

**Lordos Hotels (Holdings)  
Public Limited**

**Consolidated financial statements**

31 December 2010

# Lordos Hotels (Holdings) Public Limited

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## **CONSOLIDATED FINANCIAL STATEMENTS** **for the year ended 31 December 2010**

<b>Contents</b>	<b>Page</b>
Board of Directors and Professional Advisors	3
Declaration of the members of the Board of Directors and other Company's Officials responsible for the Financial Statements	4
Report of the Board of Directors	5 - 9
Independent auditors' report	10 - 11
Consolidated statement of comprehensive income	12
Consolidated statement of financial position	13
Consolidated statement of changes in equity	14 - 15
Consolidated cash flow statement	16
Notes to the consolidated financial statements	17 - 50
Corporate Governance Report	51 - 61

# **Lordos Hotels (Holdings) Public Limited**

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## **BOARD OF DIRECTORS AND 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  
Georgios Michaelides

### **Company Secretary**

Adaminco Secretarial Limited

### **Independent Auditors**

Deloitte Limited  
Certified Public Accountants  
24 Spyrou Kyprianou Avenue  
1075 Nicosia

### **Registered Office**

35 Theklas Lyssiotti  
Eagle Star House  
1<sup>st</sup> floor, 3030 Limassol

### **Legal Advisers**

Adamos K. Adamides & Co

### **Banker**

Bank of Cyprus Public Company Ltd

# Lordos Hotels (Holdings) Public Limited

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

Under section 9, paragraph (3) (c) and (7) of the Transparency Requirements (Traded Securities in Regulated Market) Law 2007, we the members of the Board of Directors and the other officials responsible for the consolidated financial statements of Lordos Hotels (Holdings) Public Limited for the year ended 31 December 2010, confirm that, on the basis of our knowledge:

- (a) the consolidated financial statements presented on pages 12-50:
  - (i) Are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU) and the provisions of Article 9, paragraph (4) of the Law, and
  - (ii) Provide a true and fair view of the assets and liabilities, the financial position and the profit or losses of Lordos Hotels (Holdings) Public Limited and of the entities included in the consolidated financial statements as a whole and
- (b) the directors' report provides a fair review of the developments and performance of the business, as well as the financial position of Lordos Hotels (Holdings) Public Limited and the entities included in the consolidated accounts as a whole, together 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 Clerides
- ..... Doros Orphanides
- ..... Petros Petrides
- ..... Georgios Michaelides

### Group's Financial Controller

- ..... Adonis Elia

### Company Secretary

- ..... Adaminco Secretarial Limited

12 April 2011

# Lordos Hotels (Holdings) Public Limited

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## DIRECTORS' REPORT

The Board of Directors presents its Annual Report and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

### 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 associated company. The associated 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 statement of comprehensive income is presented on page 12 of the consolidated financial statements.

The Group's turnover for 2010 increased by 15% or €1.100.304, at €8.564.136 due to the increase in the occupancy rates of the hotels.

As a result the gross profit has increased by 21% or €686.675, to €3.954.990.

The profit before net finance costs, depreciation, amortisation and taxation increased by €823.934 to €1.808.411 compared to profit of €984.477 in 2009.

A profit before taxation of €471.753 was incurred in comparison to loss of €364.863 in 2009, mainly due to the increase in income.

Out of the administration expenses of €1,92 million for 2010 (2009: €1,97 million), an amount of approximately €911 thousands or 47% (2009: €867 thousands or 44%) concerns depreciation of property, plant and equipment.

The net profit attributable to the shareholders of the holding company of €456 thousands is transferred to the retained earnings reserve (2009: loss of €283 thousands).

### Risk management

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

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

### Dividends

The Board of Directors proposes the payment of dividend of €0, 01 per share, which corresponds to the 2,93% of the nominal value of the share and in total to the 85,37% of the profit after taxation.

### Share capital

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

# Lordos Hotels (Holdings) Public Limited

## DIRECTORS' REPORT (continued)

### Reconciliation of the Indicative Results and the Audited Consolidated Statement of Comprehensive Income

The results for the year 2010, according to the Indicative Results that have been announced on 24 February 2011, do not materially differ from those that are presented in the Audited Consolidated Statement of Comprehensive Income.

### Tax regime

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

### Board of Directors

On 31 December 2010 and as at the date of this report the Board of Directors is represented by the Directors shown on page 3.

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 Takis Kyriakides, Adamos K. Adamides, Michalis Kleopas and Georgios Michaelides. They are all eligible for re-election and offer themselves for re-election.

During the year there were no significant changes in the assignment of responsibilities or in the remunerations of the members of the Board of Directors of the Company. During the year, the Directors received €43.392 (2009: €43.400) and €37.341 (2009: €36.995) for executive services and remuneration for services as members of the Board of Directors of the Company respectively. These amounts are analysed per member of the Board of Directors as follows:

	Directors' Remuneration		Directors' Remuneration for participation in meetings	
	2010	2009	2010	2009
	€	€	€	€
Takis G. Kyriakides – In executive capacity	<b>21.696</b>	21.700	-	-
Demetrios G. Lordos – In executive capacity	<b>21.696</b>	21.700	-	-
Adamos Adamides	<b>500</b>	512	<b>4.860</b>	5.155
Areti Ionides	<b>500</b>	512	<b>2.835</b>	3.165
Michalis Kleopas	<b>500</b>	512	<b>3.770</b>	3.025
Takis Clerides	<b>1.700</b>	1.712	<b>7.413</b>	7.823
Doros Orphanides	<b>1.000</b>	512	<b>1.975</b>	-
Petros Petrides	<b>500</b>	512	<b>3.210</b>	3.965
Georgios Michaelides	<b>1.700</b>	1.712	<b>6.878</b>	6.437
Demetris Shukuroglou	-	256	-	1.185
	<b>49.792</b>	49.640	<b>30.941</b>	30.755

### Significant contracts with Management

No significant contracts had been signed between the Group companies and their Management as at the statement of financial position date.

### Prospects for 2011 and future developments

Taking into consideration the current conditions, the results for 2011 are expected to be improved in comparison to the results of 2010.

# Lordos Hotels (Holdings) Public Limited

## DIRECTORS' REPORT (continued)

### 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 Statement of Financial Position date

Any significant events that occurred after the year end are described in note 32 of the consolidated financial statements.

### Participation of Directors in the share capital of the Company

The percentage 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% at 31 December 2010 and at 12 April 2011 was as follows:

	31.12.2010	12.04.2011
	%	%
• Demetrios G. Lordos	14,84	14,84
• Takis G. Kyriakides	12,67	12,67
• Areti Ionides	10,59	10,59
• Doros Orphanides	0,92	0,92
• Petros Petrides	0,12	0,12
• Adamos Adamides	0,04	0,04
• Michalis Kleopas	-	-
• Takis Clerides	-	-
• Georgios Michaelides	-	-

### Shareholders holding more than 5% of the share capital of the Company

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 in which they hold at least 20%) hold more than 5% at 31 December 2010 and at 12 April 2011:

	31.12.2010	12.04.2011
	%	%
Constantinos G. Lordos	16,45	16.45%
Andreas Tsokkos	16,02	16.02%

### Branches

During the year the Group did not operate any branches.

### Code of Corporate Governance

The Board of Directors of the Company decided on 27 March 2003 to apply all the provisions of the Corporate Governance Code («the Code») which was issued by the Board of the Cyprus Stock Exchange («CSE»). The Code is available on the CSE website ([www.cse.com.cy](http://www.cse.com.cy)).

The report of the Board of Directors regarding the Code («CG Report») is set out after the consolidated financial statements on pages 51-61 and is available on the Company's website <http://www.lordos.com.cy>.

Regarding the provision A.2.6. of the Code concerning the distinction of the positions of the Chairman of the Board of Directors and the Chief Executive Officer, clarifications are provided in the CG Report under II.A.2.

There were no significant differences between the results presented in the annual audited consolidated financial statements for the financial year 2010 and the latest published indicative results of the Group.

# **Lordos Hotels (Holdings) Public Limited**

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## **DIRECTORS' REPORT (continued)**

### **Corporate Governance Report (continued)**

All issued shares of the Company are ordinary shares with similar and equal controlling and voting rights.

The Group has effective procedures in place for the preparation of the financial statements, through of which the transactions and events presented in the accounting records are transferred and disclosed in the Group's financial statements. The procedure for risk management of the Group, which covers the presentation of the financial elements aims to the recognition, analysis and management of the risks relevant to the preparation of the financial statements, the relevant disclosures and other financial references in order to comply with the relevant financial reporting standards, the laws and regulations. This is achieved through the identification of risks of material misstatement in the reports and through the implementation and maintenance of controls for the prevention or identification of elements which are possible to result in material misstatements.

The percentage in the Company's share capital held by each member of the Board of Directors, their spouse, minor children and any direct or indirect holding through companies in which a Director holds at least 20% of the voting rights at a general meeting, as well as the fluctuation of the percentages of the shares of the members of the board of directors for the period from 31 December 2010 and 30 days before the date of notification for calling the general meeting, are presented above. Detailed information regarding the share capital of the Company is included in note 21 of the consolidated financial statements.

Each member of the Board of Directors is elected by the general meeting of the shareholders of the Company or is appointed by the Board of Directors. A member who is appointed by the Board of Directors is obliged to retire during the first annual general meeting following his appointment, which will decide for his election. At each annual general meeting one third of the existing Directors retire by seniority and their re-election depends on the annual general meeting. With an ordinary resolution of the general meeting a member of the Board of Directors can be retired before the end of his service.

The Company's Articles of Association can be amended by the general meeting of the members with a special resolution.

The authority of the board directors is general and is restricted only by the powers granted to the general meeting of the Company's shareholders either by the Law or by the Company's Articles of Association. The decision to issue new shares, unless it concerns issuance of shares to the members in proportion to their existing shareholding, is taken by the general meeting and for each case the provisions of the legislation in force are followed regarding relevant information. The right to buy back the Company's own shares, unless the legislation allows otherwise, is given to the Board of Directors by a special resolution at the general meeting for a determined period.

The composition, the terms of reference and the operation of the management, administrative and supervisory bodies which are defined in accordance with the Code, are described in CG Report.

### **Research and development**

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

### **Changes in Group's structure**

There were no changes in the Group's structure during the year ended 31 December 2010.

# **Lordos Hotels (Holdings) Public Limited**

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## **DIRECTORS' REPORT (continued)**

### **Independent Auditors**

The independent auditors, 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

12 April 2011

## **Independent Auditors' Report**

### **To the Members of Lordos Hotel (Holdings) Public Limited**

#### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Lordos Hotels (Holdings) Public Limited (the "Company") and its subsidiaries (the "Group") on pages 12 to 50, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Board of Directors' Responsibility for the Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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

## **Independent Auditors' Report (Continued)**

### **To the Members of Lordos Hotel (Holdings) Public Limited**

#### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Lordos Hotels (Holdings) Public Limited and its subsidiaries as at 31 December 2010, and of its financial performance and their 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.

#### **Report on Other Legal and Regulatory Requirements**

Pursuant to the requirements of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 5 to 9 is consistent with the consolidated financial statements.

Pursuant to the requirements of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive and it forms a special part of the Report of the Board of Directors.

#### **Other matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts 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 whom this report may come to.

Nicos Papakyriakou  
Certified Public Accountant and Registered Auditor  
For and on behalf of  
**Deloitte Limited**  
**Certified Public Accountants and Registered Auditors**

24 Spyrou Kyprianou Avenue, 1075 Nicosia  
12 April 2011

# Lordos Hotels (Holdings) Public Limited

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2010

	Note	2010 €	2009 €
<b>Turnover</b>		<b>8.564.136</b>	7.463.832
Cost of sales		<b>(4.609.146)</b>	(4.195.517)
<b>Gross profit</b>		<b>3.954.990</b>	3.268.315
Other income	6	<b>236</b>	3.715
Administration expenses		<b>(1.919.318)</b>	(1.972.273)
Distribution expenses		<b>(400.564)</b>	(359.009)
Other operating expenses	7	<b>(844.431)</b>	(889.585)
Finance income	9	-	1.768
Finance cost	9	<b>(420.147)</b>	(469.213)
Investment income / (loss)	10	<b>841</b>	(8.581)
Share in the results of associated companies	16	<b>100.146</b>	60.000
<b>Profit/(loss) before taxation</b>	5	<b>471.753</b>	(364.863)
Income tax	11	<b>(61.642)</b>	(71.093)
<b>Net profit/(loss) for the year</b>		<b>410.111</b>	(435.956)
<b>Other comprehensive income/(loss)</b>			
Deferred taxation	11	<b>27.032</b>	30.799
Other comprehensive income for the year		<b>27.032</b>	30.799
<b>Total income/(expenses) for the year</b>		<b>437.143</b>	(405.157)
Net profit/(loss) for the year is attributable as follows:			
Shareholders of the holding company		<b>456.390</b>	(283.336)
Non-controlling interest	28	<b>(46.279)</b>	(152.620)
		<b>410.111</b>	(435.956)
Total comprehensive income/(expenses) for the year is attributable to:			
Shareholders of the holding company		<b>482.428</b>	(253.752)
Non-controlling interest		<b>(45.285)</b>	(151.405)
		<b>437.143</b>	(405.157)
<b>Net profit/(loss) per share distributable to shareholders of the holding company (cents)</b>	12	<b>1,30</b>	(0,81)
<b>Total income/(expenses) distributable to shareholders of the holding company (cents)</b>	12	<b>1,38</b>	(0,72)

# Lordos Hotels (Holdings) Public Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2010

	Σημ.	2010 €	2009 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	<b>73.171.805</b>	73.707.696
Intangible assets	15	<b>7.112</b>	10.895
Investment in associated companies	16	<b>5.214.935</b>	5.263.199
Financial assets at fair value through profit or loss	17	<b>26.590</b>	25.749
		<b>78.420.442</b>	79.007.539
<b>Current assets</b>			
Inventories	18	<b>214.943</b>	229.649
Trade and other receivables	19	<b>820.780</b>	688.284
Receivables from related companies	27	<b>127.580</b>	143.924
Cash at bank and in hand	20	<b>15.746</b>	40.459
		<b>1.179.049</b>	1.102.316
<b>TOTAL ASSETS</b>		<b>79.599.491</b>	80.109.855
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	21	<b>11.903.113</b>	11.903.113
Reserves		<b>47.769.142</b>	47.380.829
		<b>59.672.255</b>	59.283.942
Non-controlling interests	28	<b>965.700</b>	1.010.985
<b>Total equity</b>		<b>60.637.955</b>	60.294.927
<b>Non-current liabilities</b>			
Borrowings	23	<b>5.611.631</b>	6.796.050
Deferred tax liabilities	24	<b>8.371.530</b>	8.360.362
		<b>13.983.161</b>	15.156.412
<b>Current liabilities</b>			
Trade and other payables	25	<b>1.714.932</b>	1.830.082
Payables to related companies	27	<b>114.563</b>	103.659
Bank overdrafts	20	<b>1.820.659</b>	1.801.284
Borrowings	23	<b>1.219.110</b>	844.177
Current tax liabilities	26	<b>109.111</b>	79.314
		<b>4.978.375</b>	4.658.516
<b>Total liabilities</b>		<b>18.961.536</b>	19.814.928
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>79.599.491</b>	80.109.855

On 12 April 2011 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 32 form part of the financial statements

## Lordos Hotels (Holdings) Public Limited

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2010

	Equity attributable to the shareholders of the Company						Non-controlling Interests	Total Equity
	Share Capital	Other reserves (Note 22)	Retained Earnings	Difference from the conversion of the share capital into Euro	Total			
	€	€	€	€	€	€	€	
<b>Balance - 1 January 2010</b>	<b>11.903.113</b>	<b>43.974.935</b>	<b>3.345.668</b>	<b>60.226</b>	<b>59.283.942</b>	<b>1.010.985</b>	<b>60.294.927</b>	
Net profit for the year	-	-	456.390	-	456.390	(46.279)	410.111	
Other comprehensive income for the year	-	26.038	-	-	26.038	994	27.032	
Defence contribution on dividends payable on behalf of the shareholders regarding deemed dividend distribution	-	-	(94.115)	-	(94.115)	-	(94.115)	
<b>Balance - 31 December 2010</b>	<b>11.903.113</b>	<b>44.000.973</b>	<b>3.707.943</b>	<b>60.226</b>	<b>59.672.255</b>	<b>965.700</b>	<b>60.637.955</b>	

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.

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.

## Lordos Hotels (Holdings) Public Limited

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2010

	Equity attributable to the shareholders of the Company					Total	Non-controlling Interests	Total Equity
	Share Capital	Other reserves (Note 22)	Retained Earnings	Difference from the conversion of the share capital into Euro				
	€	€	€	€	€	€	€	
<b>Balance - 1 January 2009</b>	<b>11.903.113</b>	<b>43.945.351</b>	<b>3.734.121</b>	<b>60.226</b>	<b>59.642.811</b>	<b>1.162.390</b>	<b>60.805.201</b>	
Net loss for the year	-	-	(283.336)	-	(283.336)	(152.620)	(435.956)	
Other comprehensive income for the year	-	29.584	-	-	29.584	1.215	30.799	
Defence contribution on dividends payable on behalf of the shareholders regarding deemed dividend distribution	-	-	(105.117)	-	(105.117)	-	(105.117)	
<b>Balance - 31 December 2009</b>	<b>11.903.113</b>	<b>43.974.935</b>	<b>3.345.668</b>	<b>60.226</b>	<b>59.283.942</b>	<b>1.010.985</b>	<b>60.294.927</b>	

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.

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.

# Lordos Hotels (Holdings) Public Limited

## CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 December 2010

	Note	2010 €	2009 €
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		<b>471.753</b>	(364.863)
Adjustments for:			
Depreciation of property, plant and equipment	14	<b>910.997</b>	866.826
Amortisation of computer software	15	<b>5.514</b>	15.069
Share of profit of associated companies		<b>(99.869)</b>	(51.520)
Profit from the sale of property, plant and equipment		-	(3.300)
Fair value (gain)/loss on investments	10	<b>(841)</b>	8.581
Inventories written off	18	<b>11.287</b>	9.822
Dividend income	6	<b>(236)</b>	(415)
Interest income	9	-	(1.768)
Interest expense	9	<b>412.332</b>	449.365
<b>Cash flows from operations before working capital changes</b>		<b>1.710.937</b>	927.797
Decrease/(increase) in inventories		<b>3.419</b>	(23.541)
(Increase)/decrease in trade and other receivables		<b>(116.152)</b>	416.278
Decrease in trade and other payables		<b>(198.361)</b>	(464.129)
<b>Cash flows from operations</b>		<b>1.399.843</b>	856.405
Taxes paid		<b>(4.512)</b>	(36.309)
<b>Net cash flows from operating activities</b>		<b>1.395.331</b>	820.096
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchase of intangible assets	15	<b>(1.731)</b>	(5.063)
Payment for purchase of property, plant and equipment	14	<b>(375.106)</b>	(859.699)
Proceeds from disposal of property, plant and equipment		-	3.300
Increase in investments		-	(5.739)
Interest received		-	1.768
Dividends received		<b>159.236</b>	54.415
<b>Net cash flows from investing activities</b>		<b>(217.601)</b>	(811.018)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		<b>(809.486)</b>	(616.182)
Interest paid		<b>(412.332)</b>	(449.365)
<b>Net cash flows from financing activities</b>		<b>(1.221.818)</b>	(1.065.547)
<b>Net decrease in cash and cash equivalents</b>		<b>(44.088)</b>	(1.056.469)
Cash and cash equivalents:			
At beginning of the year	20	<b>(1.760.825)</b>	(704.356)
At end of the year	20	<b>(1.804.913)</b>	(1.760.825)

Notes 1 to 32 form part of the financial statements

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 1. Corporate Information

#### Approval of the financial statements

The consolidated financial statements of the Group Lordos Hotels (Holdings) Public Limited for the year ended 31 December 2010 were authorised for issuance in accordance with a resolution of the Board of Directors on 12 April 2011.

#### 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 Laws 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 2010 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 is the owner of 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 the subsidiary companies of the Group are registered in Cyprus.

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 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 convention modified to include the revaluation of immovable property and of the investments in financial assets at fair value through profit or loss.

#### Statement of compliance

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 Laws and Regulations.

#### 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.

Non-controlling interest as at 31 December 2010 and 2009 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.

#### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition – date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquire. Acquisition – related costs are generally recognised in the profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 'Income Taxes' and IAS 19 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 2. Significant accounting policies (continued)

#### Business Combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 2. Significant accounting policies (continued)

#### Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption by the Group of the following new and amended IFRSs and IFRIC as from 1 January 2010:

- IFRS 1 'First Time Adoption of IFRSs – Additional exemptions for First – time Adopters' (Amendments)
- IFRS 2 'Group Cash – settled Share – based Payment Arrangements' (Amendment)
- IAS 39 'Financial Instruments: Recognition and Measurement – Amendments for Eligible Hedged Items' (Amendment)
- IFRIC 17 'Distributions of Non – cash Assets to Owners'
- Amendments resulting from improvements to IFRSs (April 2008):
  - IFRS 5 'Non – current Assets Held for Sale and Discontinued Operations'
- Amendments resulting from improvements to IFRSs (April 2009):
  - IFRS 2 'Share – based Payments'
  - IFRS 5 'Non – current Assets Held for Sale and Discontinued Operations'
  - IFRS 8 'Operating Segment Information'
  - IAS 1 'Presentation of Financial Statements'
  - IAS 7 'Statement of Cash Flows'
  - IAS 17 'Leases'
  - IAS 36 'Impairment of Assets'
  - IAS 38 'Intangible Assets'
  - IAS 39 'Financial Instruments: Recognition and Measurement'
  - IFRIC 9 'Reassessment of Embedded Derivatives'
  - IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'

#### Standards and Interpretations that are issued but not yet effective

The following Standards, Amendments to Standards and Interpretations have been published by the International Accounting Standards Board but are not yet effective for the year ended 31 December 2010:

##### (i) Standards and Interpretations adopted by the EU:

- Amendment to IFRS 1 "First Time Adoption of IFRSs" - Limited Exemption from Comparative IFRS 7 Disclosures for First Time Adopters (effective for annual periods beginning on or after 1 July 2010). Relief is given to first-time adopters from providing comparative information for the disclosures required by the amendments to IFRS 7 'Financial Instruments: Disclosure' in the first year of application. This Amendment does not apply to the Group.
- IAS 24 (Revised in 2009) 'Related Party Disclosures' (effective for annual periods beginning on or after 1 January 2011)  
The IASB has amended IAS 24 in an effort to simplify the identification of related party relationships by clarifying the definition of related parties but without reconsidering the fundamental approach to related party disclosures. The Amendment is not expected to have a significant impact on the related party disclosures as presented in the financial statements of the Group.
- Amendment to IAS 32 'Financial Instruments: Presentation – Classification of Rights Issues Denominated in a Foreign Currency' (effective for annual periods beginning on or after 1 February 2010)  
The Amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants (together, here termed 'rights') as equity instruments. This Amendment does not apply to the Group as it does not have such instruments in issue.

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 2. Significant accounting policies (continued)

#### Standards and Interpretations that are issued but not yet effective (continued)

(i) Standards and Interpretations adopted by the EU (continued):

- *Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement' (effective for annual periods beginning on or after 1 January 2011)*  
The Amendment was made to remove an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. It requires entities to treat such early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made. The Group did not have any plans with minimum funding requirements at the balance sheet date.
- *IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 1 July 2010)*  
IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability are 'consideration paid' in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Group did not have any transactions within the scope of the Interpretation up to the balance sheet date.
- *'Improvements to IFRSs' (issued in May 2010) (various effective dates, earliest for annual periods beginning on or after 1 July 2010)*  
In May 2010, the IASB issued the third omnibus of amendments to its Standards, Improvements to IFRSs, and the related Basis for Conclusions. There are eleven Amendments to six Standards and one Interpretation, specifically IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13. Adoption of these improvements will not have any effect on the financial statements of the Group, except as detailed below. The following summarises these amendments:
- *IFRS 1 'First-time adoption' (effective for annual periods beginning on or after 1 January 2011)*  
This Improvement clarifies the treatment of accounting policy changes in the year of adoption after publishing an interim financial report in accordance with IAS 34 'Interim Financial Reporting', allows first-time adopters to use an event-driven fair value as deemed cost and expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities.
- *IFRS 3 'Business Combinations' (effective for annual periods beginning on or after 1 July 2010)*  
This Improvement clarifies that the amendments to IFRS 7 'Financial Instruments: Disclosures', IAS 32 'Financial Instruments: Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement', that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets. Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 2. Significant accounting policies (continued)

#### Standards and Interpretations that are issued but not yet effective (continued)

##### (i) Standards and Interpretations adopted by the EU (continued):

- *IFRS 7 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2011)*  
This Improvement gives clarifications of disclosures required by IFRS 7 and emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. It also includes amendments to quantitative credit risk disclosures. The Group has assessed the impact of these improvements on its financial statements and concluded that these will not affect significantly its financial statements.
- *IAS 1 'Presentation of Financial Statements' (effective for annual periods beginning on or after 1 January 2011)*  
This Improvement clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- *IAS 27 'Consolidated and Separate Financial Statements' (effective for annual periods beginning on or after 1 July 2010)*  
This Improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 'The Effect of Changes in Foreign Exchange Rates', IAS 28 'Investments in Associates' and IAS 31 'Interests in Joint Ventures' apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.
- *IAS 34 'Interim Financial Reporting' (effective for annual periods beginning on or after 1 January 2011)*  
This Improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and increases the disclosure requirements. The Amendment requires additional disclosures in an entity's interim financial statements.
- *IFRIC 13 'Customer Loyalty Programmes' (effective for annual periods beginning on or after 1 January 2011)*  
This Improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

##### (ii) Standards and Interpretations not yet adopted by the EU:

- *Amendments to IAS 12 'Deferred Tax: Recovery of Underlying Assets' (effective for accounting periods beginning on or after 1 January 2012)*  
These Amendments address the determination of deferred tax on investment property measured at fair value. The Amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recovered through sale. The Amendments also incorporate SIC-21 'Income Taxes - Recovery of Revalued Non-Depreciable Assets' into IAS 12.
- *Amendments to IFRS 1 'Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters' (effective for accounting periods beginning on or after 1 July 2011)*  
These Amendments introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation. They also remove the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions. This Amendment is not relevant to the Group and its operations.

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 2. Significant accounting policies (continued)

#### Standards and Interpretations that are issued but not yet effective (continued)

##### (ii) Standards and Interpretations not yet adopted by the EU:

- *Amendments to IFRS 7 'Financial Instruments: Disclosures' (effective for accounting periods beginning on or after 1 July 2011)*  
The IASB issued Amendments to IFRS 7 to enhance the transparency of disclosure requirements for the transfer of financial assets. The Amendments will assist users to understand the implications of transfers of financial assets and the potential risks that may remain with the transferor. This Amendment is not relevant to the Group and its operations.
- *IFRS 9 'Financial Instruments: Classification and Measurement' (effective for annual periods beginning on or after 1 January 2013)*  
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected in mid-2011.

IFRS 9 provides that at initial recognition, all financial assets (including hybrid contracts with a financial asset host) are measured at fair value. For subsequent measurement, financial assets that are debt instruments are classified at amortised cost or fair value on the basis of both the entity's business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset. Debt instruments may be subsequently measured at amortised cost if the asset is held within a business model whose objective is to hold the assets to collect the contractual cash flows, and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. All other debt instruments are subsequently measured at fair value through profit or loss.

All financial assets that are equity investments are measured at fair value either through the statement of comprehensive income or the income statement. This is an irrevocable choice the entity makes by instrument unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss. The Group is currently assessing the impact of adopting IFRS 9.

#### 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 them.

The investments in associated companies are valued at the estimated fair value at the date of the statement of financial position. 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 statement of financial position 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.

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 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.

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

- **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.

#### Employee benefits

The Group and its employees contribute to the Government Social Insurance Fund based on employees' salaries. Moreover, the Group makes contributions to the Provident Fund of the Employees of the Hotel Industry for the employees who are members of the above named fund. The scheme is financed through payments of the employees and the Group. The Group's contributions are expensed as incurred and are included in staff costs. The Group has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all the employees' benefits relating to their service in the current and prior periods.

#### 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 the results for the year 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 statement of comprehensive income. 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.

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 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 statement of financial position 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 debit balances are recognised to the extent that it is probable that future taxable profits 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 production or supply of goods or 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 statement of financial position date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the fair value reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in statement of comprehensive income, in which case the increase is credited to the statement of comprehensive income 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 the statement of comprehensive income to the extent that it exceeds the balance, if any, held in the fair value reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to the statement of comprehensive income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the fair value 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, no depreciation is provided on land.

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 2. Significant accounting policies (continued)

#### Property, plant and equipment (continued)

Expenditure for repairs and maintenance of property, plant and equipment is charged to the consolidated statement of comprehensive income 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.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the consolidated statement of comprehensive income. 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 is capitalised. Costs associated with maintenance of computer software programmes are recognised in the consolidated statement of comprehensive income in the year they occur. 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.

#### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as a lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Property leases for which the lessee retains all risks and rewards incidental to ownership, are accounted for as operating leases. Operating lease rentals are charged in the statement of comprehensive income over the period of the lease.

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 2. Significant accounting policies (continued)

#### **Impairment of tangible and intangible assets excluding goodwill**

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

#### **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.

#### **Financial instruments**

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

##### Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income 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.

##### 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 statement of financial position date.

- Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this 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 for trading or are expected to be realised within twelve months of the statement of financial position 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.

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 2. Significant accounting policies (continued)

#### Financial instruments (continued)

##### Investments (continued)

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 consolidated statement of comprehensive income 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 consolidated statement of comprehensive income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, as well as 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 statement of financial position 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 losses on that financial asset previously recognised in profit or loss, is transferred from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash in 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 consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

##### Obligations from trading activities

Obligations from trading activities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 2. Significant accounting policies (continued)

#### Financial instruments (continued)

##### 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 a constructive obligation to pay them in full to a third party; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed a constructive obligation to pay them in full to a third party, and either (a) has transferred substantially all the risks and rewards of the ownership of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

###### Financial liabilities

A financial liability is derecognised when the obligation is discharged, cancelled or expires.

The difference between the carrying value of a financial liability which is exchanged with another one with substantially different terms is treated as a settlement of the original financial liability and a new financial liability is recognised. The differences arising are recognized in the consolidated statement of comprehensive income.

##### Offsetting financial instruments

A financial asset and a financial liability are offset and the net amount is reported in the statement of financial position 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 statement of financial position date.

#### Segmental reporting

The Group operates only in Cyprus. The only activity of the Group during the current year was the rendering of hotel services.

#### Dividends

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

# Lordos Hotels (Holdings) Public Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 2. Significant accounting policies (continued)

#### 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 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.

### 3. Financial risk management

#### Financial risk factors

The Group is exposed to market price risk, interest rate risk, credit risk, liquidity risk, operational risk, compliance risk, capital risk management 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:

	2010	2009
	€	€
<b>Variable rate instruments</b>		
Financial assets	<b>1.057</b>	1.166
Financial liabilities	<b>(8.651.400)</b>	(9.441.511)
	<b>8.650.343</b>	(9.440.345)

#### Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2010 would have 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.

	<b>Consolidated statement of comprehensive income</b>	
	2010	2009
	€	€
Variable rate instruments	<b>86.503</b>	94.403
	<b>86.503</b>	94.403

# Lordos Hotels (Holdings) Public Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 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 statement of financial position date. Credit risk arises due to trade and other 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:

	<b>2010</b>	2009
	<b>€</b>	€
Financial assets at fair value through profit or loss	<b>26.590</b>	25.749
Trade receivables and receivables from related parties	<b>850.312</b>	762.274
Cash at bank	<b>1.057</b>	1.166
	<b>877.959</b>	789.189

#### 3.3 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash in hand and cash at bank. Total capital is calculated as "equity" as shown in the consolidated statement of financial position.

The gearing ratio is calculated as follows:

	<b>2010</b>	<b>2009</b>
	<b>€</b>	€
Total borrowings (Notes 20,23)	<b>8.651.400</b>	9.441.511
Less: Cash in hand and at bank (Note 20)	<b>(15.746)</b>	(40.459)
Net debt	<b>8.635.654</b>	9.401.052
Total equity	<b>60.637.955</b>	60.294.927
<b>Gearing ratio</b>	<b>14,24%</b>	15,59%

The decrease in the gearing ratio during the year ended 31 December 2010 resulted primarily from the decrease in the Group's net debt and the profit for the year.

# Lordos Hotels (Holdings) Public Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 3. Financial risk management (continued)

#### 3.4 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities do 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.

<b>31 December 2010</b>	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	6.814.580	7.774.700	380.237	1.124.272	1.452.316	3.806.522	1.011.353
Obligations under finance leases	16.161	17.916	1.169	3.505	13.242	-	-
Bank overdrafts	1.820.659	1.820.659	1.820.659	-	-	-	-
Trade and other payables	678.686	678.686	678.686	-	-	-	-
Payables to related companies	114.563	114.563	114.563	-	-	-	-
	<b>9.444.649</b>	<b>10.406.524</b>	<b>2.995.314</b>	<b>1.127.777</b>	<b>1.465.558</b>	<b>3.806.522</b>	<b>1.011.353</b>

<b>31 December 2009</b>	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	7.620.282	9.280.286	235.059	1.065.738	1.604.150	4.342.813	2.032.526
Obligations under finance leases	19.945	22.590	1.169	3.505	17.916	-	-
Bank overdrafts	1.801.284	1.801.284	1.801.284	-	-	-	-
Trade and other payables	703.856	703.856	703.856	-	-	-	-
Payables to related companies	103.659	103.659	103.659	-	-	-	-
	<b>10.249.026</b>	<b>11.911.675</b>	<b>2.845.027</b>	<b>1.069.243</b>	<b>1.622.066</b>	<b>4.342.813</b>	<b>2.032.526</b>

#### 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 2010 would have increased profit or loss by €1.115 (2009: €1.075). For a decrease of 5% there would be an equal but opposite impact on the results.

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 3. Financial risk management (continued)

#### 3.6 Operational risk

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

#### 3.7 Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of 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.

#### 3.8 Other risks

The general economic environment prevailing in Cyprus and internationally may affect the Group's operations to a great extent. Economic conditions such as inflation, unemployment and development of the gross domestic product (GDP) are directly linked to the economic performance of every country and any variation in these and the economic environment in general may create chain reactions in all areas, and especially in tourism, hence affecting the Group. This risk is managed through constant efforts made by the Group in order to attract tourists to its hotels.

#### Fair value estimation

The fair values of the Group's financial assets and liabilities approximate to their carrying amounts shown in the statement of financial position.

The fair value of financial instruments traded in active markets, such as publicly traded trading and available-for-sale financial assets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

#### Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

# Lordos Hotels (Holdings) Public Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 3. Financial risk management (continued)

#### Fair value measurements recognised in the consolidated statement of financial position (continued)

31 December 2010	Level 1 €	Level 2 €	Level 3 €	Total €
<b>Financial assets</b>				
Listed financial assets at fair value through profit or loss	22.318	-	-	22.318
Non – listed financial assets at fair value through profit or loss	-	-	4.272	4.272
<b>Total</b>	<b>22.318</b>	<b>-</b>	<b>4.272</b>	<b>26.590</b>

31 December 2009	Level 1 €	Level 2 €	Level 3 €	Total €
<b>Financial assets</b>				
Listed financial assets at fair value through profit or loss	21.477	-	-	21.477
Non – listed financial assets at fair value through profit or loss	-	-	4.272	4.272
<b>Total</b>	<b>21.477</b>	<b>-</b>	<b>4.272</b>	<b>25.749</b>

### 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 might not be equal to 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 non recoverability 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 consolidated statement of comprehensive income. 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 statement of comprehensive income. 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.

# Lordos Hotels (Holdings) Public Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 4. Critical accounting estimates and judgements (continued)

- **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.

- **Revaluation of property**

The Group periodically examines 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 by independent valuers.

- **Legal cases and claims**

As at the date of this report, there were pending claims against the Group. The Group, based on the circumstances, has submitted defenses and contests these claims. The Group Board of Directors, after considering all the available information and based on legal advice, does not believe that a provision is required in respect of these legal claims.

- **Impairment of investments in associates**

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

### 5. Profit/(loss) before taxation

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

	<b>2010</b>	2009
	€	€
Rent payable for operating leases	<b>8.894</b>	8.714
Staff costs including Directors' fees in their executive capacity (Note 8)	<b>2.624.669</b>	2.691.203
Provision for bad and doubtful debts (Note 19)	<b>39.580</b>	33.073
Audit fees	<b>26.000</b>	23.750
Auditor's fees for tax services	<b>2.500</b>	2.500
Depreciation of property, plant and equipment (Note 14)	<b>910.997</b>	866.826
Amortisation of intangible assets (Note 15)	<b>5.514</b>	15.069
Compensation of employees due to termination of employment upon mutual consent	-	44.500

### 6. Other income

	<b>2010</b>	2009
	€	€
Profit from disposal of property, plant and equipment	-	3.300
Dividends receivable	<b>236</b>	415
	<b>236</b>	3.715

# Lordos Hotels (Holdings) Public Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 7. Other operating expenses

	2010	2009
	€	€
Employees' salaries and benefits	265.567	269.076
Repairs and renovations	405.972	465.147
Licenses and taxes	172.892	155.362
	<b>844.431</b>	<b>889.585</b>

### 8. Staff costs

	2010	2009
	€	€
Wages and salaries	1.900.518	1.950.161
Social insurance costs and other funds	257.390	227.554
Social cohesion fund	52.753	51.269
Provident fund contributions	68.958	68.667
Other employees' benefits	264.317	313.157
Directors' benefits	80.733	80.395
	<b>2.624.669</b>	<b>2.691.203</b>

Salaries and benefits of the Directors, managerial staff and related parties employed in the Group are presented in note 27.1.

### 9. Finance income/(costs)

	2010	2009
	€	€
Bank interest	-	1.768
<b>Finance income</b>	<b>-</b>	<b>1.768</b>
Interest expense	(412.332)	(449.365)
Bank charges	(7.815)	(19.848)
<b>Finance costs</b>	<b>(420.147)</b>	<b>(469.213)</b>
<b>Net finance costs</b>	<b>(420.147)</b>	<b>(467.445)</b>

Interest income is analysed as follows:

	2010	2009
	€	€
Bank deposits	-	1.768
	<b>-</b>	<b>1.768</b>

### 10. Investment profit/(loss)

	2010	2009
	€	€
Fair value gains/(losses) on financial assets at fair value through profit and loss	841	(8.581)
	<b>841</b>	<b>(8.581)</b>

# Lordos Hotels (Holdings) Public Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 11. Taxation

#### 11.1 Tax recognised in the statement of comprehensive income for the year

	2010	2009
	€	€
Corporation tax – current year	<b>27.386</b>	-
Defence contribution – current year	<b>6.922</b>	38.770
Deferred tax – charge (Note 24)	<b>27.334</b>	32.323
<b>Charge for the year</b>	<b>61.642</b>	71.093

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

The reconciliation of the tax charge applicable to the profit from operating activities before taxation at the statutory tax rate to income tax expense for the years ended 31 December 2010 and 2009 is as follows:

	2010	2009
	€	€
<b>Profit/(loss) before tax</b>	<b>471.753</b>	(364.863)
Income tax	<b>47.175</b>	(36.486)
Tax effect of:		
Expenses not deductible for tax purposes	<b>124.928</b>	112.997
Allowances and income not subject to tax	<b>(138.182)</b>	(134.536)
Tax effect of loss for the year	-	58.025
Tax effect of group tax relief	<b>(6.535)</b>	-
Defence contribution	<b>6.922</b>	38.770
Deferred tax	<b>27.334</b>	32.323
<b>Total</b>	<b>61.642</b>	71.093

#### ***Losses for income tax purposes***

The Companies of the Group carry forward losses for income tax purposes of €5.940.080 (2009: €6.006.529). 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.

#### 11.2 Tax recognised in other comprehensive income

	2010	2009
	€	€
Deferred tax (Note 22)	<b>27.032</b>	30.799

# Lordos Hotels (Holdings) Public Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 12. Profits/(losses) per share attributable to the shareholders of the holding company

Basic earnings per share are 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 2010 and 2009 equals basic earnings per share as the Company, apart from the ordinary shares, has not issued any share options or any redeemable preference shares.

	2010	2009
Net profit/(loss) attributable to the shareholders of the Company (€)	<b>456.390</b>	(283.336)
Total comprehensive income/(expenses) attributable to the shareholders of the Company (€)	<b>482.428</b>	(253.752)
Weighted average number of ordinary shares in issue during the year	<b>35.009.157</b>	35.009.157
Net profit/(loss) per share attributable to shareholders of the holding company (cent)	<b>1,30</b>	(0,81)
Total comprehensive income/(expenses) attributable to shareholders of the holding company (cent)	<b>1,38</b>	(0,72)

### 13. Dividends

The Board of Directors proposes the payment of dividend of €0,01 per share, which corresponds to the 2,93% of the nominal value of the share and in total to the 85,37% of the profit after taxation.

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 €
<b>Cost</b>			
Balance 1 January 2009	73.895.825	13.158.796	87.054.621
Additions	107.517	752.182	859.699
Disposals	-	(21.018)	(21.018)
Balance 1 January 2010	74.003.342	13.889.960	87.893.302
Additions	70.232	304.874	375.106
<b>At 31 December 2010</b>	<b>74.073.574</b>	<b>14.194.834</b>	<b>88.268.408</b>
<b>Depreciation</b>			
Balance 1 January 2009	3.249.080	10.090.718	13.339.798
Charge for the year	433.163	433.663	866.826
On disposals	-	(21.018)	(21.018)
Balance 1 January 2010	3.682.243	10.503.363	14.185.606
Charge for the year	434.237	476.760	910.997
<b>At 31 December 2010</b>	<b>4.116.480</b>	<b>10.980.123</b>	<b>15.096.603</b>
<b>Net book value</b>			
<b>At 31 December 2010</b>	<b>69.957.094</b>	<b>3.214.711</b>	<b>73.171.805</b>
<b>At 31 December 2009</b>	<b>70.321.099</b>	<b>3.386.597</b>	<b>73.707.696</b>

# Lordos Hotels (Holdings) Public Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 14. Property, plant and equipment (continued)

Property at 31 December includes revalued land which is not being depreciated of €30.504.397 (2009: €30.504.397).

On 31 December 2007, the immovable property of the Group was revalued based on valuations carried from independent valuers. The revaluation surplus amounted to €14.973.484 and was transferred to the fair value reserve.

The net book value of the property of the Group on a historical cost basis less accumulated depreciation at 31 December 2010 amounts to €19.979.396 (2009: €20.123.716).

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 23.

### 15. Intangible assets

	<b>Computer software €</b>
<b>Cost</b>	
Balance 1 January 2009	197.424
Additions	5.063
Balance 1 January 2010	202.487
Additions	1.731
<b>At 31 December 2010</b>	<b>204.218</b>
<b>Amortisation</b>	
Balance 1 January 2009	176.523
Amortisation for the year	15.069
Balance 1 January 2010	191.592
Amortisation for the year	5.514
<b>At 31 December 2010</b>	<b>197.106</b>
<b>Net book value</b>	
<b>At 31 December 2010</b>	<b>7.112</b>
<b>At 31 December 2009</b>	<b>10.895</b>

### 16. Investments in associated companies

	<b>2010</b>	2009
	<b>€</b>	€
Cost	<b>723.330</b>	723.330
Capitalization of property fair value reserve and other reserves	<b>4.404.430</b>	4.393.566
Share of post acquisition profits	<b>246.175</b>	200.303
Dividend received	<b>(159.000)</b>	(54.000)
<b>At 31 December</b>	<b>5.214.935</b>	5.263.199

## Lordos Hotels (Holdings) Public Limited

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

#### 16. Investments in associated companies (continued)

The associated company of the Group at 31 December 2010 and 2009 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 at 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:

	<b>2010</b> €	2009 €
<u>Assets</u>		
Non-current assets	<b>5.997.623</b>	6.062.652
Current assets	<b>210.432</b>	181.583
	<b>6.208.055</b>	6.244.235
<u>Liabilities</u>		
Non-current liabilities	<b>(621.172)</b>	(676.938)
Current liabilities	<b>(371.948)</b>	(304.098)
	<b>(993.120)</b>	(981.036)
Net assets	<b>5.214.935</b>	5.263.199
Revenue	<b>1.509.016</b>	1.353.780
Expenses	<b>(1.408.870)</b>	(1.293.780)
Net profit after tax	<b>100.146</b>	60.000

#### 17. Financial assets at fair value through profit or loss

	<b>2010</b> €	2009 €
On 1 January	<b>25.749</b>	28.591
Additions	-	5.739
Change in fair value	<b>841</b>	(8.581)
<b>At 31 December</b>	<b>26.590</b>	25.749

  

	<b>Fair value</b> <b>2010</b> €	<b>Cost</b> <b>2010</b> €	Fair value 2009 €	Cost 2009 €
Securities listed in the Cyprus Stock Exchange	<b>22.318</b>	<b>166.206</b>	21.477	166.206
Non-listed securities in a stock exchange	<b>4.272</b>	<b>4.272</b>	4.272	4.272
	<b>26.590</b>	<b>170.478</b>	25.749	170.478

# Lordos Hotels (Holdings) Public Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 18. Inventories

	2010	2009
	€	€
Food and drinks	<b>65.487</b>	94.085
Linen, cutlery, cleaning and stationery	<b>129.134</b>	113.661
Other inventories	<b>20.322</b>	21.903
	<b>214.943</b>	229.649

During the year, inventories amounting to €11.287 (2009: €9.822) were written off. Inventories are stated at cost.

### 19. Trade and other receivables

	2010	2009
	€	€
Trade receivables	<b>900.786</b>	756.824
Less: Provision for impairment of receivables	<b>(178.054)</b>	(138.474)
Trade receivables – net	<b>722.732</b>	618.350
Refundable VAT	<b>1.386</b>	-
Deposits and prepayments	<b>96.662</b>	69.934
	<b>820.780</b>	688.284

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

Deposits and prepayments of the year include an amount of €20.760 (2009: -) which concerns renovations for the hotel Golden Bay which were completed in January 2011.

At 31 December, the ageing analysis of trade debtors after the provision for bad debts is presented below. The ageing analysis was prepared based on the invoice issue date due to lack of information regarding the date of the credit period:

	2010	2009
	€	€
Up to 30 days	-	57.384
31 - 60 days	<b>61.059</b>	160.457
61 - 90 days	<b>354.511</b>	227.951
91 - 120 days	<b>167.942</b>	80.962
121 - 150 days	<b>87.823</b>	55.859
151 - 180 days	<b>13.071</b>	21.290
More than 180 days	<b>38.326</b>	14.447
	<b>722.732</b>	618.350

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

The Group has recognized a loss of €39.580 (2009: €33.073) for the impairment of its trade receivables during the year ended 31 December 2010. The loss has been included in administration expenses in the consolidated statement of comprehensive income.

# Lordos Hotels (Holdings) Public Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 19. Trade and other receivables (continued)

Movement in provision for impairment of receivables:

	<b>2010</b>	2009
	€	€
On 1 January	<b>138.474</b>	105.401
Provision recognised on doubtful receivables	<b>39.580</b>	33.073
<b>At 31 December</b>	<b>178.054</b>	138.474

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

The fair values of trade and other receivables due within one year approximate to their carrying amounts at statement of financial position 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:

	<b>2010</b>	2009
	€	€
Cash in hand	<b>14.689</b>	39.293
Cash at bank	<b>1.057</b>	1.166
Bank overdrafts	<b>(1.820.659)</b>	(1.801.284)
	<b>(1.804.913)</b>	(1.760.825)

Bank overdrafts of the Group are secured by mortgages over the property of the Company and of Group companies (Note 23) and bear interest at 6,79% per annum (2009: 6,50% per annum) and are payable on demand.

### 21. Share capital

	<b>2010</b>	<b>2010</b>	2009	2009
	Number of shares	€	Number of shares	€
<b>Authorised</b>				
Ordinary shares of €0,34 each	<b>50.000.000</b>	<b>17.000.000</b>	50.000.000	17.000.000
<b>Issued and fully paid</b>				
On 1 January	<b>35.009.157</b>	<b>11.903.113</b>	35.009.157	11.903.113
<b>At 31 December</b>	<b>35.009.157</b>	<b>11.903.113</b>	35.009.157	11.903.113

## Lordos Hotels (Holdings) Public Limited

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

#### 22. Other reserves

	Share Premium €	Fair value reserve - land and buildings €	Total €
Balance at 1 January 2009	685.675	43.259.676	43.945.351
Deferred tax on revaluation of land and buildings (Note 24)	-	20.418	20.418
Deferred tax on revaluation of property of associated company for the year	-	10.381	10.381
Non-controlling interests from movement of fair value reserve	-	(1.215)	(1.215)
Balance at 1 January 2010	685.675	43.289.260	43.974.935
Deferred tax on revaluation of land and buildings (Note 24)	-	16.166	16.166
Deferred tax on revaluation of property of associated company for the year	-	10.866	10.866
Non-controlling interests from movement of fair value reserve	-	(994)	(994)
<b>Balance at 31 December 2010</b>	<b>685.675</b>	<b>43.315.298</b>	<b>44.000.973</b>

The fair value reserve represents the excess from the revaluation of non – current assets of the Company, the subsidiaries and the associated companies of the Group, less amounts used for the bonus issue of shares. This reserve is not distributable in the form of dividends. Revaluation surplus of property at 31 December 2010 includes €4.404.432 (2009: €4.393.566) of the associated company United Hotels (Lordos) Ltd.

#### 23. Borrowings

	2010 €	2009 €
<b>Current borrowings</b>		
Bank loans	<b>1.215.168</b>	840.434
Finance leases	<b>3.942</b>	3.743
	<b>1.219.110</b>	844.177
<b>Non current borrowings</b>		
Bank loans	<b>5.599.412</b>	6.779.848
Finance leases	<b>12.219</b>	16.202
	<b>5.611.631</b>	6.796.050
<b>Total</b>	<b>6.830.741</b>	7.640.227
Borrowings are repayable as follows:		
Between one to two years	<b>1.219.110</b>	844.177
Between two and five years	<b>4.640.042</b>	5.626.344
After five years	<b>971.589</b>	1.169.706
	<b>6.830.741</b>	7.640.227

## Lordos Hotels (Holdings) Public Limited

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

#### 23. Borrowings (continued)

	Minimum future lease payments		The present value of minimum future lease payments	
	2010 €	2009 €	2010 €	2009 €
Within 1 year	<b>4.674</b>	4.674	<b>3.942</b>	3.743
After 1 year and not later than 5 years	<b>13.242</b>	17.916	<b>12.219</b>	16.202
Present value of finance lease liabilities	<b>17.916</b>	22.590	<b>16.161</b>	19.945
Future finance charges	<b>(1.755)</b>	(2.645)	-	-
Present value of finance lease liabilities	<b>16.161</b>	19.945	<b>16.161</b>	19.945

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

	Loan denominated in	Effective interest rate	Repayment terms	Loan Balances	
				2010 €	2009 €
Hire purchase contract	Euro	3 months EURIBOR + 4,25%	Monthly instalments until 2014	<b>16.160</b>	19.945
Bank loan	Euro	3 months EURIBOR + 1,75%	Quarterly instalments until 2015	<b>2.095.652</b>	2.561.353
Bank loan	Euro	3 months EURIBOR + 4,25%	Quarterly instalments until 2017	<b>700.471</b>	760.470
Bank loan	Euro	3 months EURIBOR + 4,25%	Quarterly instalments until 2017	<b>4.018.458</b>	4.298.459
				<b>6.830.741</b>	7.640.227

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 23. Borrowings (continued)

The immovable property of the Group has is mortgaged to secure bank facilities for the benefit of the Company and other Group companies as follows:

- Mortgage on the property of the subsidiary company Golden Coast Limited for the amount of €2.990.052 (2009: €2.990.052) to secure facilities for the benefit of the subsidiary Golden Coast Limited.
- Mortgage on the property of the holding company Lordos Hotels (Holdings) Public Limited for the amount of €1.025.160 (2009: €1.025.160) to secure facilities for the benefit of the subsidiary Golden Coast Limited.
- Mortgage on the property of the subsidiary company Golden Coast Limited for the amount of €2.392.042 (2009: €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.
- Mortgage on the property of the holding company Lordos Hotels (Holdings) Public Limited for the amount of €2.990.052 (2009: €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.
- Mortgage on the property of the subsidiary company Golden Coast Limited and of the holding company Lordos Hotels (Holdings) Public Limited for the amount of €2.819.192 (2009: €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.
- Mortgage on the property of the holding company Lordos Hotels (Holdings) Public Limited to secure facilities for the amount of €2.081.929 (2009: €2.081.929) of the holding company Lordos Hotels (Holdings) Public Limited.
- Mortgage on the property of the subsidiary company Golden Coast Limited to secure facilities for the amount of €1.232.755 (2009: €1.232.755) of the holding company Lordos Hotels (Holdings) Public Limited.
- The obligations of the Group under finance leases are secured by the lessor's title to the leased assets.

The holding company Lordos Hotels (Holdings) Public Limited has also 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. In addition, during the year 2009, additional guarantees have been provided for bank facilities of the subsidiary company Golden Coast Limited amounting to €1.800.000.

### 24. Deferred tax

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

# Lordos Hotels (Holdings) Public Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 24. Deferred tax (continued)

The movement on the deferred tax account is as follows:

<b>Deferred tax liability</b>	<b>Revaluation of land and buildings €</b>	
Balance - 1 January 2009		8.348.457
Charged / (credited) to:		
Consolidated statement of comprehensive income (Note 11)		32.323
Fair value reserve (Note 22)		(20.418)
<b>At 1 January 2010</b>		<b>8.360.362</b>
Charged / (credited) as follows:		
Consolidated statement of comprehensive income (Note 11)		27.334
Fair value reserve (Note 22)		(16.166)
<b>At 31 December 2010</b>		<b>8.371.530</b>
	<b>2010</b>	2009
	<b>€</b>	<b>€</b>
The balance of deferred tax relates to:		
Revaluation of property	<b>7.020.109</b>	7.052.612
Excess of capital allowances over depreciation charges	<b>1.351.421</b>	1.308.020
	<b>8.371.530</b>	8.360.632

### 25. Trade and other payables

	<b>2010</b>	2009
	<b>€</b>	<b>€</b>
Trade payables	<b>607.567</b>	654.398
Customers prepayments	<b>71.119</b>	20.447
Value Added Tax	-	21.765
Accruals and other payables	<b>343.661</b>	429.885
Defence contribution on dividends payable on behalf of the shareholders regarding deemed dividend distribution	<b>692.585</b>	703.587
	<b>1.714.932</b>	1.830.082

The fair value of trade and other payables due within one year approximate to their carrying amounts at statement of financial position date.

The consolidated statement of financial position includes defence contribution payable by the shareholders regarding a deemed dividend distribution of €692.585 (2009: €703.587) which relates to prior years' profits.

# Lordos Hotels (Holdings) Public Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 26. Current tax liabilities

	2010	2009
	€	€
Corporation tax	27.386	-
Special defence contribution	81.725	79.314
	<b>109.111</b>	79.314

### 27. Related party transactions

The following transactions were carried out with related parties:

#### 27.1 Directors' and key management employees' remuneration

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

	2010	2009
	€	€
Directors' fees	6.400	6.240
Directors' remuneration in their executive capacity	43.392	43.400
Directors' remuneration for participation in meetings	30.941	30.755
Remuneration of subsidiary company shareholders	58.561	69.213
Key management personnel's remuneration	84.299	147.906
Remuneration of related parties employed by the subsidiary company	22.476	21.383
Contributions to various funds for key management personnel and related persons	16.082	22.852
	<b>262.151</b>	341.749

Key management 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 for the years 2010 and 2009 comprise of the hotel's managers of the Group.

The remuneration of the Directors of the Group was as follows:

	Directors' Remuneration		Directors' Remuneration for participation in meetings	
	2010	2009	2010	2009
	€	€	€	€
Takis G. Kyriakides – In executive capacity	21.696	21.700	-	-
Demetrios G. Lordos – In executive capacity	21.696	21.700	-	-
Adamos Adamides	500	512	4.860	5.155
Areti Ionides	500	512	2.835	3.165
Michalis Kleopas	500	512	3.770	3.025
Takis Clerides	1.700	1.712	7.413	7.823
Doros Orphanides	1.000	512	1.975	-
Petros Petrides	500	512	3.210	3.965
Georgios Michaelides	1.700	1.712	6.878	6.437
Demetris Shukuroglou	-	256	-	1.185
	<b>49.792</b>	49.640	<b>30.941</b>	30.755

# Lordos Hotels (Holdings) Public Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 27. Related party transactions (continued)

#### 27.2 Purchases of products/(rendering of services) from/(to) related parties

	2010	2009
	€	€
Purchases of products from companies that are controlled by related parties and members of the Board of Directors	<b>375.336</b>	305.278
Secretarial services from companies that are controlled by related parties	<b>8.791</b>	8.058
Legal services from companies that are controlled by members of the Board of Directors	<b>11.600</b>	13.307
Secretarial services from companies that are controlled by members of the Board of Directors	<b>14.410</b>	13.592
Rent receivable from the shareholder of a subsidiary company	<b>(3.839)</b>	(3.839)
	<b>406.298</b>	336.396

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

#### 27.3 Amounts payable to related parties

	2010	2009
	€	€
Payables to companies controlled by related parties	<b>114.563</b>	103.659
	<b>114.563</b>	103.659

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 bear interest. All the amounts above are payable within 12 months.

#### 27.4 Receivables from related parties

	2010	2009
	€	€
Non-controlling shareholders of a subsidiary	<b>113.315</b>	130.401
United Hotels (Lordos) Ltd	<b>8.913</b>	12.748
Debit balances of members of the Board of Directors	<b>5.352</b>	775
	<b>127.580</b>	143.924

The above amounts are interest free, and have no specified repayment date.

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

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

### 28. Non-controlling interests

Non-controlling interests represent the interest in the share capital and reserves of Golden Coast Ltd (Note 1) attributable to the shareholders of that company other than those of the holding company. The net share of the non-controlling shareholders in losses is restricted to their share in the share capital and other reserves of the subsidiary.

# Lordos Hotels (Holdings) Public Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 28. Non-controlling interests (continued)

The movement of non-controlling interests for the year was as follows:

	2010	2009
	€	€
<b>Balance 1 January</b>	<b>1.010.985</b>	1.162.390
Share of loss for the year	<b>(46.279)</b>	(152.620)
Share of deferred tax on revaluation of property for the year	<b>994</b>	1.215
<b>Balance 31 December</b>	<b>965.700</b>	1.010.985

### 29. 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.

### 30. Capital commitments

Capital expenditure for the hotel Golden Bay contracted for at the reporting date but not yet incurred is as follows:

	2010	2009
	€	€
Repairs and renovations	<b>679.810</b>	-
	<b>679.810</b>	-

### 31. Commitments and contingencies

#### *Operating lease commitments – the Group as lessee*

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

	2010	2009
	€	€
Within one year	<b>8.894</b>	8.714

#### *Legal cases*

A non-controlling interest 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 significant possibility that the Court will reject the appeal. The Board of Directors of the Company considers that no additional outflow of financial resources regarding the above claim will be required. Therefore the consolidated statement of financial position at 31 December 2010 does not include any provision for the above claim.

# Lordos Hotels (Holdings) Public Limited

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2010

### 31. Commitments and contingencies (continued)

#### *Legal cases (continued)*

At 31 December 2010 there were also pending lawsuits against the Company regarding its operations amounting to €83.819 (2009: €83.819). The Board of Directors based on the opinion of the legal advisor of the Group considers that there is a significant possibility that the Court will reject the claim. The Board of Directors of the Company considers that no additional outflow of financial resources regarding the above claim will be required. Therefore the consolidated statement of financial position at 31 December 2010 does not include any provision for the above claim.

### 32. Significant events after the end of the financial year

On 7 February 2011, the company Lordos Hotels Holdings (Public) Ltd entered into an agreement for an additional loan, for the finance of repairs and renovations, amounting to €800.000. The loan is repayable in 84 monthly installments.

## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2010

### I. PART ONE – Adoption of the code

#### A. COMPANY'S DECISION – Officers and Corporate Governance Committees

The Board of Directors of the Company at its meeting of 27 March 2003 decided on the application of all the provisions of the Corporate Governance Code ("the Code"). The Company implements the provisions of the Code for all its subsidiaries. The Officers and the structure of the Committees stipulated by the Code during 2010 were as follows:

- Investor report officers** (§A.2.5. of code – *The Board of Directors should appoint one of the independent non-Executive Directors to be the Senior independent Director. The Senior independent Director should be available to listen to the concerns of the shareholders the problems of which have failed to be resolved through the normal channels of communication*)

Takis Clerides (non-executive, independent director)
- Nominations Committee** (§A.4.1. of code – *A Nomination Committee should be established which should make recommendations to the Board of Directors for the appointment of new Directors. The majority of the members of this Committee should be Non-Executive Directors and its Chairman should be either the Chairman of the Board of Directors (in case that he is Non-Executive) or a Non-Executive Director. The Chairman and the members of the Nomination Committee should be disclosed in the Annual Report.*)

Michalis Kleopas (Chairman, non-executive), Takis Kyriakides (executive director), Demetrios Lordos (executive director), Takis Clerides (non-executive director) and Petros Petrides (non-executive director) (Members)
- Remuneration Committee** (§B.1.1. of code – *For the avoidance of potential conflicts of interest, the Board of Directors should set up a Remuneration Committee consisting exclusively of Non-Executive Directors to make recommendations to the Board, within agreed terms of reference, on the executive Directors' context and level of remuneration and to determine on their behalf specific remuneration packages for each of the Executive Director, including pension rights and any other compensation payments.*)

Georgios Michaelides (Chairman, non-executive director), Areti Ionides (non-executive director), Takis Clerides (non-executive director) (Members)
- Audit Committee** (§C.3.1. of code - *The Board of Directors should establish an Audit Committee of at least two Non-Executive Directors, with written terms of reference which will expressly set out their powers and duties. The names of the members of the Committee, a majority of whom should be independent Non-Executive Directors, should be disclosed in the Annual Report. The Chairman of the said Committee should have experience in the Accounting or Finance. The Committee should meet regularly and at least twice a year.*)

Takis Clerides (Chairman, non-executive, independent director), Michalis Kleopas (non-executive, non-independent director), Georgios Michaelides (non-executive, independent director) (Members)
- Compliance with the Code of Corporate Governance Officer** (§G. 3.7. of code - *The Board of Directors should appoint a suitable executive as the Compliance with Code of Corporate Governance Officer.*)

Adamos Adamides
- Investor Liaison Officers** (§D.2.4. of code - *The Board of Directors should appoint a management executive or an officer of the Company as Investor Liaison Officer. All information pertaining to the Company should be distributed fairly, in a timely fashion and costless to all shareholders.*)

Adonis Elia (Financial Controller) and Evgenia Nicolaou

# Lordos Hotels (Holdings) Public Limited

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## I. PART ONE (continued)

### B. TERMS OF REFERENCE

The Terms of Reference of each Officer and Committee, decided by the Board of Directors upon the suggestion of each committee and which are respectively and pro rata applied for the subsidiaries as well, 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.
  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.

# Lordos Hotels (Holdings) Public Limited

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## **I. PART ONE (continued)**

### **B. TERMS OF REFERENCE (continued)**

#### **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 a regular basis, the Company's policy with regard to the remuneration of executive officers, including the policy with regard the remuneration based on shares and its implementation. 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, but not excessive, to attract and retain in service of the Company, 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.

# Lordos Hotels (Holdings) Public Limited

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## **I. PART ONE (continued)**

### **B. TERMS OF REFERENCE (continued)**

#### **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 dismissal, 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 dismissal when this was not the result of reduced performance and to manage all cases of dismissal of the 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 remuneration levels of comparable companies, 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 for 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.

# Lordos Hotels (Holdings) Public Limited

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## **I. PART ONE (continued)**

### **B. TERMS OF REFERENCE (continued)**

#### **4. Terms of Reference of the Audit Committee (continued)**

- 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 inspect the company's internal financial controls, the company's internal control and the risk management systems.
- C.3. 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.4. 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.

#### 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 Compliance with the Code of Corporate Governance Officer.

# Lordos Hotels (Holdings) Public Limited

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## **I. PART ONE (continued)**

### **B. TERMS OF REFERENCE (continued)**

#### **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 lectures for additional updating of the investors.
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.

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

### **A. MEMBERS OF THE BOARD OF DIRECTORS**

#### **A.1. Board of Directors**

During 2010, 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 Director.

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.

# Lordos Hotels (Holdings) Public Limited

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## **II. PART TWO (continued)**

### **A. MEMBERS OF THE BOARD OF DIRECTORS (continued)**

#### **A.2. Board of Directors Balance**

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

Based on the criteria of the Code, Takis Clerides and Georgios Michaelides are independent Directors. Petros Petrides, Michalis Kleopas and Doros Orphanides are non-independent Directors after completing nine years of services in the Board of Directors. In addition, Areti Ionides has significant relations with executive Directors, while 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 therefore are not considered independent Directors.

The independent Directors have confirmed their independence on the basis of the requirements of paragraph A.2.3. of the Code.

Takis 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 (A.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.

#### **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**

The Directors that have retired by rotation are Takis Kyriakides, Adamos K. Adamides, Michalis Kleopas and Georgios Michaelides and are offered for re-election.

# Lordos Hotels (Holdings) Public Limited

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## **II. PART TWO (continued)**

### **A. MEMBERS OF THE BOARD OF DIRECTORS (continued)**

#### **A.5. Re-election – Election (continued)**

Takis Kyriakides was born in Famagusta on 1/12/1941 and graduated from the Greek High School of Famagusta. He studied Economics in England (Bsc Economics) and Law (Barrister at Law). He is Chairman of the Company and Chairman or Director in various family companies whose activities are the development of land and Trading. He has been a Chairman of the companies of the Cyprus Airways Group (1997-1999), Chairman of the National Exhibition Authority (1989-1996), Vice Chairman of the Cyprus Commerce and Industrial Chamber (1997-1999) and Chairman of the Famagusta Chamber of Commerce and Industry (1991-1996). He also served as Chairman and member of various associations and organisations as well as Governor of the Lions Club of Cyprus and Greece during the year 1987-1988. Since 1974, he lives in Limassol with his family. He is married with Thekla, from the family of Georgios Lordos, and has three daughters, Despiana, Rania and Stephanie. He has been a member of the Company's Board of Directors since 1/10/1973.

Adamos K. Adamides was born in Syngراسis on 16 February 1942. He studied at the School of Law of Athens University and is a lawyer. From May 1988 until February 1993 he was a member of the Board of Directors of the Cyprus Telecommunications Authority. In February 1993, he was appointed and served as Minister of Transportation and Public Works until April 1997. He has written articles about competitive rehabilitation of the economy and the public sector, legal directories, literature and articles of historical and philosophical content. He has been a member of the Board of Directors since 28/10/2000.

Michalis Kleopas was born in Famagusta. After his graduation from the Greek High School of Famagusta, he studied law at the University of Athens. He is practicing as lawyer in Nicosia. He was a member of the National Legal Board, a member of the Legal Disciplinary Board, member and officer of the Cyprus Law Society. He is a secretary, chairman and/or member of the Board of directors of a number of public and private companies. He is married with the lawyer Elena Kleopa, with which have two daughters. He has been a member of the Board of Directors since 28/9/1999.

George Chr. Michaelides was born in Nicosia on 22/6/1948 and lived in Famagusta. He studied National Economics at Freiburg University of Germany and tourist Management at Surrey University of England. He worked for the Commonwealth Secretary in London and from 1976-1990 at Cyprus Tourist Organisation as Head of the Public Relations Department. From 1990-2006 worked in the Group of Companies "Louis" as Superior General Marketing Director. He served as Chairman of European Federation of Conference Towns, Member of European Tourism Action Group, member of the Board of Directors of the Tourism Development Company, Chairman of the Marketing Committee for Cyprus Tourism, member of the Board of Directors of the International Exhibition Centre of Cyprus, member of the Board of Directors of the National Exhibition Authority and Chairman of the Cyprus PR Association. From 2007, he is Managing Director of George Chr. Michaelides Tourism Consulting Ltd. He is Chairman of the Institute for Cultural Tourism and Special Interests Tourism, Chairman of the national Committee SKAL (Tourism Professionals) of Cyprus, Chairman of the Cyprus Spain Business Association and member of the Board of Directors of the Famagusta Chamber of Commerce and Industry. He participates as a lecturer/instructor in national conferences dealing with specific types of tourism, cruise tourism and marketing tourism. He has been honored with the Grand Cross Decoration of Germany for his contribution to the European Tourism and the development of the Cyprus-Germany relationships. He is married with Era Nicolaidou and has two children. He has been a member of the Board of Directors since 25/9/2007.

There is no member of the Board of Directors whose election or re-election occurred in more than three 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.

# Lordos Hotels (Holdings) Public Limited

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## **II. PART TWO (continued)**

### **B. DIRECTORS' REMUNERATION (continued)**

#### **B.2. Level and composition of emoluments – Emoluments Policy**

The Company's policy with regard to the remuneration of Executive Directors and the other managerial staff continues to be based, whenever it is suitable, 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.

#### **B.3. Disclosure**

The total emoluments of the Executive Directors, including travelling expenses, during the year 2010 were the following:

- (a) Takis Kyriakides, Chairman of the Board of Directors: €21.696
- (b) Demetrios G. Lordos, Vice-Chairman of the Board of Directors: €21.696

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.

The Executive Directors are not remunerated for their participation in meetings of the Board of Directors, the committees of the Board of Directors or the Board of Directors of other Group companies.

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, is equal to the remuneration for participating in the meetings of the Board of Directors.

The total emoluments received by the Non-executive Directors during 2010 from the Company and from companies of the Group are the following: Areti (Loula) Ionides €3.335, Adamos Adamides €5.360, Petros Petrides €3.710, Michalis Cleopas €4.270, Doros Orphanides €2.975, Takis Clerides €9.113 and Georgios Michaelides €8.578. Detailed analysis of the emoluments is included in Note 29.1 of the Financial Statements of the holding company and 27.1 of the Consolidated Financial Statements. The legal firm Adamos K. Adamides & Co, in which Adamos Adamides is a partner, during 2010 received remuneration of €11.600 for legal services and legal advisory of the Group and the company Adaminco Secretarial Ltd, in which Adamos Adamides is a Director, received total remuneration €14.410 for the services of corporate Secretary of the Group.

There were no emoluments received by the Directors distributable by way of profits or bonus.

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 INTERNAL 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.

# Lordos Hotels (Holdings) Public Limited

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## II. PART TWO (continued)

### C. ACCOUNTABILITY AND INTERNAL AUDIT (continued)

#### C.2. Internal Audit

The firm C.M. Adamides & Co Chartered Accountants to which the internal audit function has been assigned in 2006 continued their procedures in 2010 and delivered their reports to the Audit Committee. The external auditors do not provide internal audit services.

The Directors have examined the need to create an Internal Audit Department and taking into consideration, among others, the adequacy of staff and operation of the Company and the Audit Committee, and the level of services provided by the independent audit firm, it was concluded that such a necessity is not applicable currently.

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 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.

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.

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

The composition of the Audit Committee is presented in Part I.A.3. of this report. The majority of the members are 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 Association of Chartered Certified Accountants and member of the Institute of Certified Public Accountants of Cyprus.

During 2010 the Committee held four meetings.

Among other matters included in the Terms of Reference, 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 €384.127 for 2010 (€313.336 for 2009), 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 tenders 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.

# Lordos Hotels (Holdings) Public Limited

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## **II. PART TWO (continued)**

### **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.

#### **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 shareholders, since they represent sufficient number of shares (5%), are allowed to include matters in the agenda for discussion in the general meetings according to the provisions of Companies Act.

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.

12 April, 2011

By order of the Board of Directors

Adaminco Secretarial Limited  
Secretary of Lordos Hotels (Holdings) Public Limited