international researches, Cyprus continues to hold the last position among the 12 most popular tourist destinations, regarding the offered quality in relation to the cost of the offered tourist product (value for money).



CHAIRMAN'S STATEMENT

Tourist arrivals in Cyprus in 2008, presented a marginal decrease of 0,5% to 2.416.081 and the revenues in foreign currency, were further decreased by 3,53%. Comparatively, tourist arrivals internationally, despite their radical deceleration, increased by 2% and the competitive destinations of Cyprus, like Egypt and Turkey, presented remarkable increases by 16% and 13% respectively.

The shareholders' funds of the parent company amount to €59.64 million including the deferred tax and to €67.99 million excluding the deferred tax.

The intrinsic value of the share amounts to €1,70 including the deferred tax and to €1,94 excluding the deferred tax.

The operating results during 2009 will depend to a great extend on the magnitude and the duration of the crisis in international and especially in the European economy and the consequences it will have on the Cypriot tourism.

The support measures of the Cypriot tourism that were put in place recently as part of the action plan to anticipate the negative consequences of the international financial crisis, like the abolition of overnight stay duties, the reduction of the landing charges, the reduction of VAT and the subsidy of vacations in Cyprus for low-income people, are appropriate. However, they would have provided more assistance if they were decided and implemented earlier.

Based on the up to date results and the indications for the remainder of the year, it is expected that the profits of 2009 will reduce in relation to 2008.

Takis Kyriakides

Chairman



Lordos Hotels (Holdings) Public Limited

BOARD OF DIRECTORS, BANKERS AND OTHER PROFESSIONAL ADVISORS

Board of Directors

Takis G. Kyriakides - Chairman
Demetrios G. Lordos - Vice-Chairman
Adamos Adamides
Areti Ionides
Michalis Kleopas
Takis Clerides
Doros Orphanides
Petros Petrides
Demetris Shukuroglou
Georgios Michaelides

Company Secretary

Adaminco Secretarial Limited

Registered Office

35 Theklas Lyssiotou
Eagle Star House
1st floor, 3030 Limassol

Legal Advisers

Adamos K. Adamides & Co

Banker

Bank of Cyprus Public Company Ltd

Independent Auditors

Deloitte Limited



DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER COMPANY'S OFFICIALS RESPONSIBLE FOR THE FINANCIAL STATEMENTS

Under sections 9(3)(c) and 7 of the Transparency Provisions (Securities for Negotiation in Regulated Market) Law 2007, we, the members of the Board of Directors and other company officials responsible for the financial statements of Lordos Hotels (Holdings) Public Limited for the year ended 31 December 2008, confirm that, as far as it has come to our knowledge:

- (a) the annual financial statements presented on pages 21 - 52:
 - i. are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU) and the provisions of paragraph (4), and
 - ii. provide a true and fair view of the assets and liabilities, the financial position and the profit or loss of Lordos Hotels (Holdings) Public Limited and of the entities included in the consolidated accounts as a whole and
- (b) the directors' report provides a fair review of the developments and performance of the business, as well as the position of Lordos Hotels (Holdings) Public Limited and the entities included in the consolidated accounts as a whole, with a description of the significant risks and uncertainties they face.

Members of the Board of Directors

Takis G. Kyriakides - Chairman

Demetrios G. Lordos - Vice-Chairman

Adamos Adamides

Areti Ionides

Michalis Kleopas

Takis Klerides

Doros Orphanides

Petros Petrides

Demetris Shukuroglou

Georgios Michaelides

Group's Financial Controller

Adonis Elia, FCCA

28 April 2009



DIRECTORS' REPORT

The Board of Directors presents herewith its Annual Report and the audited consolidated financial statements of the Group for the year ended 31 December 2008.

Financial Statements

The consolidated financial statements for the year include the financial statements of Lordos Hotels (Holdings) Public Limited (the "Company") and its subsidiaries. The names of the subsidiary companies are presented in note 1 of the consolidated financial statements.

The consolidated financial statements include the Group's share in the profits or losses of the related company. The related company is presented in note 16 of the consolidated financial statements.

Activities

The Group is engaged in the rendering of hotel services.

Financial Results

The consolidated income statement is presented on page 21 of the consolidated financial statements.

The Group's turnover for 2008 remained at the same levels as in 2007, due retaining the turnover of Golden Bay Beach Hotel and Golden Coast Beach Hotel at the same levels as last year.

Gross profit has not changed significantly in relation to 2007 and amounted to €4.483.083.

The results before net finance expenses, depreciation, amortisation, other income and taxation decreased by €165.586 and a profit of €2.104.427 was made compared to profit of €2.270.013 in 2007.

Profit before taxation amounted to €615.238 resulting to a small decrease by €68.119 in comparison to the respective results of 2007, mainly due to the increase in administration expenses.

Out of the administration expenses of 2008 of €1,95 million (2007: €1,86 million), an amount of approximately €840 thousands or 43% (2007: €832 thousands or 45%) concerns depreciation of property, plant and equipment.

The profit attributable to the shareholders of the holding company of €605 thousands is transferred to retained earnings (2007: profit of €654 thousands).

Risk Management

The Group is exposed to risks, the most significant of which are credit risk, market value risk, interest rate risk and liquidity risk.

Additional information is disclosed in note 3 of the consolidated financial statements.



DIRECTORS' REPORT (continued)

Dividends

The Board of Directors does not propose the payment of a dividend for the year ended 31 December 2008.

Share capital

During the year ended 31 December 2008, the nominal value of the shares of the Company was converted to Euro according to the provisions of the Companies' Law Chapter 113, the Law on the Adoption of the Euro 2007 and the Company's Articles of Association.

As a result of the conversion of the Nominal Value of the share capital of the Company and the occurring rounding, the authorized share capital of the Company amounting to CY£10.000.000 divided into 50.000.000 shares of nominal value CY£0,20 each, was converted to €17.000.000 divided into 50.000.000 shares of nominal value €0,34 each.

The issued share capital of the Company amounting to CY£7.001.831 (€11.963.339) divided into 35.009.157 shares of nominal value CY£0,20 each, was converted to €11.903.113 divided into 35.009.157 shares of nominal value €0,34 each. The reduction of €60.226 was recorded in the special reserve "Difference from the conversion of the share capital into Euro". The reduction can be capitalized in a future increase of the share capital.

Reconciliation of the Indicative Results and the Audited Consolidated Income Statement

The results for the year 2008, according to the Indicative Results that have been announced on 24 February 2009, do not differ from those that are presented in the Audited Consolidated Income Statement.

Prospects for 2009 and future developments

The results from the activities of 2009 will largely depend on the extent of the crisis in international and particularly in the European economy and on the consequences it will have in Cypriot tourism. At the present stage the indications are negative.

Tax regime

The taxation for the year is calculated on the taxable profits of the year according to the applicable rates. A provision is also made for deferred tax at the rates it is expected that the tax on temporary differences, between the tax bases of assets and liabilities and their carrying amounts, will be payable. Any debit balances from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available.

Board of Directors

On 31 December 2008 and as at the date of this report the Board of Directors consists of the Directors shown on page 4.



DIRECTORS' REPORT (continued)

Board of Directors (continued)

In accordance with article 94 of the Company's Articles of Association, "In every Annual General Meeting of the Company one third of the existing Directors retire; or if the number of directors is not three or a multiple of three, then the closest number to one third".

The Directors that have not retired by rotation during the past three years are Messrs Demetrios Lordos, Doros Orphanides and Demetris Shukuroglou. Messrs Demetrios G. Lordos and Doros Orphanides are eligible for re-election and offer themselves for re-election. Mr. Demetris Shukuroglou is not offered for re-election and the Board of Directors considers unnecessary an appointment under the current circumstances.

The remuneration of the members of the Board of Directors is presented in note 26.1 of the consolidated financial statements.

During the year there were no significant changes in the allocation of responsibilities or in the remuneration of the members of the Board of Directors of the Company.

Significant contracts with Management

No significant contracts had been signed between the Group companies and their Management as at the balance sheet date.

Classification of the shares of the Company in the Cyprus Stock Exchange

During 2004 the Cyprus Stock Exchange, on request of the Company, classified the shares of the issuer in the Parallel Market of the Cyprus Stock Exchange.

Events after the Balance Sheet date

Any significant events that occurred after the year end are described in note 31 of the financial statements.

Participation of Directors in the share capital of the Company

The percentage interest in the share capital of the Company held directly by each member of the Board of Directors, their spouse, minor children and any indirect holding through companies in which a Director holds at least 20% of the voting rights at 31 December 2008 and at 28 April 2009 was as follows:

	31.12.2008	28.04.2009
	%	%
• Demetrios G. Lordos	15,12	15,12
• Takis G. Kyriakides	12,67	12,67
• Areti Ionides	10,59	10,59
• Doros Orphanides	0,92	0,92
• Demetris Shukuroglou	0,44	0,44
• Petros Petrides	0,12	0,12
• Adamos Adamides	0,04	0,04
• Michalis Kleopas	-	-
• Takis Clerides	-	-
• Georgios Michaelides	-	-



DIRECTORS' REPORT (continued)

Shareholders holding more than 5% of the issued share capital

Except from the Directors who hold more than 5% of the issued share capital of the Company, as disclosed above, the following shareholders (including their spouse, minor children and any indirect holding through companies which they hold at least 20% of the voting rights) hold more than 5% at 31 December 2008 and at 28 April 2009:

	31.12.2008	28.04.2009
	%	%
Constantinos G. Lordos	16,45	16,45
Andreas Tsokkos	16,02	16,02

Branches

During the year the Group did not operate any branches.

Corporate Governance Report

The Report of the Board of Directors with regard to Corporate Governance presented on pages 10 - 18.

Research and development

The Group does not carry out any activities in the research and development sector.

Auditors

The independent auditors, Deloitte Limited, have been appointed by the Board of Directors, during the year, as auditors of the Company in replacement of Ernst & Young Cyprus Limited. Messrs Deloitte Limited expressed their willingness to continue in office and a resolution authorising the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors

Adaminco Secretarial Limited
Secretary

28 April 2009



CORPORATE GOVERNANCE REPORT FOR THE YEAR 2008

I. PART ONE – Adoption of the code

A. COMPANY'S DECISION – Members of the Corporate Governance Committees

The Board of Directors of the Company at its meeting of 27 March 2003 adopted the Corporate Governance Code ("the Code"). The Officers and the structure of the Committees stipulated by the Code during 2008 were as follows:

1. *Investor report officers (SA.2.5. of code)*
Michalis Kleopas (until 27/09/2008, non-executive, until 27/09/2008 independent director), Takis Clerides (since 27/09/2008, non-executive, independent director)
2. *Nominations Committee (SA.4.1. of code)*
Michalis Kleopas (Chairman, non-executive, until 27/09/2008 independent director), Takis Kyriakides (executive director), Demetrios Lordos (executive director), Takis Clerides (non-executive, independent director) and Petros Petrides (non-executive, non-independent director) (Members)
3. *Remuneration Committee (SB.1.1. of code)*
Doros Orphanides (until 27/09/2008 Chairman, non-executive, until 27/09/2008 independent director), Areti Ionides (non-executive, non-independent director, member), Michalis Kleopas (until 27/09/2008 member, non-executive, until 27/09/2008 independent director), Giorgos Michaelides (Chairman since 27/09/2008, non-executive, independent director), Takis Clerides (since 27/09/2008, non-executive, independent director, member)
4. *Audit Committee (SC.3.1. of code)*
Takis Clerides (Chairman, non-executive, independent director), Doros Orphanides (until 27/09/2008, non-executive, until 27/09/2008 independent director), Michalis Kleopas (non-executive, until 27/09/2008 independent director), Georgios Michaelides (since 27/09/2008, non-executive, independent director) (Members)
5. *Compliance with the Code of Corporate Governance Officer (SG. 3.7. of code)*
Adamos Adamides
6. *Investor Liaison Officers (SD.2.4. of code)*
Adonis Elia and Evgenia Nicolaou

B. TERMS OF REFERENCE

The Terms of Reference of each Officer and Committee, approved by the Board of Directors upon the suggestion of each committee are as follows:

1. Terms of Reference of Investor Report Officer

The Investor Report Officer undertakes the concerns and problems of the shareholders relating to the Company and have not been resolved with any other communication procedures.

2. Terms of reference of the Nominations Committee

- I. The purpose of the Nominations Committee ("Committee") is to assist the Board of Directors:
 - in identifying qualified persons to become members of the Board of Directors
 - in determining the composition of the Board of Directors and its committees and in the review of procedures for the evaluation of the effectiveness of the Board of Directors and
 - in the development and implementation of corporate governance guidelines for the Company.

II. The Committee will have the authority and responsibility:

1. To direct the efforts for the identification of qualified persons to become members of the Board of Directors and select candidates to be nominated to the shareholders at the annual general meeting. The Committee will select candidates of high personal and professional integrity, who have demonstrated special skills and judgment and who will be the most competent, in combination with the other Directors, as a team, to serve the long-term interests of the shareholders.
2. To review the composition of the committees of the Board of Directors and recommend to the Board of Directors the appointment of directors in each committee. The Committee will review and recommend on an annual basis the composition of the committees and will propose additional members of committees to fill any vacancies as required.



CORPORATE GOVERNANCE REPORT FOR THE YEAR 2008

2. Terms of reference of the Nominations Committee (continued)

3. To process and recommend for approval by the Board of Directors corporate governance guidelines. The Committee will review these guidelines on an annual basis or more frequently if required, and recommend changes if necessary.
 4. To process and recommend to the Board of Directors for approval, the procedure of the annual evaluation of the proceedings of the Board of Directors and its committees. The Committee will monitor the annual evaluations.
 5. To review on an annual basis the remuneration and benefits of the Directors.
- III. The Committee will have the authority
1. To delegate any of its responsibilities to subcommittees, as the Committee will deem appropriate.
 2. The Committee will have the authority to assign any investigation for the nominated directors to external consultants, as the Committee deems appropriate. The Committee will have the exclusive authority for approval of the relevant remuneration and relevant terms of reference.
- IV. The Committee will submit a report relating to its actions and recommendations to the Board of Directors after each meeting and will compile and present to the Board of Directors an annual report for its performance and will review at least once a year the adequacy of these terms of reference and will propose to the Board of Directors any amendments for approval.

3. Terms of reference of the Remuneration Committee

- I. The purpose of the Remuneration Committee ("Committee") is to have the overall responsibility, which stems out of the Board of Directors duty for control and determination of the remuneration of the Company's executive officers.
- II. The Committee will have the authority and responsibility
 1. To review and approve, on an annual basis, the Company's goals with regard to the remuneration of the Chief Executive Officer, as well as for the other Executive Directors of the Company. The Committee will assess the degree of success and accomplishment of goals for each of these Executives and based on this assessment will submit a proposal to the Board of Directors for their recommended remuneration, including their salary, bonus, incentives etc, and the form in which these will be offered (share options etc).
 2. To manage and review the Company's personnel incentive plans and recommend to the Board of Directors plans or amendments that would encourage the personnel to exert even more efforts for the accomplishment of the Company's goals.

It is understood that:

- a. The level of the remuneration has to be adequate to attract and retain in service, the Chief Executive Officer and other Executive Directors who reinforce the Company's management.
- b. Part of the Chief Executive Officer's remuneration as well as of the other Executive Directors must be determined in such a manner so as to relate both to the Company's performance and the individual's performance.
- c. The incentive schemes should opt at the long-term increase of their return so as to encourage the officers as well as the rest of the personnel to remain in service, without being however at the expense of the Company's profitability and should be compatible with the shareholders' interest.
- d. The Remuneration Committee will not determine the remuneration of the Directors for the time they spend on committees' activities. The Company's Board of Directors will set such remuneration.
- e. The Committee will seek the views of the Chairman and the Chief Executive Officer, relating to recommendations concerning the remuneration of the other executive Directors.
- f. The Remuneration Committee should consider the terms of the remuneration and the employment conditions at all levels of the Company, when salary raises are determined, so that a feeling of fairness prevails on the apportionment of positive results to the extent that this relates to their role and contribution in improved performance.
- g. The Committee should examine the compensation commitments (including contributions for pensions) that result from the employment contracts of the Chief Executive Officer and the other Executive Directors, if any, in the event of early termination and seek the inclusion of specific provisions in the initial contract. The employment contracts of these Executives should not include provisions that could be considered as prohibitive in the case of takeover or merger of the Company, or provisions under which the Company would suffer the burden for any fines, which may be imposed on the Directors.



CORPORATE GOVERNANCE REPORT FOR THE YEAR 2008

3. Terms of reference of the Remuneration Committee (continued)

h. In the event that the initial contract does not include a specific provision relating to compensation commitments for cases of early removal, the Committee should - within the legal framework and according to the specific facts of each case - adapt its approach so as to avoid rewarding reduced performance, to handle fairly the removal when this was not the result of reduced performance and to manage all cases of removal of Executive Directors carefully so as to reduce compensation so that the obligation of the retiring Executive Directors, to mitigate the loss is clear.

III. The Committee:

1. Should be able to have access to, internal and external professional consultation and may consider comparative remuneration levels, for the determination of the remuneration of the Chief Executive Officer and the other Executive Directors, always having regard to the principle of maintaining and increasing the performance of the Company and/or the area of responsibility of each officer. Salary increases should reflect the respective improvement in the performance of the Company.
2. Will prepare the Annual Remuneration Report, which the Board of Directors submits to the shareholders of the Company, as well as that part of the Corporate Governance report, which refers to the remuneration of the Directors, according to the instructions and provisions of the Corporate Governance Code of the Cyprus Stock Exchange.

4. Terms of Reference of the Audit Committee

I. The purpose of the Audit Committee ("Committee") is to assist the Board of Directors in the discharge of its supervisory responsibility regarding the credibility of the Financial Statements of the Company, its compliance with legal and regulatory requirements, the independence and the competence of external auditors and the implementation of effective internal control procedures.

II. The Committee will have the authority and responsibility

A. Financial Statements

- A.1. To examine the contents of the annual financial statements and the other interim financial statements so as to ensure that they present a true and fair view prior to their submission to the Board of Directors for approval.
- A.2. To make recommendations to the Board of Directors as to the options available regarding the adoption of accounting policies for the preparation of the Company's financial statements.

B. External Audit

- B.1. To submit a recommendation to the Board of Directors regarding the appointment, termination and remuneration of the Company's auditors.
- B.2. To monitor and ensure the independence and efficiency of the external auditors.
- B.3. To assess the extent and the effectiveness of the audit procedures executed and examine ways for the better coordination of the audit effort in securing the completeness of coverage, the avoidance of concealing events and the efficient use of the available control resources (cost-effectiveness).
- B.4. To monitor the actual volume, the nature and the extent of non-audit services provided by the auditors, so as to preserve a balance between objectivity and value added from the services provided.
- B.5. To submit on an annual basis, to the Board of Directors, a report that includes:
 - a) the amount of audit and consulting fees paid by the Company and its subsidiaries, to the auditors of the Company.
 - b) the delegation to the auditors of significant consultation duties.

C. Internal Audit

- C.1. To provide for the establishment of an adequate internal control service, either through the utilisation of the Company's staff or by delegating the Internal Control Department to an independent firm of experts.
- C.2. To submit on a quarterly basis to the Board of Directors of the Company, a report regarding the findings and recommendations of the Internal Control Department, in which the comments and recommendations of the Audit Committee are attached.
- C.3. To examine, pronounce and recommend to the Board of Directors, on every issue that relates to the independence and smooth operation of the Internal Control Department.



CORPORATE GOVERNANCE REPORT FOR THE YEAR 2008

4. Terms of Reference of the Audit Committee

- D. Preparation of Corporate Governance Report
 - D.1. To prepare, with the assistance of the Corporate Governance Compliance Officer, the Board of Directors Report regarding Corporate Governance, which will be included in the Company's Annual Report.
- E. Audit Committee meetings
 - E.1. The Audit Committee will meet four times a year or more frequently, as deemed necessary by the Committee, at a place and time to be decided by the Chairman of the Committee.
 - E.2. The Audit Committee will maintain minutes of meetings and of its resolutions and will submit copies to the Chairman and members of the Board of Directors.
- F. Various Issues
 - F.1. To supervise the transactions of the Company relating to the selection, appointment and termination of the services of the Chief Executive Officer of the company so as to ensure that they are carried out at arm's length.
 - F.2. To conduct investigations or assign to others the conduct of investigations, for any issue falling within its responsibility. The Committee can request the assistance of independent consultancy firms in conducting these investigations.
 - F.3. To submit to the Board of Directors for approval the cost budget or the results of the tenders, relating to the securing of services as provided for in paragraph F.2. above.
 - F.4. To request information from the Management for the important risks that the company is exposed to, to assess the measures taken by Management to minimise these risks and submit recommendations for the improvement of these measures.

5. Terms of Reference of the Compliance with the Code of Corporate Governance Officer

The Compliance with the Code of Corporate Governance Officer is in charge for the application of the Code. In executing his duties, he can discuss with other members of the Board of Directors and consult with internal and external Company's advisors, depending on each case. The Directors can address to the Code of Corporate Governance Officer and ensure that they act in full compliance with the Code. If the Directors are informed or suspect that there is or it is likely to appear a breach of the Code, they must inform the Code of Corporate Governance Officer.

6. Terms of Reference of the Investor Liaison Officers

The Investor Liaison Officers will act with the intent to:

1. Ensure the continuous satisfactorily communication with all the shareholders.
2. Provide to the shareholders, on a timely basis, valid and accurate information for any significant changes in the Company that relate to its financial position, its performance, its assets and its governance.
3. Encourage the shareholders to have a greater attendance at the General Meetings and their proceedings and be given the opportunity to express their views on various issues concerning the Company.
4. When the Board of Directors considers it necessary, will organise meetings, presentations, seminars, and talks for additional updating of the shareholders.
5. The Company should be present and participate at press and other conferences, and in various other activities organised by the Cyprus Stock Exchange in Cyprus and abroad.

The Investor Liaison Officers should be aware of the financial position and of the strategic development plan of the Company and be informed of the significant developments in the Company.



CORPORATE GOVERNANCE REPORT FOR THE YEAR 2008

II. PART TWO – The Implementation of the Corporate Governance Code

A. MEMBERS OF THE BOARD OF DIRECTORS

A.1. Board of Directors

During 2008, the Board of Directors held 8 meetings. The regular meetings of the Board of Directors have been scheduled for every last Tuesday of the month. The Executive management of the Company is aware of the Board of Directors meeting schedule as well as the agenda, provided this is considered advisable. The Financial Controller and the Hotel Managers are, as a rule, present at the Board of Directors meetings.

The Directors hold positions in other Boards of Directors. Unless otherwise stated, holding a position to other Boards of Directors does not affect the independency of the Board.

The exclusive authority of the Board of Directors covers all the matters referred to in caption A.1.2. of the Code.

The Directors after they will notify the Board of Directors or in exceptional circumstances the Chairman or other member of the Board can obtain independent professional advice for better execution of their responsibilities at the expense of the Company. The Directors' judgement is considered to be objective and independent and exercised with regard to the best interests of the Company and consequently those of its shareholders.

There is no particular training program for the Directors, regarding Stock Exchange and Companies laws. They are, however briefed on the basic provisions relating to the capacity and functioning of the Directors of public companies as well as for periodic amendments.

The authorities of the Board of Directors are exercised collectively and are executed through authorisation granted to the Executive Chairman, the Executive Vice-Chairman, to the Departmental Managers and to the Hotel Managers of the Group.

The employment procedure of managerial and other staff by the Company's businesses is based on rational criteria in order to recruit the best candidate under the circumstances.

A.2. Board of Directors Balance

The Board of Directors consists of ten members (Takis G. Kyriakides, Demetrios G. Lordos, Adamos Adamides, Areti Ionides, Michalis Kleopas, Takis Clerides, Doros Orphanides, Petros Petrides, Demetris Shukuroglou and Georgios Michaelides) of whom eight are non-Executive Directors.

Based on the criteria of the Code, Takis Clerides and Georgios Michaelides are independent Directors. Michalis Kleopas and Doros Orphanides since 27/09/2008 ceased being independent Directors after completing nine years of services in the Board of Directors. Moreover, Areti Ionides has significant relations with executive Directors, Adamos Adamides is an associate in the Company's legal advisors and member of the Board of Directors of the Secretary of the Company and Petros Petrides and Demetris Shukuroglou are members of the Board for more than nine years and therefore are not considered independent Directors.

Takis G. Kyriakides is the Company's Chairman with executive Management and Planning responsibilities (that do not constitute duties of the Chief Executive Officer). Demetrios G. Lordos is the Vice-Chairman, with executive duties relating to the Management, Design and Execution of Development Operations. It is considered that the extensive knowledge of Company's related issues and the scientific training of the Chairman contribute favourably to the Company through the carrying out of the executive duties mentioned above (2.6. of the Code).

No problems occurred between Shareholders and the Company and no reports were made to the Investor Report Officer for the resolution of relevant issues.



CORPORATE GOVERNANCE REPORT FOR THE YEAR 2008

A.3. Provision of Information

There has been a regular, monthly briefing of the Board of Directors regarding the financial position and prospects of the Company. The Directors are informed of the topics to be discussed in advance of the meetings.

Board meetings are conducted on the basis of an agenda which is prepared by coordination of the Chairman with the Secretary and other members of the Board of Directors and is sent by the Secretary at least three days prior to the date of each meeting. Apart from the topics on the agenda, the Board of Directors, during its meetings, may deal with other issues raised by the Directors after the preparation of the agenda.

The minutes of each Board meeting are compiled and sent to the Directors prior to the date of the next meeting and after their approval these are signed by the Chairman and the Secretary.

A.4. Appointments to the Board

A Nominations Committee has been established and is in operation, the composition of which is presented in Part I.A.2. of this report. The majority of the members of the Nominations Committee are non-Executive Directors and its Chairman is a non-Executive independent Director. The Terms of Reference of the Nominations Committee are presented in Part I.B.2.

A.5. Re-election - Election

In accordance with article 94 of the Company's Articles of Association

"In every Annual General Meeting of the Company one third of the existing Directors retire; or if the number of directors is not three or a multiple of three, then the closest number to one third."

The Directors that have retired by rotation are Demetrios G. Lordos, Doros Orphanides and Demetrios Shukuroglou. Demetrios G. Lordos and Doros Orphanides are offered for re-election.

Demetrios G. Lordos is a businessman from Famagusta. He studied civil engineering in the United Kingdom (BSc, London Univ.) and has been involved in tourist, construction and property development industry since 1967. He has been a member of the Board of the Employers and Industrialists Federation. He is a member of the Board of Directors of various companies. He is a member of the Board of Directors of the Company since 1973.

Doros Orphanides was born in Nicosia in 1938. He is a member of the Chartered Insurance Institute of the United Kingdom and Chartered Insurer. He was the founder of Philiki Insurance in 1982, the first public insurance company in Cyprus, in which he remained Chief Executive Officer for 14 years and after the disposal of his shares, as Deputy Executive President for two more years. He is honorary Chairman of Expresstock Financial Services Ltd. He is a member of the Board of Directors of the Company since 28/09/1999.

Demetrios Shukuroglou served as Director of the Company since 20/05/1984, and has expressed his will to retire and is not offered for re-election. The Board of Directors expresses its gratitude for his productive cooperation and valuable services he has offered to the Company and considers unnecessary an appointment under the current circumstances.

With reserve to all stated above, there is no member of the Board of Directors whose election or re-election occurred in more than two years.

B. DIRECTORS' REMUNERATION

B.1. Procedure

The composition of the Directors' Remuneration Committee is presented in Part I.A.2 of this report. The members of the Committee are non-Executive Directors and have no business or other relationship that could significantly affect the performance of their duties. The Terms of Reference of the Remuneration Committee are presented in Part I.B.2.



CORPORATE GOVERNANCE REPORT FOR THE YEAR 2008

B.2. Level and composition of emoluments

The emoluments of the Executive Directors during the year 2008 were the following:

- (a) Takis G. Kyriakides, Chairman of the Board of Directors: €20,500
- (b) Demetrios G. Lordos, Vice-Chairman of the Board of Directors: €20,500

The Executive Directors are not remunerated for their participation in the Board of Directors and in the committees of the Board of Directors.

The remuneration of the non-Executive Directors for their participation in the Board of Directors is determined by the Annual General Meeting. The current relevant remuneration is £350 per attendance at the Board of Directors meetings.

The remuneration of non-Executive Directors for their participation in the committees that are set up in accordance with the Code, unless otherwise decided by the Board of Directors, will be equal to the remuneration for participating in the meetings of the Board of Directors.

The Directors are compensated with regard to their executive duties provided that during the period, they serve as Directors. The assignment of executive responsibilities can be freely recalled and re-examined at the first Board of Directors meeting of the year.

B.3. Policies and Disclosure

The Company's policy with regard to the remuneration of Executive Directors and the other managerial staff continues to be based on the correlation of remuneration with the personal performance and the general progress of the Company and the competitive comparison in relation to the remuneration in businesses of similar operations and size. On this basis, there is an assessment regarding the compilation of a Motivation and Remuneration Plan.

The present report is approved by the Board of Directors and is submitted to the members of the Company for approval as part of the Annual Report.

C. ACCOUNTABILITY AND AUDIT

C.1. Financial Statements

The announcements, reports and statements of the Company reflect a true picture of facts and assessments of the Board of Directors at that relevant time. Announcements are issued when there is a legal requirement and when it is considered advisable for the timely information of the shareholders and of the investing public at large.

The Company plans to continue to operate as a going concern for the next twelve months.

C.2. Internal Control

The firm C.M. Adamides & Co Chartered Accountants to which the internal audit function has been assigned to, continued their procedures in 2008 and delivered their reports to the Audit Committee.

The Directors have reviewed the internal control systems of the Company as well as the procedures for the verification of the accuracy, completeness and validity of the information which is made available to the investors and give assurance for their effectiveness. The review which has been performed and the assurance given, covers all systems of controls, including the financial and operating systems, as well as the compliance systems and the management of the risks, which threaten the achievement of the Company's goals.

Nothing has come to the attention of the Board of Directors relating to the violation of the Cyprus Stock Exchange and Securities and Exchange Commission Laws and Regulations.



CORPORATE GOVERNANCE REPORT FOR THE YEAR 2008

C.3. Audit Committee, Auditors and Compliance with the Code

The composition of the Audit Committee is presented in Part I.A.3. of this report. All members of the Committee are non-Executive and Independent Directors and have no business or other relationship that could significantly affect the performance of their duties. The Terms of Reference of the Audit Committee are presented in Part I.B.3.. The Committee's Chairman has knowledge of accounting, is a member of the Chartered Association of Certified Accountants and member of Institute of Certified Public Accountants of Cyprus.

No loans or guarantees have been granted to a Director (or first degree related to him persons or wife or companies in which he holds more than 20% of the voting rights) of the Company or its subsidiaries either by the Company itself or by a subsidiary or related company and, with the exception of the ordinary trade practice, there are no amounts receivable by a Director or related to him person as stated above.

During 2008 the Committee held four meetings.

The Committee examined the issues regarding the Auditors' services, which are found sufficient as well as their fees which are found reasonable and a relevant report has been presented to the Board of Directors. The Auditors and entities that belong to the same Group as the Company's Auditors do not provide a significant volume of non-audit services.

The accounting principles and estimates followed are considered as satisfactory regulations. The Company has adopted the International Financial Reporting Standards that relate to its operations.

There have been no significant transactions of the Company and/or of its subsidiaries and associated companies of any form, in which a Director, Chief Executive Director, a senior executive member, the secretary, auditor, or major shareholder, who has directly or indirectly more than 5% of the issued share capital of the Company or of the voting rights, has directly or indirectly any significant interest, apart from the commercial supply of stock in the hotel units of the Company amounting to €361.353 for 2008 (€404.453 for 2007), with four companies of which three are associated with a major shareholder and the other with a Director of the Company. The aforementioned commercial transactions have taken place after a request for tendering and a suggestion by a committee of Directors, which is presided by a member of the Board of Directors.

Unless mentioned in this Report (above under II.A.2.) the Company has applied the provisions of the Code.

The present report has been compiled with the assistance of the Compliance Officer.

D. RELATIONS WITH SHAREHOLDERS

D.1. Constructive use of the Annual General Meeting

All legal and regulatory provisions as well as the provisions of the Corporate Governance Code have been complied with in respect of the calling and the proceedings of the annual general meeting.

The procedures during the general meetings allow for, encourage and support the contribution of the shareholders in the discussion of the topics on the agenda and in taking relevant decisions. The shareholders are provided with sufficient information and there is sufficient time available so as to investigate and obtain further explanations regarding issues that involve non-ordinary proceedings in the annual general meetings or issues regarding the agenda of an extraordinary general meeting. Prior to, as well as after the completion of the proceedings of the general meetings, the shareholders are given the opportunity to communicate and discuss in person with the members of the Board of Directors and other officials and managerial staff of the Company.



CORPORATE GOVERNANCE REPORT FOR THE YEAR 2008

D.2. Equitable Treatment of Shareholders

All of the authorised and issued capital is divided into ordinary shares and there are no shareholders holding any titles with different rights as regards the right to vote or participation in the Company's profits. During the share voting process each shareholder is entitled to one vote for each share held.

Specific authorisations are required in the case of participation in a general meeting through proxy and the necessary proxy forms are provided with the notice of the general meeting.

The notices are sent within the required deadlines set by the law. The Board of Directors examines issues raised by the shareholders and allows their inclusion in the agenda.

The members of the Board of Directors and executive management staff are aware of their duty, being in compliance with the continuous responsibility for immediate announcement, for disclosing information to the Board of Directors and to the shareholders through the annual report and the financial statements of the Company, regarding any personal significant interest that could probably arise out of transactions of the Company that are considered to be their responsibility, as well as any other conflict of interest with those of the Company's or of its related companies that arises out of the performance of their duties.

Information regarding the Company is provided fairly, timely and at no cost to all shareholders.

The announcements, reports and statements of the Company provide timely and accurate information for the significant changes concerning the Group and its operations, including issues relating to the financial statements of the Company, the purposes and operations, if these have been altered, the main shareholders and voting rights, the significant predictable risks, the significant issues regarding employees (upgrade and reorganisation of staff) and shareholders, the governance structure and the policies and non-ordinary transactions of the Company.

28 April, 2009

The Board of Directors of
Lordos Hotels (Holdings) Public Limited



Independent Auditors' Report To the Members of Lordos Hotel (Holdings) Public Limited

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Lordos Hotels (Holdings) Public Limited (the "Company") and its subsidiaries (the "Group") on pages 21 to 52, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2008, 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 EU and the requirements of the Cyprus Companies Law, Cap. 113.



Lordos Hotels (Holdings) Public Limited

Independent Auditors' Report To the Members of Lordos Hotel (Holdings) Public Limited

Report on Other Legal Requirements

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of audit.
- In our opinion, proper books of account have been kept by the Company.
- 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 consolidated financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 6 to 9 is consistent with the consolidated financial statements.

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 156 of the Companies Law, Cap.113 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.

Deloitte Limited
Certified Public Accountants (Cyprus)

28 April 2009
Nicosia



CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2008

	Note	2008 €	2007 €
Turnover		9.519.157	9.584.383
Cost of sales		(5.036.074)	(5.040.851)
Gross profit		4.483.083	4.543.532
Other income	6	577	470
Administration expenses		(1.949.438)	(1.856.226)
Distribution expenses		(394.214)	(407.908)
Other operating expenses	7	(929.791)	(915.035)
Finance revenue	9	40.156	10.571
Finance cost	9	(652.020)	(722.824)
Investment loss	10	(6.133)	(5.761)
Share of profit of associated companies	16	23.018	36.538
Profit before taxation		615.238	683.357
Income tax	11	(72.594)	(104.724)
Profit for the year		542.644	578.633
Attributable to:			
Shareholders of the holding company		605.212	654.392
Minority interest	27	(62.568)	(75.759)
		542.644	578.633
Profit per share distributable to shareholders of the parent company (cents)	12	1,73	1,87

Notes 1 to 31 form part of the financial statements.



**CONSOLIDATED BALANCE SHEET
at 31 December 2008**

	Note	2008 €	2007 €
ASSETS			
Non-current assets			
Property, plant and equipment	14	73.714.823	73.763.887
Intangible assets	15	20.901	53.773
Investment in associated companies	16	5.255.298	5.244.110
Financial assets at fair value through profit or loss	17	28.591	39.065
		79.019.613	79.100.835
Current assets			
Inventories	18	215.930	226.405
Trade and other receivables	19	1.097.613	923.614
Receivables from related companies	26	150.873	178.237
Refundable taxes	25	-	60.416
Cash at bank and in hand	20	401.579	871.084
		1.865.995	2.259.756
TOTAL ASSETS		80.885.608	81.360.591
CAPITAL AND LIABILITIES			
Capital and reserves			
Share capital	21	11.903.113	11.963.339
Reserves		47.739.698	48.103.106
		59.642.811	60.066.445
Minority interest	27	1.162.390	1.223.581
Total equity		60.805.201	61.290.026
Non-current liabilities			
Borrowings	22	7.122.130	8.255.988
Deferred tax liabilities	23	8.348.457	8.336.777
		15.470.587	16.592.765
Current liabilities			
Trade and other payables	24	2.160.665	1.346.446
Payables to related companies	26	132.088	105.593
Bank overdrafts	20	1.105.935	924.256
Borrowings	22	1.134.279	1.062.332
Current tax liabilities	25	76.853	39.173
		4.609.820	3.477.800
Total liabilities		20.080.407	20.070.565
TOTAL EQUITY AND LIABILITIES		80.885.608	81.360.591

On 28 April 2009 the Board of Directors of Lordos Hotels (Holdings) Public Limited authorised these financial statements for issue.

.....
Takis G. Kyriakides
Chairman

.....
Demetrios G. Lordos
Vice-Chairman

Notes 1 to 31 form part of the financial statements.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2008**

	Share Capital €	Share Premium €	Fair value reserve - land and buildings €	Difference from the conversion of the share capital into Euro €	Retained Earnings €	Total €	Minority Interest €	Total Equity €
Balance - 1 January 2008	11.963.339	685.675	43.219.478	-	4.197.953	60.066.445	1.223.581	61.290.026
Deferred tax on revaluation of property	-	-	19.851	-	-	19.851	-	19.851
Revaluation of property of associated company for the year	-	-	21.568	-	-	21.568	-	21.568
Minority interest from the conversion of share capital into Euro	-	-	-	-	-	-	156	156
Minority interest from the movement of revaluation reserve	-	-	(1.221)	-	-	(1.221)	1.221	-
Net profit for the year	-	-	-	-	605.212	605.212	(62.568)	542.644
Conversion into Euro	(60.226)	-	-	60.226	-	-	-	-
Dividends	-	-	-	-	(327.228)	(327.228)	-	(327.228)
Defence contribution on dividends payable on behalf of the shareholders related to the deemed dividend distribution	-	-	-	-	(741.816)	(741.816)	-	(741.816)
At 31 December 2008	11.903.113	685.675	43.259.676	60.226	3.734.121	59.642.811	1.162.390	60.805.201

The property revaluation reserve represents the surplus from the revaluation of the fixed assets of the Company, and of its subsidiaries and associated companies of the Group, less amounts used for the issue of bonus shares. This reserve is not considered distributable by way of dividend. The property revaluation surplus at 31 December 2008, includes €4.383.185 from the revaluation of property of the associated company United Hotels (Lordos) Ltd.

The share premium reserve can be used mainly for the issue of bonus shares to the shareholders. This reserve is not considered distributable by way of dividend.

The property revaluation reserve is charged with deferred tax relating to the revaluation of property amounting to €6.241.291.

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during 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 defence contribution at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies), at the end of the two year period from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year. This special defence contribution is paid by the company for the account of the shareholders.

Notes 1 to 31 form part of the financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
for the year ended 31 December 2008

	Equity attributable to the shareholders of the parent					Minority Interest	Total Equity
	Share Capital	Share Premium	Fair value reserve - land and buildings	Retained Earnings	Total		
	€	€	€	€	€	€	€
Balance - 1 January 2007	11.963.339	685.675	31.325.532	3.521.200	47.495.746	312.513	47.808.259
Revaluation of property for the year	-	-	14.973.484	-	14.973.484	-	14.973.484
Deferred tax on revaluation of property	-	-	(2.906.367)	-	(2.906.367)	-	(2.906.367)
Revaluation of property of associated company for the year	-	-	836.017	-	836.017	-	836.017
Depreciation transfer of associated company	-	-	(22.361)	22.361	-	-	-
Minority interest	-	-	(986.827)	-	(986.827)	986.827	-
Net profit for the year	-	-	-	654.392	654.392	(75.759)	578.633
At 31 December 2007	11.963.339	685.675	43.219.478	4.197.953	60.066.445	1.223.581	61.290.026

The property revaluation reserve represents the surplus from the revaluation of the fixed assets of the Company, and of its subsidiaries and associated companies of the Group, less amounts used for the issue of bonus shares. This reserve is not considered distributable by way of dividend. The property revaluation surplus at 31 December 2007, includes €4.361.617 (2006: €3.547.962) from the revaluation of property of the associated company United Hotels (Lordos) Ltd.

The share premium reserve can be used mainly for the issue of bonus shares to the shareholders. This reserve is not considered distributable by way of dividend.

The property revaluation reserve is charged with deferred tax relating to the revaluation of property amounting to €6.261.142 (2006: €3.354.775).

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during 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 defence contribution at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies), at the end of the two year period from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year. This special defence contribution is paid by the company for the account of the shareholders.

Notes 1 to 31 form part of the financial statements.



**CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2008**

	Note	2008 €	2007 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		615.238	683.357
Adjustments for:			
Depreciation of property, plant and equipment	14	839.926	832.493
Unrealised exchange profit		-	93.543
Amortisation of computer software	15	37.976	42.380
Share of profit of associated companies	16	(23.018)	(36.538)
Profit from sale of property, plant and equipment		-	(5.895)
Loss from the sale of financial assets at fair value through profit or loss		1.721	-
Fair value losses on financial assets at fair value through profit or loss		4.412	5.761
Inventories written off		8.949	24.390
Charge to the income statement for provisions		-	3.107
Dividend income		(577)	(470)
Interest income	9	(40.156)	(10.571)
Interest expense	9	641.919	613.283
Cash flows from operations before working capital changes		2.086.390	2.244.840
Decrease in inventories		1.526	11.687
(Increase) / decrease in trade and other receivables		(146.635)	407.312
Increase in trade and other payables		98.898	343.468
Cash flows from operations		2.040.179	3.007.307
Refunded/ (paid) tax		59.833	(72.598)
Net cash flows from operating activities		2.100.012	2.934.709
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of intangible assets	15	(5.104)	(5.672)
Payment for purchase of property, plant and equipment	14	(790.862)	(650.890)
Proceeds from disposal of property, plant and equipment		-	5.895
Proceeds from sale of financial assets at fair value through profit or loss		4.341	-
Interest received		40.156	10.571
Dividends received		31.331	20.973
Net cash flows from investing activities		(720.138)	(619.123)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1.061.911)	(980.009)
Proceeds from new borrowings		-	8.587
Interest paid		(641.919)	(613.283)
Dividends paid		(327.228)	-
Net cash flows from financing activities		(2.031.058)	(1.584.705)
Net (decrease) / increase in cash and cash equivalents		(651.184)	730.881
Cash and cash equivalents:			
At beginning of the year	20	(53.172)	(784.053)
At end of the year	20	(704.356)	(53.172)

Notes 1 to 31 form part of the financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008

1. Corporate Information

Approval of the financial statements

The consolidated financial statements of Lordos Hotels (Holdings) Public Limited Group for the year ended 31 December 2008 were authorised for issuance in accordance with a resolution of the Board of Directors on 28 April 2009.

Country of incorporation

The Company was incorporated in Cyprus and is considered a public company in accordance with the provisions of the Companies Law Cap. 113, the Cyprus Stock Exchange Law and Regulations and the Income Tax Laws.

Principal activities

The Company owns and manages the "Golden Bay Beach Hotel", a luxurious, 195-room, five star hotel on Larnaca beach.

The principal activities of the subsidiary companies of the Group along with the percentage of equity held by the Company in these companies at 31 December 2008 are as follows:

<i>Company</i>	<i>Percentage of equity held %</i>	<i>Activities</i>
Golden Coast Ltd	80	The Company manages the "Golden Coast Beach Hotel", a 204-room four star sea-side hotel in Paralimni/Protaras area. The subsidiary company owns 71% of this hotel. The remaining 29% is owned directly by Lordos Hotels (Holdings) Public Ltd.
Arodaphne Bay Development Ltd	100	Ownership of land adjacent to the "Golden Bay Beach Hotel", which is considered appropriate for the hotel extension and the construction of a conference centre for 800 delegates.

All of the Group's subsidiary companies are registered in Cyprus.

2. Significant accounting policies

Basis of preparation

The consolidated financial statements are presented in Euro ("€") which is the Company's functional and presentation currency and have been prepared under the historical cost basis modified to include the revaluation of immovable property and of the investments in financial assets at fair value through profit or loss.

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

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

Where necessary comparative amounts have been reclassified to comply with changes in the current year's presentation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008

2. Significant accounting policies (continued)

Functional and presentation currency

On 1 January 2008, date on which Euro was introduced as the new official currency of Cyprus, the functional currency of the Company and the presentation currency of the consolidated financial statements of the Group as well (including any comparative figures) changed from Cyprus Pounds to Euro. As a result, since 1 January 2008, all assets and liabilities of the Company have been converted into Euro based on the definite fixing of the exchange rate €1=CY£0,585274. The comparative figures presented in these financial statements have been converted to Euro based on this exchange rate.

Consolidated financial statements

The consolidated financial statements comprise the financial statements of the holding company and all its subsidiary companies (Note 1) that together are referred to as the "Group".

The subsidiary companies are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control is achieved when the Group has the right of directing an entity's financial and business policies, in such a way that benefits can be received from its activities. Inter-company balances and transactions are eliminated on consolidation.

Minority interest as at 31 December 2008 and 2007 represents interest in Golden Coast Ltd, not held by the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as for the holding company and are based on the same accounting policies.

New and revised International Accounting Standards

Adoption of new and revised International Financial Reporting Standards

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) which relate to its operations and are applicable for accounting periods beginning on 1 January 2008. This adoption has not resulted in significant changes in the accounting policies of the Group.

At the date of authorisation of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

Standard / Interpretation	Effective for accounting periods beginning on or after:
<i>i) Adopted by the European Union</i>	
Improvements to IFRS – 2008	1 January 2009
Amendments to IFRS 1 and International Accounting Standard (IAS) 27 "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"	1 July 2009
Amendment to IFRS 2 "Share-based payment: Vesting Conditions and Cancellations"	1 January 2009
IFRS 8 "Operating Segments"	1 January 2009
IAS 1 (Revised) "Presentation of Financial Statements"	1 January 2009
IAS 23 (Revised) "Borrowing Costs"	1 January 2009
Amendments to IAS 32 and IAS 1 "Puttable Financial Instruments and Obligations Arising on Liquidation"	1 January 2009
International Financial Reporting Interpretations Committee (IFRIC) 13 "Customer Loyalty Programmes"	1 July 2008



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008

2. Significant accounting policies (continued)

New and revised International Accounting Standards (continued)

Adoption of new and revised International Financial Reporting Standards (continued)

Standard / Interpretation

Effective for accounting periods beginning on or after:

ii) Not adopted by the European Union

IFRS 1 (Revised) "First-time Adoption of International Financial Reporting Standards"	1 January 2009
IFRS 3 (Revised) "Business Combinations"	1 July 2009
IAS 27 (Revised) "Consolidated and Separate Financial Statements"	1 July 2009
Amendment to IAS 39 "Eligible Hedged Items"	1 July 2009
Amendment to IAS 39 "Reclassification of Financial Assets: Effective date and transition"	1 July 2008
IFRIC 15 "Agreements for the Construction of Real Estate"	1 January 2009
IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"	1 October 2008
IFRIC 17 "Distributions of Non-cash Assets to Owners"	1 July 2009
IFRIC 18 "Transfers of Assets from Customers"	1 July 2009

The Board of Directors expects that the adoption of these Standards and Interpretations in future periods will not have a material effect on the consolidated financial statements of the Group except of the application of IAS 1 (Revised) "Presentation of Financial Statements", which will have a material effect on the presentation of the financial statements.

Summary of significant accounting policies

The accounting policies that are followed consistently, regarding items that are considered material for the results and the presentation of the financial position of the Group are stated below.

Investment in associated companies

The associated companies are all the entities in which the Group exercises significant influence and generally has 20% to 50% of the voting power, but does not control.

The investments in associated companies are valued at the estimated fair value at balance sheet date. The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated balance sheet at cost and then are adjusted for post-acquisition changes in the Group's share of net assets of the associated company.

The opinion of the Group is that the Group's share in the net assets of the associated companies reflects their fair value.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008

2. Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes. Revenues earned by the Company are recognised on the following bases:

- **Rendering of hotel services**

Turnover represents amounts receivable for rendering of services in the hotels of the Group, net of Value added tax, service and overnight tax and trade discounts.

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

- **Dividend income**

Dividend income is recognised when the shareholders' rights to receive payment have been established.

Retirement benefit costs

Contributions to employee retirement schemes with predetermined contributions that are calculated based on their remuneration are recognised as an expense in the period in which they fall due.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currency translation

(1) *Functional and presentation currency*

Items included in the Group's financial statements 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 Group's functional and presentation currency.

(2) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 the income statement. Exchange differences arising on the retranslation of non-monetary items such as equity instruments, carried at fair value through profit or loss, are recorded as part of the profit or loss on fair value.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008

2. Significant accounting policies (continued)

Taxation

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

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Property, plant and equipment

Land and buildings held for use in the supply of services or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Depreciation is calculated on the straight-line method so as to write off the cost or revalued amount of each asset of property, plant and equipment to its residual value, over its estimated useful life. The annual depreciation rates used are as follows:

	%
Buildings	1
Plant	7- 10
Equipment	10 - 33

Depreciation is not calculated for the year of the acquisition and disposal of fixed assets. Furthermore, land is not depreciated.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the income statement. When revalued assets are sold, the amounts included in the fair value reserves are transferred to retained earnings.

Computer software

Costs that are directly associated with identifiable and unique computer software products owned by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications are capitalised. Costs associated with maintenance of computer software programmes are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use and is included within administrative expenses.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average cost method. The net realisable value is the estimated selling price during the normal course of business less any supplementary expenditures and selling expenses.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008

2. Significant accounting policies (continued)

Financial instruments

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

Trade receivables

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

Loans granted

Loans originated by the Group by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Investments

The Group classifies its investments in equity as financial assets at fair value through profit or loss. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every balance sheet date.

- *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held at fair value through profit and loss and those designated at fair value through profit or loss at inception. A financial asset is classified in the held at fair value through profit and loss category if acquired principally for the purpose of generating a profit from short-term fluctuations in price. Assets in this category are classified as current assets if they are either held at fair value through profit and loss or are expected to be realised within twelve months of the balance sheet date.

Regular way purchases and sales of investments are recognised on trade-date which is the date on which the Group 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. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008

2. Significant accounting policies (continued)

Financial instruments (continued)

Investments (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is 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 the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value less bank overdraft.

Borrowings

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

Trade payables

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

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised when:

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008

2. Significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial liabilities

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 is recognised in profit or loss.

Offsetting financial instruments

A financial asset and a financial liability are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Share capital

Ordinary shares are classified as equity. The issued capital is recognised at its nominal value. The difference between the fair value received by the Group and the nominal value of the issued share capital, is transferred to the share premium reserve.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the balance sheet date.

Dividends

Interim dividends are recognized in the financial statements of the year in which they are paid. Dividend distribution to the Group's shareholders is recognised in the Group's financial statements in the year in which they are approved by the Company's shareholders.

Employees' provident fund

The annual cost for predetermined contribution schemes is recognised in the income statement for the period in which they fall due.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision that reflects the passing of time is recognised as a financial expense.

Comparatives

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008

3. Financial risk management

Financial risk factors

The Group is exposed to interest rate risk, credit risk, liquidity risk, market price risk and other risks arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

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

	2008 €	2007 €
Variable rate instruments		
Financial assets	379.696	819.019
Financial liabilities	(9.362.344)	(10.242.576)
	(8.982.648)	(9.423.557)

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2008 would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit.

	Profit or loss	
	2008 €	2007 €
Variable rate instruments	(89.826)	(94.236)
	(89.826)	(94.236)



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008**

3. Financial risk management (continued)

3.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. Credit risk arises due to trade receivables but is constrained due to the large number of customers. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. All trade receivables are with parties without external solvency evaluation. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution.

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

	2008	2007
	€	€
Financial assets at fair value through profit or loss	28.591	39.065
Trade and other receivables	974.378	1.005.190
Cash at bank	379.696	819.019
	1.382.665	1.863.274

3.3 Liquidity risk

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

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

31 December 2008

	Carrying amounts	Contractual cash flows	3 months or less	between 3-12 months	1-2 years	2-5 years	More than 5 years
	€	€	€	€	€	€	€
Bank loans	8.255.986	9.585.962	375.977	1.111.874	1.527.526	4.249.993	2.320.592
Obligations under finance leases	423	450	450	-	-	-	-
Bank overdrafts	1.105.935	1.105.935	1.105.935	-	-	-	-
Trade and other payables	987.636	987.636	987.636	-	-	-	-
Payables to related companies	132.088	132.088	132.088	-	-	-	-
	10.482.068	11.812.071	2.602.086	1.111.874	1.527.526	4.249.993	2.320.592



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008**

3. Financial risk management (continued)

3.3 Liquidity risk (continued)

31 December 2007

	Carrying amounts €	Contractual cash flows €	3 months or less €	between 3-12 months €	1-2 years €	2-5 years €	More than 5 years €
Bank loans	9.313.688	11.230.613	409.745	1.234.906	1.487.881	4.416.471	3.681.610
Obligations under finance leases	4.632	4.969	1.130	3.389	450	-	-
Bank overdrafts	924.256	924.256	924.256	-	-	-	-
Trade and other payables	897.514	943.926	943.926	-	-	-	-
Payables to related companies	105.593	105.593	105.593	-	-	-	-
	<u>11.245.683</u>	<u>13.209.357</u>	<u>2.384.650</u>	<u>1.238.295</u>	<u>1.488.331</u>	<u>4.416.471</u>	<u>3.681.610</u>

3.4 Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from last year.

3.5 Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Group's financial assets at fair value through profit or loss are susceptible to market price risk arising from uncertainties about future prices of the investments. The Group's market price risk is managed through diversification of the investment portfolio.

Sensitivity analysis

An increase in equity prices by 5% at 31 December 2008 would have increased profit or loss by €1.429. For a decrease of 5% there would be an equal and opposite impact on the results.

3.6 Other risks

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

3.7 Operational risk

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008

3. Financial risk management (continued)

3.8 Compliance risk

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

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.

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

- **Provision for bad and doubtful debts**

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

- **Provision for obsolete and slow-moving inventory**

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

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

- **Taxation**

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Property revaluation**

The Group periodically performs examinations for the occurrence of changes in the fair value of property. If any such evidence exists then a revaluation is performed based on the market value of the land and buildings from independent valuers.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008**

5. Profit before taxation

The consolidated profit before taxation is stated after considering the following amounts:

	2008	2007
	€	€
Profit from disposal of fixed assets	-	(5.895)
Rental expense from operating leases	8.714	8.714
Staff costs including Directors' fees as executives (Note 8)	2.553.638	2.549.911
Provision for bad and doubtful debts (Note 19)	37.040	17.597
Bad debts recovered	-	(14.489)
Audit fees	23.750	35.176
Depreciation of property, plant and equipment (Note 14)	839.926	832.493
Amortisation of intangible assets (Note 15)	37.976	42.380
Compensation of employees due to termination of employment upon mutual consent	-	13.669
	<u><u> </u></u>	<u><u> </u></u>

6. Other income

	2008	2007
	€	€
Dividends receivable	577	470
	<u><u> </u></u>	<u><u> </u></u>

7. Other expenses

	2008	2007
	€	€
Employees' salaries and benefits	250.654	218.449
Repairs and renovations	501.922	524.269
Licenses and taxes	177.215	172.317
	<u><u> </u></u>	<u><u> </u></u>

8. Staff costs

	2008	2007
	€	€
Wages and salaries	1.880.541	1.886.685
Social insurance costs etc	203.129	205.041
Social cohesion fund	49.943	50.444
Provident fund contributions	68.671	66.023
Other employees' benefits	273.686	260.859
Directors' benefits	77.668	80.859
	<u><u> </u></u>	<u><u> </u></u>

Salaries and benefits of the Directors', managerial staff and related parties employed in the Company are presented in note 26.1.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008**

9. Finance (income) / costs

	2008 €	2007 €
Interest income	(40.156)	(10.571)
Finance income	(40.156)	(10.571)
Foreign exchange losses regarding bank loans	-	93.543
Interest expense	641.919	613.283
Bank charges	10.101	15.998
Finance costs	652.020	722.824
Net finance costs	611.864	712.253

Interest revenue is analysed as follows:

	2008 €	2007 €
Bank deposits	33.830	10.571
Interest on taxation receivable	6.326	-
	40.156	10.571

10. Investment losses

	2008 €	2007 €
Loss from sales of financial assets at fair value through profit and loss	(1.721)	-
Fair value losses on financial assets at fair value through profit and loss	(4.412)	(5.761)
	(6.133)	(5.761)

11. Taxation

	2008 €	2007 €
Defence contribution - current year	41.063	47.966
Capital gains tax	-	13.450
Deferred tax – charge (Note 23)	31.531	43.308
Charge for the year	72.594	104.724

The corporation tax rate is 10%. Defence fund contribution on interest income is 10% and on rental income is 3%.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008

11. Taxation (continued)

The reconciliation of the tax charge applicable to the profit from operating activities before taxation at the statutory tax rate to income tax expense at the effective income tax rate for the years ended 31 December 2008 and 2007 is as follows:

	2008 €	2007 €
Profit before tax	615.238	683.357
Income tax	64.557	70.410
Tax effect of:		
Expenses not deductible for tax purposes	97.903	72.099
Allowances and income not subject to tax	(142.092)	(100.707)
Tax effect of tax losses brought forward	(20.368)	(41.802)
Defence contribution	41.063	47.966
Deferred tax	31.531	43.308
Capital gains tax	-	13.450
	72.594	104.724

Losses for income tax purposes

The Group companies carry forward losses for income tax purposes of €5.610.840 (2007: €5.802.417). These losses are available for set off against future taxable profits of these companies without any restrictions. The Group has not recognised a deferred tax asset for the above losses.

The Company is considered to be a public company for tax purposes.

12. Earnings per share attributable to equity holders of the parent

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Fully diluted earnings per share as at 31 December 2008 and 2007 equals basic earnings per share as the Company, apart from the ordinary shares, has not issued any share options or redeemable preference shares.

	2008	2007
Earnings attributable to shareholders (€)	605.212	654.392
Weighted average number of ordinary shares in issue during the year	35.009.157	35.009.157
Earnings per share attributable to equity holders of the parent	1,73	1,87



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008**

13. Dividends

	2008 €	2007 €
Dividends paid	327.228	-
	327.228	-

At the Annual General Meeting on 27 June 2008, a dividend in respect of previous years' profits of €0,01 cents per share amounting to a total dividend of €350.092 was authorized. Defence for these dividends was paid in previous years therefore the effect on retained earnings amounted to €327.228.

The ex-dividend date of the above dividends approved to be the 9 July 2008. Based on this date, transactions in Company's shares made until 8 July 2008 were entitled to participation in the above dividend.

The Board of Directors does not recommend the payment of a dividend for the year ended 31 December 2008.

Dividends are subject to a deduction of special contribution for defence at the rate of 15% for individual shareholders that are resident in Cyprus.

14. Property, plant and equipment

	Land and buildings €	Furniture, fittings and equipment €	Total €
Cost			
Balance - 1 January 2007	58.737.808	11.901.577	70.639.385
Additions	53.737	597.153	650.890
Adjustment on revaluation	14.973.484	-	14.973.484
At 1 January 2008	73.765.029	12.498.730	86.263.759
Additions	130.796	660.066	790.862
At 31 December 2008	73.895.825	13.158.796	87.054.621
Depreciation			
Balance - 1 January 2007	2.385.906	9.281.473	11.667.379
Charge for the year	431.318	401.175	832.493
At 1 January 2008	2.817.224	9.682.648	12.499.872
Charge for the year	431.856	408.070	839.926
At 31 December 2008	3.249.080	10.090.718	13.339.798
Net book value			
At 31 December 2008	70.646.745	3.068.078	73.714.823
At 31 December 2007	70.947.805	2.816.082	73.763.887

At 31 December, property includes land at revaluation which is not depreciated, of €30.504.396 (2007: €30.504.396).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008**

14. Property, plant and equipment (continued)

On 31 December 2007, the immovable property of the Group was revalued on the basis of valuations carried out by independent chartered surveyors. The surplus which arose from the revaluation amounted to €14.973.484 and was transferred to the property revaluation reserve.

The net book value of the property of the Group on a historical cost basis less accumulated depreciation at 31 December 2008 amounts to €20.237.545 (2007: €20.367.733).

The property of the Group is mortgaged to secure bank loans and overdrafts of the Company and other Group companies. Further details are disclosed in Note 22.

15. Intangible assets

	Computer software
	€
Cost	
Balance - 1 January 2007	186.648
Additions	5.672
	<hr/>
At 1 January 2008	192.320
Additions	5.104
	<hr/>
At 31 December 2008	197.424
	<hr/>
Amortisation	
Balance - 1 January 2007	96.167
Amortisation for the year	42.380
	<hr/>
At 1 January 2008	138.547
Amortisation for the year	37.976
	<hr/>
At 31 December 2008	176.523
	<hr/>
Net book value	
At 31 December 2008	20.901
	<hr/> <hr/>
At 31 December 2007	53.773
	<hr/> <hr/>

16. Investments in associated companies

	2008	2007
	€	€
Cost	722.738	722.738
Increase of participation due to the conversion of share capital into Euro	592	-
Capitalization of property revaluation reserve	4.383.185	4.361.617
Share of post acquisition profits	179.537	180.258
Dividend received	(30.754)	(20.503)
	<hr/>	<hr/>
At 31 December	5.255.298	5.244.110
	<hr/> <hr/>	<hr/> <hr/>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008**

16. Investments in associated companies (continued)

The associated company of the Group at 31 December 2008 and 2007 is the following:

<i>Name</i>	<i>Issued capital</i> €	<i>Interest</i> %	<i>Activities</i>
United Hotels (Lordos) Ltd (Incorporated in Cyprus)	2.411.100	30	Ownership of "Lordos Beach Hotel", a 175-room four star hotel on Larnaca beach, near Dhekelia

The following table illustrates summarised financial information for the share of the Group's investment in the associated Company United Hotels (Lordos) Ltd:

	2008 €	2007 €
Assets		
Non-current assets	6.135.885	6.203.345
Current assets	218.987	188.862
	6.354.872	6.392.207
Liabilities		
Non-current liabilities	740.045	810.229
Current liabilities	359.529	337.868
	1.099.574	1.148.097
Net assets	5.255.298	5.244.110
Revenue	1.326.703	1.207.653
Expenses	(1.303.685)	(1.171.115)
Net profit after tax	23.018	36.538

17. Financial assets at fair value through profit or loss

	2008 €		2007 €	
On 1 January		39.065		44.826
Disposals		(6.062)		-
Change in fair value		(4.412)		(5.761)
At 31 December		28.591		39.065
	Fair value	Cost	Fair value	Cost
	2008	2008	2007	2007
	€	€	€	€
Securities listed on the Cyprus Stock Exchange	24.319	160.467	34.793	174.989
Non-listed securities	4.272	4.272	4.272	4.272
	28.591	164.739	39.065	179.261



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008**

18. Inventories

	2008 €	2007 €
Food and drinks	80.791	109.595
Linen, cutlery, cleaning and stationery	110.955	90.332
Other inventories	24.184	26.478
	<u>215.930</u>	<u>226.405</u>

During the year, inventories amounting to €8.949 (2007: €24.390) were written off. Inventories are stated at cost.

19. Trade and other receivables

	2008 €	2007 €
Trade receivables	928.906	895.314
Less: Provision for impairment of receivables	(105.401)	(68.361)
	<u>823.505</u>	<u>826.953</u>
Trade receivables - net	823.505	826.953
Deposits and prepayments	274.108	96.661
	<u>1.097.613</u>	<u>923.614</u>

All the above amounts are interest-free and are due for collection within 12 months.

Deposits and prepayments include an amount of €214.507 (2007: Nil) which concerns renovations made in 2009 for the Golden Bay hotel.

At 31 December, the ageing analysis of trade debtors is presented below. The ageing analysis was made based on the invoice issue date due to lack of information regarding the expiring date of credit:

	2008 €	2007 €
Up to 30 days	13.256	131.725
31 - 60 days	65.933	93.161
61 - 90 days	426.713	172.176
91 - 120 days	210.145	208.031
121 - 150 days	56.834	187.413
151 - 180 days	18.203	19.837
More than 180 days	32.421	14.610
	<u>823.505</u>	<u>826.953</u>

The Group does not hold any collateral over the trading balances.

The Group has recognized a loss of €37.040 (2007: €17.597) for the impairment of its trade receivables during the year ended 31 December 2008. The loss has been included in administration expenses in the consolidated income statement.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008**

19. Trade and other receivables (continued)

Movement in provision for impairment of receivables:

	2008	2007
	€	€
On 1 January	68.361	118.854
Impairment losses recognised on doubtful receivables	37.040	17.597
Amount written off as uncollectible	-	(53.601)
Bad debts recovered	-	(14.489)
	<hr/>	<hr/>
At 31 December	105.401	68.361
	<hr/> <hr/>	<hr/> <hr/>

Group's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collections losses is inherent in the Group's trade receivables.

The fair values of trade and other receivables due within one year approximate to their carrying amounts at balance sheet date.

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is disclosed in note 3 of the financial statements.

20. Cash and cash equivalents

For the purposes of the cash flow statement, the cash and cash equivalents include the following:

	2008	2007
	€	€
Cash in hand	21.883	52.065
Cash at bank	379.696	819.019
Bank overdrafts	(1.105.935)	(924.256)
	<hr/>	<hr/>
	(704.356)	(53.172)
	<hr/> <hr/>	<hr/> <hr/>

Bank overdrafts of the Group are secured by mortgages over the property of the Company and Group companies (Note 22) bear interest at 5,25% - 6,50% per annum (2007: 5,25% - 6,60% per annum) and are payable on demand.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008**

21. Share capital

	2008	2008	2007	2007
	Number	€	Number	€
	of shares		of shares	
Authorised				
Ordinary shares of €0,34 (2007: CY£0,20) each	50.000.000	17.000.000	50.000.000	17.086.014
Issued and fully paid				
On 1 January	35.009.157	11.963.339	35.009.157	11.963.339
Conversion of share capital into Euro	-	(60.226)	-	-
At 31 December	35.009.157	11.903.113	35.009.157	11.963.339

During the year ended 31 December 2008, the nominal value of the shares of the Company was converted to Euro according to the provisions of the Companies' Law Chapter 113, the Law on the Adoption of the Euro 2007 and the Company's Articles of Association.

As a result of the conversion of the nominal value of the share capital of the Company and the occurring rounding, the authorized share capital of the Company amounting to CY£10.000.000 divided into 50.000.000 shares of nominal value CY£0,20 each, was converted into €17.000.000 divided into 50.000.000 shares of nominal value €0,34 each.

The issued share capital of the Company amounting to CY£7.001.831 (€11.963.339) divided into 35.009.157 shares of nominal value CY£0,20 each, was converted into €11.903.113 divided into 35.009.157 shares of nominal value €0,34 each. The reduction of €60.226 was recorded in the special reserve "Difference from the conversion of the share capital into Euro". The reduction can be capitalized with a future increase of the share capital.

22. Borrowings

	2008	2007
	€	€
Current borrowings		
Bank loans	1.133.856	1.062.332
Finance leases	423	-
	1.134.279	1.062.332
Non current borrowings		
Bank loans	7.122.130	8.251.356
Finance leases	-	4.632
	7.122.130	8.255.988
Total	8.256.409	9.318.320
Non-current borrowings are repayable as follows:		
Between one to two years	1.254.965	1.164.067
Between two and five years	3.650.747	3.994.925
After five years	2.216.418	3.096.996
	7.122.130	8.255.988



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008**

22. Borrowings (continued)

The loan terms, repayment dates and the balances at 31 December are presented in the following table:

	<i>Loan denominated in</i>	<i>Effective interest rate</i>	<i>Repayment terms</i>	<i>Loan Balances</i>	
				2008 €	2007 €
Hire purchase contract	Euro	Basic rate + 1,50%	Monthly instalments until 2009	423	4.632
Bank loan	Euro	3 months EURIBOR + 1,75%	Quarterly instalments until 2015	3.027.054	3.492.754
Bank loan	Euro	3 months EURIBOR + 1,50%	Quarterly instalments until 2015	790.472	902.466
Bank loan	Euro	3 months EURIBOR + 1,50%	Quarterly instalments until 2015	4.438.460	4.918.468
				8.256.409	9.318.320

The immovable property of the Group has been pledged as security for securing banking facilities for the benefit of the Company and other Group companies as follows:

- Charge over the property of the subsidiary company Golden Coast Limited up to €2.990.052 (2007: €2.990.052) to secure facilities for the benefit of the subsidiary Golden Coast Limited.
- Charge over the property of the holding company Lordos Hotels (Holdings) Public Limited up to €1.025.160 (2007: €1.025.160) to secure facilities for the benefit of the subsidiary Golden Coast Limited.
- Charge over the property of the subsidiary company Colden Coast Limited up to €2.392.042 (2007: €2.392.042) to secure facilities for the benefit of the subsidiary company Golden Coast Limited and of the holding company Lordos Hotels (Holdings) Public Limited.
- Charge over the property of the holding company Lordos Hotels (Holdings) Public Limited up to €2.990.052 (2007: €2.990.052) to secure facilities for the benefit of the subsidiary company Golden Coast Limited and of the holding company Lordos Hotels (Holdings) Public Limited.
- Charge over the property of the subsidiary company Golden Coast Limited and of the holding company Lordos Hotels (Holdings) Public Limited up to €2.819.192 (2007: €2.819.192) to secure facilities for the benefit of the subsidiary company Golden Coast Limited and of the holding company Lordos Hotels (Holdings) Public Limited.
- Charge over the property of the holding company Lordos Hotels (Holdings) Public Limited to secure facilities up to €2.081.929 (2007: €2.081.929) of the holding company Lordos Hotels (Holdings) Public Limited.
- Charge over the property of the subsidiary company Golden Coast Limited to secure facilities up to €1.232.755 (2007: €1.232.755) of the holding company Lordos Hotels (Holdings) Public Limited.

Furthermore, the holding company Lordos Hotels (Holdings) Public Limited has guaranteed bank facilities that have been granted to the subsidiary company Golden Coast Limited over a guarantee agreement dated 25 October 1994 for an unlimited amount.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008**

23. Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 11).

The movement on the deferred taxation account is as follows:

Deferred tax liability

	Revaluation of land and buildings €
Balance - 1 January 2007	5.387.102
Charged / (credited) to:	
Income statement (Note 11)	43.308
Fair value reserve	2.906.367
	8.336.777
At 1 January 2008	
Charged / (credited) as follows:	
Income statement (Note 11)	31.531
Fair value reserve	(19.851)
	8.348.457

	2008 €	2007 €
The balance of deferred tax relates to:		
Revaluation of property	6.241.291	6.261.142
Excess of capital allowances over depreciation charges	2.107.166	2.075.635
	8.348.457	8.336.777

24. Trade and other payables

	2008 €	2007 €
Trade payables	959.407	897.514
Accruals and other payables	459.442	448.932
Special defence contribution payable on behalf of the shareholders regarding deemed dividend distribution	741.816	-
	2.160.665	1.346.446

The fair values of trade and other payables due within one year approximate to their carrying amounts at balance sheet date.

The consolidated statement of changes in equity includes special defence contribution payable on behalf of the shareholders regarding a deemed dividend distribution of €741.816 (2007: Nil) which relates to prior years' profits.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008**

25. Current tax liabilities / (assets)

	2008 €	2007 €
Special defence contribution	76.853	39.173
Capital gains tax	-	(60.416)
	<u>76.853</u>	<u>(21.243)</u>

26. Related party transactions

The following transactions were carried out with related parties:

26.1 Directors' and key management employee's remuneration

The remuneration of Directors and key management employees was as follows:

	2008 €	2007 €
Directors' fees	36.668	39.859
Directors' remuneration at their executive capacity	41.000	41.000
Remuneration of subsidiary company shareholders	72.435	16.582
Key management personnel remuneration	135.285	135.204
Remuneration of related parties employed by the subsidiary company	16.101	12.951
Contributions to various funds for key management personnel and related people	24.594	21.897
	<u>326.083</u>	<u>267.493</u>

Key management personnel are the persons that have the authority and responsibility for the direct or indirect planning, management and control of the Group's operations and include every manager of the Group. Key management personnel for the years 2007 and 2008 comprise of the Hotels' Managers of the Group.

26.2 Purchases of products from related parties

	2008 €	2007 €
Purchases of products from companies that are controlled by related parties and members of the Board of Directors	361.353	404.453
	<u>361.353</u>	<u>404.453</u>

Purchases from related parties were made on commercial terms and conditions.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008**

26. Related party transactions (continued)

26.3 Payables to related parties

	2008	2007
	€	€
Payables to companies controlled by related parties and members of the Board of Directors	132.088	105.593
	132.088	105.593

The above companies are considered related because they are controlled by related parties and members of the Board of Directors. The payables to related parties arise from trade transactions and do not carry interest. All the amounts above are payable within 12 months.

26.4 Receivables from related parties

	2008	2007
	€	€
Minority shareholders of subsidiary	147.655	173.298
United Hotels (Lordos) Ltd	3.218	4.939
	150.873	178.237

The above amounts do not carry interest and no specific date for their repayment has been set.

The amounts due from shareholders concern amounts by the shareholders of the subsidiary Golden Coast Limited.

The balance with United Hotels (Lordos) Ltd has arisen from trade transactions.

27. Minority interest

Minority interest represents the interest in the share capital and reserves of Golden Coast Ltd (Note 1) attributable to the shareholders of this company other than those of the holding company. The net share of the minority shareholders in losses is restricted to their share in the share capital and other reserves of the subsidiaries.

The movement of minority interest for the year was as follows:

	2008	2007
	€	€
Balance 1 January	1.223.581	312.513
Loss share for the year	(62.568)	(75.759)
Revaluation of property share for the year	-	1.231.346
Share of deferred tax on revaluation of property for the year	1.221	(244.519)
Effect on minority interest by the conversion of share capital into Euro	156	-
Balance 31 December	1.162.390	1.223.581



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008

28. Fair values

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's length transaction.

The fair values of current and non current financial assets and liabilities of the Group are not materially different from their carrying amount.

29. Capital commitments

The commitments for contracted capital expenditure of the Group at 31 December 2008 amount to €771.861 (2007: €664.132).

Capital commitments relate mainly to renovations of the Golden Coast Hotel in Paralimni/Protaras and the Golden Bay Hotel in Larnaca.

30. Commitments and contingencies

Operating lease commitments – the Group as lessee

As at 31 December, future minimum rentals payable under non cancellable operating leases are as follows:

	2008 €	2007 €
Within one year	<u>8.714</u>	<u>8.714</u>

Contingencies

A minority shareholder of the subsidiary Golden Coast Ltd has filed a lawsuit against the subsidiary claiming the amount of €12.650 for accrued salaries and/or as compensation plus interest of 8% per annum from 7 March 2006 until their payment plus expenses. The claim of the shareholder was rejected in favor of the Company and against the shareholder. The shareholder has filed an appeal against the decision. The Board of Directors based on the opinion of the legal advisor of the Group considers that there is a serious possibility that the Court will reject the appeal. The Board of Directors of the Company considers that no additional outflow of financial resources incorporating financial benefits regarding the above claim will be required. Therefore the consolidated balance sheet at 31 December 2008 does not include any provision for the above claim.

31. Post balance sheet events

International crisis

The adverse economic developments during 2008 in international markets, have led in significant deterioration of the International Financial Crisis. A significant number of International Financial Organizations declared bankruptcy, or were taken over by other Financial Organizations, or supported by government funding. As a result of the above developments, on the issue date of the Financial Statements there is constant uncertainty in the market which can affect the results of the Group due to the consequences in Cypriot tourism.

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



Lordos Hotels
(Holdings) Public Limited

