LOUIS PLC

REPORT, CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2012

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LOUIS PLC

STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

In accordance with Article 9, sections (3)(c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law of 2007 ("Law"), we the members of the Board of Directors and the company officials responsible for the consolidated and separate financial statements of Louis plc (the "Company") for the year ended 31 December 2012, confirm that to the best of our knowledge:

(a) the annual consolidated and separate financial statements of the Company which are presented on pages 9 to 97:
  (i) were prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and in accordance with the provisions of Article 9, section (4) of the Law, and
  (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of Louis plc and the subsidiary companies that are included in the consolidated and separate financial statements of the Company as a total (the "Group"), and

(b) the Directors' report gives a fair review of the developments and the financial performance of the business as well as the financial position of the Company and the Group, together with a description of the principal risks and uncertainties that they are facing.

Members of the Board of Directors and Company officials responsible for the consolidated and separate financial statements of the Company

Costakis Loizou	Chairman	…………………………
Jason Perdios	Executive Director	…………………………
Louis Loizou	Executive Director	…………………………
Olga Eliadou	Non-executive Director	…………………………
Christos Mavrellis	Non-executive Director	…………………………
Dinos Papadopoulos	Non-executive Director	…………………………
George Foradaris	Non- Executive Director	…………………………
George Paschalis	Chief Financial Officer	…………………………
Yiannakis Lakkotripis	Chief Accountant	…………………………

Nicosia, 29 April 2013

LOUIS PLC

BOARD OF DIRECTORS, PROFESSIONAL ADVISERS AND BANKERS

Board of Directors	Costakis Loizou	*(Chairman)*
	Jason Perdios	*(Executive Director)*
	Louis Loizou	*(Executive Director)*
	Olga Eliadou	
	Christos Mavrellis	
	Vakis Loizou	*(resigned on 11 June 2012)*
	George M. Georgiades	*(resigned on 13 March 2012)*
	Dinos Papadopoulos	*(appointed on 1 April 2012)*
	Takis Taousianis	*(appointed on 28 June 2012 and resigned on 7 November 2012)*
	George Foradaris	*(appointed on 9 January 2013)*
Secretary	Costas Hadjimarkos	
Independent Auditors	KPMG Limited	
Legal Advisers	Ioannides Demetriou LLC	
	Loukis Papaphilippou & Co LLC	
	Pampoukis & Associates Law Firm	
	L. Pelekanos & Associates	
	Tassos Papadopoulos & Co LLC	
	Chrysafinis & Polyviou LLC	
	Chryses Demetriades & Co LLC	
	Tsimpanoulis & Associates	
	N. Ginis – D. Neri	
	Elias Demetriou	
	Rousos & Hadjidemetriou	
	Hill Dickinson LLP	
	Ince & Co International Law Firm	
	Hollman Fenwick Willan France LLP	
	Campbell Johnston Clark LLP	
	Linklaters LLP	
	Batini Traverso & Associati	
Bankers	National Bank of Greece S.A.	
	Hellenic Bank Public Company Ltd	
	Commercial Bank of Greece S.A.	
	Bank of Cyprus Public Company Ltd	
	Bank of Cyprus Leasing S.A.	
	Barclays Bank S.A.	
	DVB Bank America N.V.	
	HSBC Bank plc	
	Cyprus Popular Bank Public Co Ltd	
	Societe Generale Bank Cyprus Ltd	
	First Business Bank S.A.	
	Marfin Egnatia Bank S.A.	
	Marfin Leasing S.A.	
	USB Bank Plc	
	Bankinter S.A.	
Registered Office	11 Limassol Avenue	
	2112, Nicosia	

LOUIS PLC

BOARD OF DIRECTORS' REPORT

The Board of Directors presents its Annual Report and the audited consolidated and separate financial statements of Louis plc (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Group which are the operation of cruises, the charter hire of vessels to third parties and the ownership, operation and management of hotel units, have not changed since last year.

FINANCIAL RESULTS AND EXAMINATION OF THE DEVELOPMENT OF THE POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP AND THE COMPANY

The year 2012 was a very difficult year for the Group, mainly due to its cruise operations from Piraeus. As a result of the large decrease in the number of passengers, due to the general situation in Greece, there has been a reduction in the profit from operations before interest, taxes, depreciation and amortization, for the cruise sector from €24,7 m. to €14 m. and the increase in the net loss from operations after finance expenses from €18,3 m. to €24,7 m. Regarding hotel sector, the net results from operations had a slight increase, with the profit from operations to be around €2,9 m. for 2012 compared to €1,6 m. in 2011.

Overall, the net loss attributable to owners of the Group decreased from €82,7 m. to €40,2 m. in 2012, registering a decrease of €42,5 m. It should be noted that last year's results were negatively affected by non-recurring charges relating to the loss from the cancellation of contract for the acquisition of vessel (€10,3 m.), the loss from the impairment of assets (€47,9 m.) and the specific provision for doubtful debts (€8,8 m.). Respectively, the results of 2012 were negatively affected by non-recurring charges amounting to €7,0 m. relating to loss from the impairment of assets (€6,1 m.), mainly due to the write off of goodwill, transfer of fair value from hedging reserve to income statement (€3,6 m.) and provisions for doubtful debts (€4,9 m).

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the year 2012.

MAIN RISKS AND UNCERTAINTIES

The Group is exposed to risks, the most significant of which are credit risk, interest rate risk, liquidity risk, foreign currency risk, risk of fuel price increases and shipping and tourist industry risks. The Group monitors and manages these risks through various mechanisms as described in notes 40, 42 and 43 of the consolidated and separate financial statements of the Company.

SHARE CAPITAL

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

LOUIS PLC

BOARD OF DIRECTORS' REPORT

BRANCHES

During the year, the Group operated branches in Athens, Piraeus, Genoa, Paris and in the islands of Zakynthos, Corfu, Crete and Rhodes. Moreover, the Group operates in other countries through its subsidiary companies, which are reported in note 36 of the consolidated and separate financial statements of the Company.

FUTURE DEVELOPMENTS

The Group will continue to operate in the cruise and hotel sectors. As far as the cruise sector is concerned, the Group's objectives include further expansion in the areas of charter hiring and management of vessels, the establishment of the Louis brand in the cruise market of Piraeus, more effective use of the vessels (which will lead to the reduction of the effects of seasonality), as well as the continuance of the restructuring of the fleet.

The hotel sector will continue its efforts for further expansion of its activities in Cyprus and Greece, but also in new overseas markets, where opportunities are presented in relation to hotel management or leasing of hotel units.

BOARD OF DIRECTORS

The members of the Board of Directors as at 31 December 2012 and at the date of this report are presented on page 2.

In accordance with the provisions of the Company's Articles of Association, the Directors that retire are Messrs Christos Mavrellis and Louis Loizou. Messrs Christos Mavrellis and Louis Loizou are eligible for re-election and offer themselves for re-election. For the filling of the positions there will be elections at the Annual General Meeting.

On 1 April 2012, the Board of Directors appointed Mr. Dinos Papadopoulos as a Non-Executive Director. His appointment, was approved at the Annual General Meeting dated on 28 June 2012.

On 9 January 2013, the Board of Directors appointed Mr. George Foradaris as a Non-Executive Director. The appointment of Mr. George Foradaris is subject to approval by the Annual General Meeting.

Mr. George M. Georgiades resigned from the Board of Directors on 31 March 2012, Mr. Vakis Loizou on 11 June 2012 and Mr. Takis Taousianis on 7 November 2012.

On 16 January 2012, the Board of Directors appointed Mr. Kyriakos Anastasiades as Chief Executive Officer (CEO) of the cruise sector. This position, until that date, was held by Mr. Costakis Loizou.

There were no other significant changes in the composition, allocation of responsibilities or remuneration of the Board of Directors.

RELATED PARTY TRANSACTIONS

Transactions with related parties are disclosed in note 34 of the consolidated and separate financial statements of the Company.

LOUIS PLC

BOARD OF DIRECTORS' REPORT

AGREEMENTS WITH THE BOARD OF DIRECTORS AND THEIR RELATED PARTIES

Except for the transactions and balances with related parties and management disclosed in notes 34 and 39 respectively, there were no other significant transactions in which the Board of Directors and their related parties had a significant interest.

DIRECTORS' AND RELATED PARTIES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The percentage of the Company's share capital principally held, directly or indirectly, by the members of the Board of Directors, their spouses and their dependent children, as at 31 December 2012 and 22 April 2013 (5 days prior to the date of approval of the consolidated and separate financial statements of the Company) was as follows:

	31/12/2012 %	22/4/2013 %
Costakis Loizou, Chairman	65,475	65,475
Jason Perdios, Executive Director	1,972	1,972
Louis Loizou, Executive Director	0,003	0,003
Christos Mavrellis	0,015	0,015
Olga Eliadou	-	-
Dinos Papadopoulos	-	-
George Foradaris	-	-

The shareholding interest of Mr. Costakis Loizou includes the shareholding interest of the companies CLIN Company Ltd (the "Parent") and Alasia Cyprus Cruises Ltd, with percentage holdings of 65,199% and 0,016% respectively, of which he is the primary shareholder and the shareholding interest of Ms. Marissa Loizou (daughter) and Mr. Louis Loizou (son) with percentage holdings of 0,154% and 0,106% respectively.

MAIN SHAREHOLDERS

The shareholder holding more than 5% of the share capital of the Company as at 31 December 2012 and 22 April 2013 (5 days prior to the date of approval of the consolidated and separate financial statements of the Company) was Mr. Costakis Loizou with a shareholding interest of 65,475%.

GOING CONCERN BASIS

The consolidated and separate financial statements of the Company were prepared on a going concern basis. Notwithstanding the recent developments in the Cyprus economic environment as disclosed in note 42 of the consolidated and separate financial statements of the Company and the contingent uncertainties regarding the ability of the Group to continue as a going concern as disclosed in note 43 of the consolidated and separate financial statements of the Company, the Board of Directors of the Group considers that the Company and the Group have the ability to continue their operations as a going concern.

LOUIS PLC

BOARD OF DIRECTORS' REPORT

EVENTS AFTER THE REPORTING PERIOD

The events that occurred after the reporting period are disclosed in note 44 of the consolidated and separate financial statements of the Company.

MODIFICATION OF INDICATIVE FINANCIAL RESULTS

The audited financial results of the Group present the following differences from the announced indicative results:

	2012 €'000
Loss as per the announcement of indicative results	(30.442)
Additional impairment charge on goodwill	(6.130)
Transfer of derivative financial instruments fair value to the results	(3.623)
Loss as per the consolidated financial results	(40.195)

This change was made following the recent completion of the valuation of the Group's hotel units to their fair values, as a result of which an impairment of goodwill amounting to €6,13 m. was decided. In addition, with the completion of the audit it was decided that an amount of €3,62 m. from the hedging reserve to be transferred to the income statement.

CORPORATE COVERNANCE DECLARATION

The Board of Directors has adopted the provisions of the Corporate Governance Code, as issued and published by the Cyprus Stock Exchange.

The Board of Directors' Corporate Governance Report based on the Corporate Governance Code, includes the relevant information in accordance with Article 5 of the Directive DI 190-2007-04 as issued according to the Transparency Requirements (Traded Securities in Regulated Markets) Law of 2007, N.190(I)/2007.

INDEPENDENT AUDITORS

The independent auditors, KPMG Limited, have expressed their willingness to continue in office. A resolution for their re-appointment and authorising the Board of Directors to determine their remuneration will be submitted at the Annual General Meeting.

By order of the Board of Directors,

Costas Hadjimarkos
Secretary

Nicosia, 29 April 2013

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Chartered Accountants
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1087 Nicosia, Cyprus
P.O.Box 21121
1502 Nicosia, Cyprus

Telephone +357 22 209000
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E-mail nicosia@kpmg.com.cy
Internet www.kpmg.com.cy

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

LOUIS PLC

Report on the consolidated and separate financial statements of Louis plc

We have audited the accompanying consolidated financial statements of Louis plc and its subsidiary companies (the "Group") and the separate financial statements of Louis plc (the "Company") on pages 9 to 97, which comprise the consolidated statement of financial position and the statement of financial position of the Company as at 31 December 2012, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows and the income statement and the statements of comprehensive income, changes in equity and cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the financial statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

LOUIS PLC

Opinion

In our opinion, the consolidated and separate financial statements of the Company give a true and fair view of the financial position of the Group and the Company as at 31 December 2012, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

Emphasis of matter

We draw attention to notes 2(a), 42 and 43 of the consolidated and separate financial statements of the Company where it is reported that these were prepared on a going concern basis, the negative financial results of the Group during the year ended 31 December 2012, the negative working capital as of that date, as well as uncertainties relating to any potential impact on the Group due to the economic environment and the continuation of the financing facilities. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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 consolidated and separate financial statements of the Company 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 and separate financial statements of the Company 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 3 to 8 is consistent with the consolidated and separate financial statements of the Company.

Pursuant to the requirements of the Directive DI 190-2007-04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive, and it forms a special part of the report of the Board of Directors.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Demetris S. Vakis FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

29 April 2013

LOUIS PLC

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Σημ.	2012 €'000	2011 €'000
Revenue	4,5	193.895	244.292
Operating expenses		(94.108)	(121.218)
Personnel costs		(57.558)	(70.710)
Selling and administrative expenses		(5.532)	(6.409)
		(157.198)	(198.337)
Operating profit before interest, taxes, depreciation, amortization and hotel rent expenses		36.697	45.955
Hotel rent expenses		(10.993)	(9.364)
Depreciation	13	(24.033)	(30.574)
Lease amortisation charges	15	(688)	(688)
Other amortisation and impairment charges		381	349
Profit from operations	6	1.364	5.678
Finance income		1.506	1.545
Finance expenses		(25.801)	(25.334)
Net finance expenses	7	(24.295)	(23.789)
Loss from operations after net finance expenses		(22.931)	(18.111)
Net exchange (loss)/gain	8	(4.259)	2.341
Share of profit of associate company	33	355	473
Loss on disposal of vessels, property, plant and equipment		(398)	-
Impairment charge on assets	9	(6.966)	(47.868)
Loss from cancellation of contract for acquisition of vessel	25	-	(10.327)
Impairment charges and provision for doubtful debts	18	(4.910)	(8.779)
Loss before taxation		(39.109)	(82.271)
Taxation	10	(1.086)	(668)
Loss for the year		(40.195)	(82.939)
Loss for the year attributable to:			
Owners of the Company		(40.189)	(82.674)
Non-controlling interest		(6)	(265)
Loss for the year		(40.195)	(82.939)
Basic and fully diluted loss per share (€ cent)	12	(8,73)	(17,95)

The notes on pages 21 to 97 form an integral part of the consolidated and separate financial statements of the Company.

LOUIS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 €'000	2011 €'000
Loss for the year		(40.195)	(82.939)
Other comprehensive income			
Loss from cash flow hedges	8	(1.945)	(6.199)
Transfer of derivative financial instruments fair value to the results	8	3.623	-
Exchange difference from translation of foreign subsidiary company's financial statements		(12)	(3)
Revaluation of properties		236	(13.820)
Deferred tax on revaluation	27	850	2.663
Decrease in deferred tax due to changes in tax rates		-	216
Deferred tax written off on disposal of non-current assets held for sale	20	1.247	-
Capital gains tax through reserves		(403)	-
Acquisition of non-controlling interest	32	(117)	-
Other comprehensive income for the year		3.479	(17.143)
Total comprehensive income for the year		(36.716)	(100.082)
Total comprehensive income attributable to:			
Owners of the Company		(36.714)	(99.797)
Non-controlling interest		(2)	(285)
Total comprehensive income for the year		(36.716)	(100.082)

The notes on pages 21 to 97 form an integral part of the consolidated and separate financial statements of the Company.

LOUIS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	2012 €'000	2011 €'000
Assets			
Vessels, property, plant and equipment	13	457.361	467.923
Intangible assets	14	-	6.130
Hotel leases	15	22.947	23.635
Amounts due from related parties	34	44.898	39.623
Other assets	16	2.025	2.460
Investment in associate company	33	16.160	16.154
Non-current assets		543.391	555.925
Inventories	17	8.112	8.453
Trade and other receivables	18	46.695	61.763
Amounts due from related parties	34	13.412	15.137
Blocked bank deposits	19	6.838	979
Cash and cash equivalents	19	13.497	10.673
Non-current assets held for sale	20	36.084	59.372
Current assets		124.638	156.377
Total assets		668.029	712.302
Equity			
Share capital	21	78.293	78.293
Reserves	22	22.076	58.790
Equity attributable to the owners of the Company		100.369	137.083
Non-controlling interest		71	427
Total equity		100.440	137.510
Liabilities			
Borrowings	23	110.622	281.685
Finance lease obligations	24	198.053	26.705
Amounts due to related parties	34	7.636	1.091
Other liabilities	25	4.766	6.789
Deferred income	26	5.988	7.780
Deferred tax	27	19.388	20.085
Non-current liabilities		346.453	344.135
Bank overdrafts	19	30.838	29.996
Borrowings	23	75.296	93.973
Finance lease obligations	24	18.747	2.357
Trade and other payables	28	60.922	66.726
Derivative financial instruments	29	3.909	2.838
Amounts due to related parties	34	13.113	17.481
Other liabilities	25	1.895	2.147
Deferred income	26	9.190	6.852
Taxation due	30	3.282	3.143
Liabilities held for sale	20	3.944	5.144
Current liabilities		221.136	230.657
Total liabilities		567.589	574.792
Total equity and liabilities		668.029	712.302

The consolidated and separate financial statements of the Company were approved by the Board of Directors on 29 April 2013.

Costakis Loizou Chairman	Christos Mavrellis Director

The notes on pages 21 to 97 form an integral part of the consolidated and separate financial statements of the Company.

LOUIS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Note	Share capital €'000	Share premium €'000	Hedging reserve €'000	Property revaluation reserve €'000	Other reserves €'000	Difference from conversion of capital to Euro €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
		Equity attributable to the owners of the Company									
Balance 1 January 2012		78.293	94.301	(5.587)	20.167	192	364	(50.647)	137.083	427	137.510
Total comprehensive income for the year											
Loss for the year		-	-	-	-	-	-	(40.189)	(40.189)	(6)	(40.195)
Other comprehensive income											
Loss from cash flow hedges	8	-	-	(1.945)	-	-	-	-	(1.945)	-	(1.945)
Transfer of derivative financial instruments fair value to the results	8	-	-	3.623	-	-	-	-	3.623	-	3.623
Exchange difference from translation of foreign subsidiary company's financial statements		-	-	-	-	(12)	-	-	(12)	-	(12)
Deferred tax written off on disposal of non-current assets held for sale	20	-	-	-	1.245	-	-	-	1.245	2	1.247
Capital gains tax through reserves		-	-	-	(403)	-	-	-	(403)	-	(403)
Transfer on disposal of financial assets		-	-	-	(2.453)	-	-	2.453	-	-	-
Revaluation of properties	9	-	-	-	236	-	-	-	236	-	236
Deferred tax on revaluation	27	-	-	-	848	-	-	-	848	2	850
Transfer of additional depreciation from revaluation		-	-	-	(42)	-	-	42	-	-	-
Acquisition of non-controlling interest	32	-	-	-	-	-	-	(117)	(117)	-	(117)
Other comprehensive income for the year		-	-	1.678	(569)	(12)	-	2.378	3.475	4	3.479
Total comprehensive income for the year		-	-	1.678	(569)	(12)	-	(37.811)	(36.714)	(2)	(36.716)
Transactions with owners, recognised directly in equity											
Changes in ownership interests in subsidiary companies											
Non-controlling interest written off on the acquisition of shareholding interest in subsidiary company	32	-	-	-	-	-	-	-	-	(354)	(354)
Total transactions in ownership interests in subsidiary companies		-	-	-	-	-	-	-	-	(354)	(354)
Total transactions with owners, recognised directly in equity		-	-	-	-	-	-	-	-	(354)	(354)
Balance 31 December 2012		78.293	94.301	(3.909)	19.598	180	364	(88.458)	100.369	71	100.440

The notes on pages 22 to 97 form an integral part of the consolidated and separate financial statements of the Company.

LOUIS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Note	Share capital €'000	Share premium €'000	Hedging reserve €'000	Property revaluation reserve €'000	Other reserves €'000	Difference from conversion of capital to Euro €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
		Equity attributable to the owners of the Company									
Balance 1 January 2011		78.293	94.301	612	26.674	195	364	36.441	236.880	97	236.977
Total comprehensive income for the year											
Loss for the year		-	-	-	-	-	-	(82.674)	(82.674)	(265)	(82.939)
Other comprehensive income											
Loss from cash flow hedges	8	-	-	(6.199)	-	-	-	-	(6.199)	-	(6.199)
Exchange difference from translation of foreign subsidiary company's financial statements		-	-	-	-	(3)	-	-	(3)	-	(3)
Revaluation of properties	9	-	-	-	(13.795)	-	-	-	(13.795)	(25)	(13.820)
Deferred tax on revaluation	27	-	-	-	2.658	-	-	-	2.658	5	2.663
Transfer		-	-	-	4.508	-	-	(4.508)	-	-	-
Decrease in deferred tax due to changes in tax rates	27	-	-	-	216	-	-	-	216	-	216
Transfer of additional depreciation from revaluation		-	-	-	(94)	-	-	94	-	-	-
Other comprehensive income for the year		-	-	(6.199)	(6.507)	(3)	-	(4.414)	(17.123)	(20)	(17.143)
Total comprehensive income for the year		-	-	(6.199)	(6.507)	(3)	-	(87.088)	(99.797)	(285)	(100.082)
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Dividend paid		-	-	-	-	-	-	-	-	(9)	(9)
Total contributions by and distributions to owners of the Company		-	-	-	-	-	-	-	-	(9)	(9)
Changes in ownership interests in subsidiary companies											
Acquisition of subsidiary company	32	-	-	-	-	-	-	-	-	624	624
Total transactions in ownership interests in subsidiary companies		-	-	-	-	-	-	-	-	624	624
Total transactions with owners, recognised directly in equity		-	-	-	-	-	-	-	-	615	615
Balance 31 December 2011		78.293	94.301	(5.587)	20.167	192	364	(50.647)	137.083	427	137.510

The notes on pages 22 to 97 form an integral part of the consolidated and separate financial statements of the Company.

LOUIS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 €'000	2011 €'000
Cash flows from operating activities			
Loss before taxation		(39.109)	(82.271)
Adjustments for:			
Depreciation	13	24.033	30.574
Lease amortisation charges	15	688	688
Other amortisation and impairment charges		(381)	(349)
Impairment charge on assets	9	6.966	47.868
Unrealised exchange (gain)/loss	8	(114)	1.591
Loss/(profit) on disposal of vessels, property, plant and equipment		398	(23)
Loss on re-measurement to fair value of derivative financial instrument	8	-	6
Impairment charges and provision for doubtful debts	18	4.910	8.779
Share of profit of associate company	33	(355)	(473)
Interest income	7	(1.506)	(1.545)
Interest expense	7	25.801	25.334
Cash flows from operating activities before working capital changes		21.331	30.179
Decrease in inventories		186	2.505
Decrease/(increase) in trade and other receivables		10.169	(6.947)
(Decrease)/increase in trade and other payables		(5.752)	6.384
Increase/(decrease) in deferred income		1.174	(4.662)
Decrease/(increase) in other assets		370	(893)
(Decrease)/increase in other liabilities		(2.275)	7.927
Increase in amounts due from related parties		(1.855)	(1.195)
Cash generated from operating activities		23.348	33.298
Taxation paid		(1.079)	(996)
Net cash flows from operating activities		22.269	32.302
Cash flows from investing activities			
Payments for acquisition of subsidiary company	32	(471)	(1.594)
Payments for acquisition of additional shareholding interest in associate company	33	-	(775)
Dividend received	33	394	581
Payments for acquisition of vessels, property, plant and equipment	13	(14.046)	(22.814)
Payments for additions to non-current assets held for sale	20	(506)	-
Proceeds from disposal of vessels, property, plant and equipment		31	462
Proceeds from disposal of non-current assets held for sale	20	23.299	-
Interest received		1.506	1.545
Net cash flow from/(used in) investing activities		10.207	(22.595)
Cash flow from financing activities			
Payments for derivative financial instruments		-	(809)
Proceeds from issue of new borrowings	23	-	4.412
Repayments of borrowings		(16.905)	(11.259)
Repayments of finance lease obligations		(660)	(827)
Blocked bank deposits		(5.859)	(979)
Dividend paid		-	(9)
Interest paid		(7.148)	(19.986)
Net cash flow used in financing activities		(30.572)	(29.457)
Effect of exchange rate fluctuations on cash and cash equivalents		78	581
Net increase/(decrease) in cash and cash equivalents		1.982	(19.169)
Cash and cash equivalents at the beginning of the year		(19.323)	(154)
Cash and cash equivalents at the end of the year		(17.341)	(19.323)
Cash and cash equivalents consist of:			
Cash in hand and at bank	19	13.497	10.673
Bank overdrafts	19	(30.838)	(29.996)
		(17.341)	(19.323)

The notes on pages 21 to 97 form an integral part of the consolidated and separate financial statements of the Company.

LOUIS PLC

INCOME STATEMENT

For the year ended 31 December 2012

	Note	2012 €'000	2011 €'000
Revenue	4	1.567	3.413
Personnel costs		(713)	(766)
Depreciation	13	(86)	(61)
Administrative and other expenses		(1.139)	(1.294)
		(1.938)	(2.121)
(Loss)/profit from operations	6	(371)	1.292
Finance income		3	1
Finance expenses		(7.737)	(7.551)
Net finance expenses	7	(7.734)	(7.550)
Loss from operations after net finance expenses		(8.105)	(6.258)
Net exchange (loss)/gain	8	(55)	64
Impairment charge on investments in subsidiary companies	35	(3)	(24.332)
Loss before taxation		(8.163)	(30.526)
Taxation	10	-	-
Loss for the year		(8.163)	(30.526)
Basic and fully diluted loss per share (€ cent)	12	(1,77)	(6,63)

The notes on pages 21 to 97 form an integral part of the consolidated and separate financial statements of the Company.

LOUIS PLC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 €'000	2011 €'000
Loss for the year		(8.163)	(30.526)
Other comprehensive income			
Loss from cash flow hedges	8	(1.071)	(2.456)
Total comprehensive income for the year		(9.234)	(32.982)

The notes on pages 21 to 97 form an integral part of the consolidated and separate financial statements of the Company.

LOUIS PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	2012 €'000	2011 €'000
Assets			
Equipment	13	509	35
Amounts due from subsidiary companies	34	2.740	2.740
Amounts due from Parent and other related parties	34	37.579	36.120
Investment in associate company		9.719	9.744
Investments in subsidiary companies	35	119.696	119.699
Deferred tax	27	575	575
Non-current assets		170.818	168.913
Trade and other receivables	18	719	695
Amounts due from subsidiary companies	34	104.620	107.116
Amounts due from Parent and other related parties	34	244	388
Cash and cash equivalents	19	66	416
Current assets		105.649	108.615
Total assets		276.467	277.528
Equity			
Share capital	21	78.293	78.293
Reserves	22	52.193	61.427
Total equity		130.486	139.720
Liabilities			
Borrowings	23	63.843	77.446
Amounts due to subsidiary companies	34	306	-
Amounts due to Parent and other related parties	34	6.818	-
Non-current liabilities		70.967	77.446
Bank overdrafts	19	8.899	7.554
Borrowings	23	46.621	28.106
Trade and other payables	28	1.255	1.027
Derivative financial instruments	29	3.909	2.838
Amounts due to subsidiary companies	34	10.965	11.284
Amounts due to Parent and other related parties	34	2.696	8.884
Taxation due	30	669	669
Current liabilities		75.014	60.362
Total liabilities		145.981	137.808
Total equity and liabilities		276.467	277.528

The consolidated and separate financial statements of the Company were approved by the Board of Directors on 29 April 2013.

Costakis Loizou
Chairman

Christos Mavrellis
Director

The notes on pages 21 to 97 form an integral part of the consolidated and separate financial statements of the Company.

LOUIS PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Note	Share capital €'000	Share premium €'000	Difference from conversion of capital to Euro €'000	Hedging reserve €'000	Retained earnings €'000	Total equity €'000
Balance 1 January 2012		78.293	94.301	364	(2.838)	(30.400)	139.720
Total comprehensive income for the year							
Loss for the year		-	-	-	-	(8.163)	(8.163)
Other comprehensive income							
Loss from cash flow hedges	8	-	-	-	(1.071)	-	(1.071)
Total comprehensive income for the year		-	-	-	(1.071)	(8.163)	(9.234)
Balance 31 December 2012		78.293	94.301	364	(3.909)	(38.563)	130.486

The notes on pages 21 to 97 form an integral part of the consolidated and separate financial statements of the Company.

LOUIS PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Note	Share capital €'000	Share premium €'000	Difference from conversion of capital to Euro €'000	Hedging reserve €'000	Retained earnings €'000	Total equity €'000
Balance 1 January 2011		78.293	94.301	364	(382)	126	172.702
Total comprehensive income for the year							
Loss for the year		-	-	-	-	(30.526)	(30.526)
Other comprehensive income							
Loss from cash flow hedges	8	-	-	-	(2.456)	-	(2.456)
Total comprehensive income for the year		-	-	-	(2.456)	(30.526)	(32.982)
Balance 31 December 2011		78.293	94.301	364	(2.838)	(30.400)	139.720

The notes on pages 21 to 97 form an integral part of the consolidated and separate financial statements of the Company.

LOUIS PLC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 €'000	2011 €'000
Cash flows from operating activities			
Loss before taxation		(8.163)	(30.526)
Adjustments for:			
Depreciation	13	86	61
Unrealised exchange loss/(gain)	8	50	(70)
Impairment charge on investments in subsidiary companies	35	3	24.332
Loss on re-measurement to fair value of derivative financial instrument	8	-	6
Interest income	7	(3)	(1)
Interest expense	7	7.737	7.551
Cash flows (used in)/from operating activities before working capital changes		(290)	1.353
(Increase)/decrease in trade and other receivables		(24)	64
Increase/(decrease) in trade and other payables		253	(1.147)
Decrease in amounts due from subsidiary companies		2.456	3.226
Increase in amounts due from Parent and other related parties		(803)	(1.119)
Net cash flow from operating activities		1.592	2.377
Cash flows from investing activities			
Interest received		3	1
Payments for acquisition of equipment	13	(560)	-
Net cash flow (used in)/from investing activities		(557)	1
Cash flows from financing activities			
Payments for derivative financial instruments		-	(809)
Interest paid		(2.730)	(2.086)
Net cash flow used in financing activities		(2.730)	(2.895)
Effect of exchange rate fluctuations on cash and cash equivalents		-	3
Net decrease in cash and cash equivalents		(1.695)	(514)
Cash and cash equivalents at the beginning of the year		(7.138)	(6.624)
Cash and cash equivalents at the end of the year		(8.833)	(7.138)
Cash and cash equivalents consist of:			
Cash in hand and at bank	19	66	416
Bank overdrafts	19	(8.899)	(7.554)
		(8.833)	(7.138)

The notes on pages 21 to 97 form an integral part of the consolidated and separate financial statements of the Company.

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2012

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Louis plc (the "Company") was incorporated in Cyprus on 31 December 1998 as a limited liability private company. On 14 May 1999, the Company became public in accordance with the provisions of the Cyprus Companies Law, Cap. 113, and on 3 August 1999 it listed its shares on the Cyprus Stock Exchange. The Company is a subsidiary of CLIN Company Ltd (the "Parent").

The consolidated and separate financial statements of the Company for the year ended 31 December 2012 comprise the Company and its subsidiaries (the "Group") as well as the Group's interest in associate companies.

The principal activities of the Group which are the operation of cruises, the charter hire of vessels to third parties and the ownership, operation and management of hotel units, have not changed since last year.

2. BASIS OF PREPARATION

(a) Going concern basis

The consolidated and separate financial statements of the Company were prepared on a going concern basis. Notwithstanding the recent developments in the Cyprus economic environment as disclosed in note 42 of the consolidated and separate financial statements of the Company and the contingent uncertainties regarding the ability of the Group to continue as a going concern as disclosed in note 43 of the consolidated and separate financial statements of the Company, the Board of Directors of the Group considers that the Company and the Group have the ability to continue their operations as a going concern.

(b) Statement of compliance

The consolidated and separate financial statements of the Company relate to the year ended 31 December 2012 and have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The consolidated and separate financial statements of the Company have also been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, the Cyprus Stock Exchange Laws and the Transparency Requirements Law (Traded Securities in Regulated Market) Law of 2007, N.190(I)/2007.

(c) Basis of measurement

The consolidated and separate financial statements of the Company have been prepared under the historical cost convention, as modified by the revaluation of vessels, property, plant and equipment, finance leases, investment in associate company and derivative financial instruments.

2. BASIS OF PREPARATION (continued)

(d) Functional and presentation currency

The consolidated and separate financial statements of the Company are presented in Euro (€), which is the functional currency of the Group and the Company. All financial information has been rounded to the nearest thousand.

(e) Use of estimates and judgements

The preparation of the consolidated and separate financial statements of the Company in accordance with IFRSs requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses.

The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable under the circumstances, the results of which comprise the basis for the use of judgment for the current values of assets and liabilities that are not available from other sources. Actual results may deviate from these estimates.

The estimates and underlying assumptions are revised on a continous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

Estimates and assumptions that may cause significant revisions in the carrying amount of assets and liabilities are presented below:

(i) Provision for doubtful debts
The Group and the Company review their trade and other receivables for evidence of their recoverability. The provision for doubtful debts is based on such indicators as the customer's payment record and overall financial position. If indications of non-recoverability exist, the recoverable amount is estimated and a relevant provision for doubtful debts is made. The amount of the provision is charged throught profit or loss. The review of credit risk is continous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly. It is possible that the actual conditions in the next financial year to be different than the assumptions used, as result of which significant adjustments to trade and other receivables may occur.

(ii) Fair value of financial instruments
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group and the Company use their judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting. The Group and the Company regularly review the valuation methods used to ensure their validity and applicability. Changes to the calculations and assumptions used will possibly affect the fair value of the financial instruments.

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgements (continued)

(iii) Taxation
The Group and the Company are subject to corporation tax in accordance to the legislation and the tax rates applicable at the reporting date. For specific transactions and computations the final tax assessment is uncertain. The Group and the Company recognise liabilities for anticipated tax issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters differs from the amount that was initially recognised, such differences may impact the corporation tax and deferred tax provisions in the period in which such assessment was made.

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

During the current year, the Group and the Company adopted all the new and revised IFRSs that are relevant to their operations and are effective for accounting periods beginning on 1 January 2012. This adoption did not have a material effect on the consolidated and separate financial statements of the Company.

As of the date of approval of these consolidated and separate financial statements of the Company the following Standards, Amendments to Standards and Interpretations had been issued by the International Accounting Standards Board but are not yet effective for annual periods beginning on 1 January 2012. Those which may be relevant to the operations of the Group and the Company are set out below. The Company does not plan to adopt these Standards early:

(i) Standards and Interpretations adopted by the EU

- IFRS 7 (Amendments) "Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).
- IAS 1 (Amendments) "Presentation of Items of Other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- IAS 19 (Amendments) "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).

2. BASIS OF PREPARATION (continued)

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

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

- IAS 27 (Revised) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 (Revised) "Investments in Associates and Joint ventures" (effective for annual periods beginning on or after 1 January 2013).
- IAS 32 (Amendments) "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).
- Improvements to IFRSs 2009-2011 (effective for annual periods beginning on or after 1 January 2013).
- IFRS 1 (Amendments): "Government Loans" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 7 (Amendments) "Financial Instruments: Disclosures – Disclosures on transition to IFRS 9" (effective for annual periods beginning on or after 1 January 2015).
- Transition Guidance for IFRS 10, 11 and 12 (effective for annual periods beginning on or after 1 January 2013).

(ii) Standards and Interpretations not adopted by the EU

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).
- Investment Entities - Amendments to IFRS 10, 12 and IAS 27 (effective for annual periods beginning on or after 1 January 2014).

The Board of Directors expects that the adoption of the above Standards and Interpretations in future periods will not have a material effect on the consolidated and separate financial statements of the Company, except for the adoption of:

- IFRS 7 (Amendments) "Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 7 (Amendments) "Financial Instruments: Disclosures – Disclosures on transition to IFRS 9" (effective for annual periods beginning on or after 1 January 2015).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).

The adoption of the above may affect the classification and measurement of financial assets. The extent of the impact has not been determined.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied for all the years presented in these consolidated and separate financial statements of the Company. Uniform accounting policies have been applied for the preparation of the financial statements of all the Group companies and, except where a change is stated, these are consistent with those applied in the prior year.

Basis of consolidation

Subsidiary companies

Subsidiary companies are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiary companies are included in the consolidated financial statements from the date control commences until the date control ceases. Where necessary adjustments are made to the financial statements of the subsidiary companies to bring their accounting policies in line with those adopted by the Group.

Investments in subsidiary companies are presented in the statement of financial position of the Company at acquisition cost. In case of a permanent impairment on the fair value of the investments, the deficit is transferred to profit or loss. The most significant subsidiary companies of the Group are presented in note 36 of the consolidated and separate financial statements of the Company.

Associate companies

Associate companies are those entities in which the Group has significant influence, but not control, over their financial and operating policies. The consolidated financial statements include the Group's share of recognised income and expenses and equity movements of associate companies using the equity method, from the date significant influence commences until the date significant influence ceases. When the Group's share of the associate companies' loss exceeds its interest in the associate companies, the carrying amount of that interest is reduced to nil and no further losses are recognised except to the extent that the Group has assumed obligations or has made payments on behalf of the associate companies.

In the financial statements of the Company, the investment in associate company is presented at acquisition cost. In case of a permanent impairment on the fair value of the investment, the deficit is transferred to profit or loss. The Group's investment in associate company is presented in note 33 of the consolidated and separate financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Transactions eliminated on consolidation

Intra-group balances and transactions between the companies of the Group and any unrealised gains and losses arising from these intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associate companies are eliminated against the investment to the extent of the Group's interest in the associate companies. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue

Revenue earned by the Group is recognised net of Value Added Tax, where applicable, as well as returns, discounts and commissions on the following basis:

(i) Passenger transportation revenue
Passenger transportation revenue is recognised in the accounting period in which the services are rendered, i.e. when the transportation is provided.

(ii) Hotel operations revenue
Revenue from the operation of hotels represents amounts invoiced and services rendered to customers for accommodation, catering and the granting of ballrooms for receptions and is recognised in the accounting period in which the services are rendered.

(iii) Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. This is usually the case when the Group has sold or delivered the goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured.

(iv) Charter hire of vessels to third parties
Revenue from the charter hire of vessels to third parties is recognised in the accounting period in which the charter hire is undertaken. When the period of the charter hire of a vessel extends beyond the current accounting period then the revenue concerning the other accounting period is presented as deferred income in the current period and recognised as revenue in profit or loss in the relevant future period.

(v) Dividend income
Dividend income is recognised when the right of the Company to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn income and incur expenses, including income and expenses that relate to transactions with any of the Group's other components. The operating results of an operating segment for which separately identifiable financial information is available, are regularly reviewed by the Board of Directors to make decisions about the allocation of resources to the segment and assess its performance.

Operating segment results that are presented to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Items that are not attributable mainly comprise corporate assets and income tax assets and liabilities.

Foreign currency transactions

Foreign currency transactions are translated in Euro based on the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated in Euro based on the exchange rate prevailing on that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated in Euro based on the exchange rate prevailing at the date that the fair value was determined.

Foreign exchange differences arising on translation are recognised in profit or loss and are separately presented when judged as significant, except for foreign exchange differences that arise from the exchange rate movement between foreign currencies and the Euro in relation to foreign currency loans issued for the purpose of hedging the foreign currency risk in connection with revenue received in the same currency. The effective portion of the foreign exchange difference related to the hedge of foreign currency risk is transferred to the hedging reserve and the ineffective portion of the foreign exchange difference related to the hedge of foreign currency risk is recognised in profit or loss. The balance of the hedging reserve is adjusted according to the foreign currency loan balances and the exchange rates at the end of each year.

The financial results of foreign subsidiary companies are translated into Euro based on the average exchange rate during the year. In the statement of financial position, all assets and liabilities are translated into Euro based on the exchange rate prevailing at the statement of financial position date. Any foreign exchange differences that arise are recognised in the statement of changes in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance income and expenses

Finance income comprises interest income. Interest income is recognised in profit or loss using the effective interest method.

Finance expenses comprise interest payable on borrowings, interest payable on finance lease obligations, creditors' interest, losses on financial instruments that are recognised in profit or loss and bank charges. All borrowing costs are recognised in profit or loss using the effective interest method.

Finance expenses related to improvements on vessels, buildings, land and acquisition of assets prior to their initial operation, are capitalised.

Taxation

Income tax expense comprises current and deferred tax and is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, based on legislation and the tax rates enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities and their tax base. Deferred tax is estimated based on the tax rates that are expected to be applied when the temporary differences reverse, based on the legislation enacted by the reporting date.

A deferred tax asset is recognised in relation to unused tax losses, tax credits and deductible temporary differences, but only to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Adjustments in deferred tax due to changes in tax rates are presented in profit or loss, or in the statement of changes in equity, depending on where the initial debit or credit on deferred tax was recognised. Deferred tax arising on revaluation of property, plant and equipment is transferred to the property revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Vessels, property, plant and equipment

Vessels, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Immovable property is stated at fair value based on valuations by independent external valuers less accumulated depreciation for buildings. Revaluations are conducted at regular intervals so that the carrying amount is not significantly different from the fair value.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The subsequent cost of replacing a part of an item of vessels, property, plant and equipment is capitalised if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The costs of servicing and maintenance of vessels, property, plant and equipment are recognised in profit or loss as incurred.

Surpluses or deficits that result from the revaluation of immovable property are recognised in the property revaluation reserve. If a deficit arises, which is not covered by the accumulated surpluses in the property revaluation reserve for a specific asset, it is written off in the statement of comprehensive income.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or any other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of vessels, property, plant and equipment as presented below, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

Vessels	Up to 30 years
Buildings	1%
Furniture and equipment	10% - 25%
Computer hardware	20%
Motor vehicles	20%
Computer software	$33\ ^{1}/_{3}\%$

The depreciation method, useful lives and residual values are reassessed annually.

No depreciation is charged on land and assets under renovation. Also, no depreciation is charged on linen and kitchen utensils, since they are written off in profit or loss based on the replacement method.

Profits or losses on disposal of an item of vessels, property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of these assets, and are recognised on a net basis in profit or loss. When revalued assets are being disposed of, the amounts included in the revaluation reserve are transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiary and associate companies, represents the difference between the cost and the Group's share in the fair value of the identifiable net assets acquired and is presented at cost less accumulated impairment losses.

Goodwill is allocated to cash generating units based on operating segments and is not amortised but tested for impairment on an annual basis to establish whether any impairment indicators exist.

In case where, during the acquisition of subsidiary and associate companies, the Group's share in the fair value of the identifiable net assets, liabilities and contingent liabilities of the subsidiary and associate companies, exceeds the cost then the valuation method of the identifiable asset and liabilities and the cost are reconsidered and any remaining difference is recognised in profit or loss in the year of acquisition.

Hotel leases

The cost to obtain the leases of hotel units is presented as a non-current asset. The cost represents the fair value at the date of recognition, based on valuation by independent external valuers. The cost is amortised using the straight line method over the duration of the lease agreement.

Investments in subsidiary companies

Investments in subsidiary companies are presented in the statement of financial position of the Company at acquisition cost less adjustments for any permanent impairment in the investment values. Any adjustments that may arise are recognised in profit or loss.

Non-current assets held for sale

Non-current assets whose carrying amount is expected to be recovered principally through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured in accordance with the Group's accounting policies. Then the assets are measured at the lower of their carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

The Group and the Company, as a matter of principle, seek to reduce their exposure to unexpected and unfavourable fluctuations in the exchange rates of foreign currencies. In order to protect against foreign currency risk, the Group and the Company principally aim to achieve natural hedging by matching as far as possible the currencies of their borrowings or liabilities with those of future revenue streams or other future receivables based on contractual agreements.

The Group and the Company hold derivative financial instruments to hedge foreign currency risk and the risk of fluctuations in interest rates.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the objectives and risk management strategy underlying the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedge relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated. For a cash flow hedge of a forecast transaction, the transaction should be highly probable and present an exposure to variations in cash flows that could ultimately affect the net income.

Derivatives are initially recognised at fair value and attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below in the accounting policy "cash flow hedge".

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is transferred to profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash flow hedge (continued)

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gains or losses previously recognised in other comprehensive income and presented in the hedging reserve in equity remain there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases, the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Impairment of assets

Receivables

Receivables are assessed at each reporting date to determine whether there is objective evidence of impairment in their value. A receivable is impaired if objective evidence indicates that a tortuous event has occurred after the initial recognition of the asset, and that the tortuous event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. The accounting policy prohibits the recognition of impairment losses that could arise from future events, no matter how likely those future events may be.

Objective evidence that financial receivables are impaired may include default or delay of settlement by a customer, restructuring of an amount receivable on terms that would not otherwise be accepted and indications that a customer will enter bankruptcy. The Group considers evidence of impairment of receivables at specific asset levels.

Other non-financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there are any indicators of impairment. If any such indicators exist, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment losses had been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Fuel inventories are valued based on the first-in-first-out method. Other inventories are valued based on the weighted average cost method.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

Land under development and sale is presented at acquisition cost and includes the acquisition price, stamp duties paid for contracts and land-registry transfer fees.

Trade and other receivables

Trade and other receivables are presented at their nominal value less provision for doubtful debts, which is estimated based on a review of all outstanding balances at the year end. Bad debts are written off when identified. The provision for doubtful debts represents the difference between the carrying amount and the recoverable amount which is the present value of estimated future cash flows.

Cash and cash equivalents

For statement of cash flows purposes, cash and cash equivalents comprise cash and other readily convertible investments as well as bank overdrafts that are repayable on demand and form an integral part of the Group and the Company's cash management.

Share capital

Ordinary share capital

Ordinary shares that have been issued and paid are classified as equity.

Purchase of own shares

Company shares acquired upon the resolution for purchase of own shares, are included in the reserve from acquisition of own shares at cost including directly attributable expenses.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated and separate financial statements of the Company in the year that the dividends are approved by the owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance leases

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership of an underlying asset are classified as finance leases.

Assets acquired by way of finance leases are capitalised under vessels, property, plant and equipment at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. At the inception of the finance lease the future lease payments that relate to the capital commitment are recognised as a non-current liability. Each lease payment comprises the finance charge and the reduction in the capital commitment. The finance charge is calculated by applying the prevailing variable interest rate on the outstanding balance of the capital commitment and is recognised in profit or loss on an accruals basis.

Depreciation for assets acquired through finance leases is being provided over the shorter of the useful life of the vessels, property, plant and equipment and the lease term. However, in cases where there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use in the useful life of the asset.

Deferred income

Deferred income comprises receipts for revenue that relates to future accounting periods and includes:

Revenue from charter hire and customer advances

Prepayments that concern charter hire contracts and tourist agency contracts, for which no revenue has been recognised, are presented as deferred income and included in liabilities. Receipts that concern charter hire contracts and tourist agency contracts for which revenue has been recognised, are presented as deferred income to the extend they exceed the revenue recognised in profit or loss until the reporting date.

Government grants

Government grants for capital expenditure are included in the Group's consolidated statement of financial position and are recognised when received. They are amortised using the straight-line method over the expected useful life of the related assets. Government grants that relate to revenue expenditure are recognised as revenue when received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

The Group and the Company operate a number of Provident Funds for their employees as disclosed in note 31 of the consolidated and separate financial statements of the Company.

Defined contribution schemes

A defined contribution scheme is a post-employment benefit scheme under which a company pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution schemes are recognised as an expense in profit or loss in the period during which the services were offered by the employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is possible.

Defined benefit schemes

A defined benefit scheme is a post-employment benefit scheme other than a defined contribution scheme. The Group's net pension liability or asset is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods less any unrecognised past service cost and the fair value of the plan's assets. The future benefit is discounted to determine its present value based on a discount rate equal to the expected future return of the plan's assets. The calculation is performed at regular intervals by a qualified actuary using the projected unit method. If the calculation results in a net liability, a provision is made by the Group for additional contributions on the salaries of the affected employees over a period equal to the average remaining working life of the said employees in accordance with the requirements of IAS 19 "Employee Benefits".

Trade and other payables

Trade and other payables are presented based on the nominal values of the amounts owed at the statement of financial position date and include interest, where applicable.

Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value determination

The application of the Group and the Company's accounting policies requires the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or presentation purposes for various assets and liabilities and further information is described in their respective notes, in the notes to the consolidated and separate financial statements of the Company.

Comparative figures

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

4. REVENUE

GROUP

Income from the operation of vessels and hotels, which represents amounts invoiced and services rendered to customers during the year, is recognised as revenue.

Income from the operation of vessels represents revenue from passenger transportation, sale of goods and services rendered to passengers, as well as ship management services and charter hire of vessels to third parties.

Revenue from the operation of hotels includes services that relate to accommodation, catering, the granting of ballrooms for receptions and other services rendered to customers. It also includes net income from the disposal of land and country residences.

Revenue is presented after the deduction of discounts, commissions, returns, taxes and duties.

COMPANY

The Company's revenue comprises interest income and dividends.

LOUIS PLC

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5. OPERATING SEGMENTS

GROUP

Information on reportable operating segments

	Crusing and other operations		Hotel operations		Total	
	2012	2011	2012	2011	2012	2011
	€'000	€'000	€'000	€'000	€'000	€'000
Revenue from operations	109.655	160.071	84.983	86.944	194.638	247.015
Inter-segment reportable revenue	743	2.723	-	-	743	2.723
Interest income	841	1.038	1.173	941	2.014	1.979
Interest expense	(20.429)	(19.204)	(5.880)	(6.564)	(26.309)	(25.768)
Depreciation, amortisation and impairment charges	(18.323)	(24.227)	(6.017)	(6.686)	(24.340)	(30.913)
Reportable segment loss before taxation	(34.875)	(79.205)	(2.547)	(1.467)	(37.422)	(80.672)
Other significant items:						
Share of profit of associate company	355	473	-	-	355	473
Impairment charge on assets	1.861	44.793	5.105	3.075	6.966	47.868
Loss from cancellation of contract for acquisition of vessel	-	10.327	-	-	-	10.327
Reportable segment assets	377.554	405.333	274.315	290.815	651.869	696.148
Investment in associate company	16.160	16.154	-	-	16.160	16.154
Capital expenditure	9.159	9.692	4.887	13.122	14.046	22.814
Reportable segment liabilities	417.505	410.463	150.084	164.329	567.589	574.792

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

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5. OPERATING SEGMENTS (continued)

GROUP (continued)

Reconciliation of revenue, profit or loss, assets and liabilities and other significant items of reportable operating segments:

	2012 €'000	2011 €'000
Revenue		
Total revenue of reportable segments	194.638	247.015
Elimination of inter-segment reportable revenue	(743)	(2.723)
Revenue as per financial statements	193.895	244.292
Loss before taxation		
Total reportable segment loss	(37.422)	(80.672)
Elimination of inter-segment reportable revenue	(743)	(2.723)
Share of profit of associate company	355	473
Impairment charge on goodwill of associate company	(1.360)	-
Elimination of other revenue	61	651
Loss before taxation as per financial statements	(39.109)	(82.271)
Assets		
Total reportable segment assets	651.869	696.148
Investment in associate company	16.160	16.154
Assets as per financial statements	668.029	712.302
Liabilities		
Liabilities as per financial statements	567.589	574.792

Other significant items

	2012			2011		
	Reportable segments totals €'000	Reconciliation €'000	Consolidated totals €'000	Reportable segments totals €'000	Reconciliation €'000	Consolidated totals €'000
Interest income	2.014	(508)	1.506	1.979	(434)	1.545
Interest expense	(26.309)	508	(25.801)	(25.768)	434	(25.334)
Capital expenditure	14.046	-	14.046	22.814	-	22.814
Depreciation, amortisation and impairment charges	24.340	-	24.340	30.913	-	30.913
Impairment charge on assets	6.966	-	6.966	47.868	-	47.868
Loss from cancellation of contract for acquisition of vessel	-	-	-	10.327	-	10.327

LOUIS PLC

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5. OPERATING SEGMENTS (continued)

GROUP (continued)

Information per geographical segment

(i) Crusing and other operations

	Revenue	
	2012	2011
	€'000	€'000
Cyprus	3.165	5.063
Greece	38.748	55.724
Other countries	67.742	99.284
	109.655	160.071

The segregation of revenue for geographical analysis purposes is based on the operations of the vessels in the geographical areas of Cyprus, Greece and other countries. Due to the fact that some Group vessels are oocassionally operating in different geographical areas during the year, it is considered that the geographical analysis of profit from operations and operating capital may lead to false conclusions. For this reason, the geographical analysis of profit from operations and operating capital is not recommended.

(ii) Hotel operations

	Revenue		Non-current assets	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Cyprus	52.582	50.827	78.807	50.650
Greece	32.401	36.117	155.579	156.368
	84.983	86.944	234.386	207.018

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6. PROFIT/(LOSS) FROM OPERATIONS

The profit/(loss) from operations is reported after the following charges:

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Independent auditors' remuneration	509	533	45	45
Auditors' remuneration for other non-audit services	72	86	30	44
Auditors' remuneration for taxation related advisory services	61	67	-	2
Remuneration of the members of the board of directors as:				
- executive directors	730	736	-	-
- non executive directors	16	20	15	17
- chief executive officer	269	-	-	-
Depreciation	24.033	30.574	86	61
Amorisation and other impairment charges	307	339	3	24.332
Salaries and employee benefits	56.543	69.954	698	749

During the year, the average number of the employees of the Group was 3.931 (2011: 4.589), and of the Company 22 (2011: 28).

7. NET FINANCE EXPENSES

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Interest from Parent	849	864	-	-
Bank interest income	657	681	3	1
Finance income	1.506	1.545	3	1
Interest to Parent	(484)	(601)	(484)	(486)
Interest to subsidiary company	-	-	(27)	(24)
Loan interest	(9.653)	(15.532)	(5.287)	(5.602)
Interest on finance lease obligations	(10.737)	(1.561)	-	-
Bank interest and charges	(4.810)	(7.260)	(1.939)	(1.439)
Creditors' interest	(117)	(380)	-	-
Finance expenses	(25.801)	(25.334)	(7.737)	(7.551)
Net finance expenses	(24.295)	(23.789)	(7.734)	(7.550)

8. NET EXCHANGE (LOSS)/GAIN

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Realised exchange (loss)/gain	(750)	3.938	(5)	-
Unrealised exchange gain/(loss)	114	(1.591)	(50)	70
Loss on re-measurement to fair value of derivative financial instrument	-	(6)	-	(6)
Transfer of derivative financial instruments fair value to the results	(3.623)	-	-	-
	(4.259)	2.341	(55)	64

The Group's unrealised exchange gain of €114 thousand (2011: loss €1.591 thousand) and the Company's unrealised exchange loss of €50 thousand (2011: gain €70 thousand), respectively, resulted from the translation of foreign currency financial assets and liabilities presented in foreign currency as at the statement of financial position date, as well as from the translation of foreign currency loans that do not effectively protect foreign currency risk (ineffective portion) in relation to revenue received in foreign currency.

The Group follows a policy of hedging currency exchange movements between foreign currencies and the Euro, in relation to revenue received in foreign currency to the maximum possible degree, as well as derivative financial instruments in relation to fluctuations in interest rate risks through interest rate swaps, as described in the accounting policies. The Group and the Company's loss from cash flow hedges that was transferred to the hedging reserve for the year ended 31 December 2012, amounted to €1.945 thousand (2011: €6.199 thousand) and €1.071 thousand (2011: €2.456 thousand), respectively.

9. IMPAIRMENT CHARGE ON ASSETS

GROUP

The impairment charge on assets resulted as follows:

	Note	2012 €'000	2011 €'000
Impairment charge on goodwill	14	6.130	-
Impairment charge on vessels, property, plant and equipment	(i)	335	9.759
Impairment charge on non-current assets held for sale	20	501	38.109
		6.966	47.868

9. IMPAIRMENT CHARGE ON ASSETS (continued)

GROUP (continued)

Note (i)

- The impairment charge on vessels, property, plant and equipment for the year 2012 amounting to €335 thousand resulted as follows:
  (a) revaluation that decreased the carrying amount of property by €120 thousand and has been recognised in the consolidated statement of changes in equity (see property revaluation reserve - included in "Revaluation of properties"),
  (b) impairment charge on property amounting to €215 thousand (see note 13).

- The impairment charge on vessels, property, plant and equipment for the year 2011 amounting to €9.759 thousand resulted as follows:
  (a) revaluation that decreased the carrying amount of property by €16.895 thousand (see note 13),
  (b) revaluation that decreased the carrying amount of property by €13.795 thousand and has been recognised in the consolidated statement of changes in equity (see property revaluation reserve),
  (c) impairment charge on vessels amounting to €6.659 thousand (see note 13).

10. TAXATION

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Corporation tax	(774)	(953)	-	-
Special defence contribution	(54)	(16)	-	-
Share of tax from associate company	(58)	(45)	-	-
Deferred tax on other assets	(200)	346	-	-
Charge for the year	(1.086)	(668)	-	-

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10. TAXATION (continued)

Reconciliation of taxation based on the taxable income and taxation based on the accounting losses of the Group and the Company:

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Accounting loss before taxation	(39.109)	(82.271)	(8.163)	(30.526)
Tax calculated at the applicable tax rates	-	-	-	-
Tax of profitable companies	(369)	(668)	-	-
Tax effect of expenses not deductible for tax purposes	(705)	(703)	-	-
Tax effect of allowances and income not			-	-
subject ot tax	356	280	-	-
Tax effect of current year loss	27	135		
Prior years taxation	(50)	3	-	-
Special defence contribution – current year	(54)	(16)	-	
Deferred tax on other assets	(200)	346	-	-
Share of tax from associate company	(58)	(45)	-	-
Additional taxation	(33)	-	-	-
Taxation as per consolidated income statement	(1.086)	(668)	-	-

In Cyprus, the corporation tax rate for the year 2012 was 10% (2011: 10%). In Greece, the corporation tax rate for the year was 20% (2011: 21%). Under certain conditions, interest income may be subject to defence contribution at the rate of 15% (10% until 30 August 2011). In such cases this interest will be exempt from corporation tax. On 18 April 2013, further to the voting of new legislation, the corporation tax rate in Cyprus increased to 12,5% and the defence contribution rate on interest income increased to 30% for income relating to tax years from 2013 onwards.

Tax losses can be carried forward for the next 5 years until their full utilisation and can also be offset against taxable profits of other Group companies. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 30 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011).

According to the Merchant Shipping (Fees and Taxing Provisions) Law 44(I) of 2010, ship owning companies and companies offering ship management services that are taxed or elect to be taxed under the tonnage tax system will be exempt from corporation tax and defence contribution on their revenue. Also, no defence contribution is charged on dividends received from ship owning companies and companies offering ship management services that are taxed or elect to be taxed under the tonnage tax system.

10. TAXATION (continued)

According to the Greek Law 27/1975 on the taxation of ships, the levy for the development of Merchant Shipping, the establishment of foreign shipping businesses and the regulation of related matters, no corporation tax is charged on the income of a ship-owner generated from the operation of ships under the Greek flag. It is subject to tonnage tax, instead. According to Article 26 and as replaced by Article 24 of Law 4110/2013 tonnage tax is also levied to the ships under foreign flag, which are managed by domestic or foreign companies established in Greece. The tonnage tax on ships under foreign flag is reduced by the amount paid for the ship in the foreign registry and up to the amount of tax due in Greece.

Also, no taxation is charged on the Group's vessels that are registered in foreign countries' shipping registers (except Cyprus and Greece) due to the fact that the profits resulting from the operation of these vessels are not subject to tax in these dominions.

11. DIVIDENDS

GROUP AND COMPANY

The Board of Directors does not recommend the payment of a dividend for the year 2012.

12. LOSS PER SHARE

	2012	2011
GROUP		
Loss attributable to owners (€'000)	(40.189)	(82.674)
Weighted average number of shares issued and fully diluted during the year ('000)	460.547	460.547
Basic and fully diluted loss per share (€ cent)	(8,73)	(17,95)
COMPANY		
Loss attributable to owners (€'000)	(8.163)	(30.526)
Weighted average number of shares issued and fully diluted during the year ('000)	460.547	460.547
Basic and fully diluted loss per share (€ cent)	(1,77)	(6,63)

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12. LOSS PER SHARE (continued)

GROUP AND COMPANY

The loss per share as at 31 December is calculated by adjusting the weighted average number of shares that were in issue during the year taking into account the impact of each share transaction on the loss per share, as follows:

	Note	2012 '000	2011 '000
Weighted average number of shares issued and fully diluted during the year	21	460.547	460.547

On 31 December 2012 and 2011, basic and fully diluted losses per share are the same, since there were no warrants or other convertible instruments in issue.

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13. VESSELS, PROPERTY, PLANT AND EQUIPMENT

GROUP	Note	Land and buildings €'000	Vessels €'000	Vessels under finance leases €'000	Furniture and fittings €'000	Linen and kitchen utensils €'000	Computers €'000	Motor vehicles €'000	Total €'000
2012									
Cost									
Balance 1 January		171.185	403.535	-	51.288	2.614	1.315	1.658	631.595
Transfers		-	(334.710)	334.710	-	-	-	-	-
Additions		2.712	997	7.452	2.718	71	87	9	14.046
Transfer from accumulated depreciation due to revaluation		(2.055)	-	-	-	-	-	-	(2.055)
Impairment charge	9	(215)	-	-	-	-	-	-	(215)
Transfer from non-current assets held for sale	20	-	-	-	-	-	-	19	19
Disposals		(260)	-	-	(1.438)	(65)	(26)	-	(1.789)
Balance 31 December		171.367	69.822	342.162	52.568	2.620	1.376	1.686	641.601
Depreciation and impairment charges									
Balance 1 January		8.398	113.178	-	39.465	-	1.253	1.378	163.672
Transfers		-	(75.662)	75.662	-	-	-	-	-
Charge for the year		2.708	3.683	14.296	3.176	-	40	130	24.033
Elimination of accumulated depreciation against cost due to revaluation		(2.055)	-	-	-	-	-	-	(2.055)
Transfer from non-current assets held for sale	20	-	-	-	-	-	-	13	13
Disposals		(195)	-	-	(1.228)	-	-	-	(1.423)
Balance 31 December		8.856	41.199	89.958	41.413	-	1.293	1.521	184.240
Carrying amounts									
Balance 31 December		162.511	28.623	252.204	11.155	2.620	83	165	457.361

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13. VESSELS, PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP	Note	Land and buildings €'000	Vessels €'000	Furniture and fittings €'000	Linen and kitchen utensils €'000	Computers €'000	Motor vehicles €'000	Total €'000
2011								
Cost								
Balance 1 January		228.580	497.415	52.841	3.590	1.345	1.791	785.562
Additions		7.460	9.637	5.587	110	4	16	22.814
Acquisition of subsidiary company	32	1.553	-	994	284	-	20	2.851
Revaluation of properties	9	(18.170)	-	-	-	-	-	(18.170)
Impairment charge	9	-	(17.765)	-	-	-	-	(17.765)
Transfer to non-current assets held for sale	20	(48.215)	(85.752)	(7.328)	(1.370)	-	(70)	(142.735)
Disposals		(23)	-	(806)	-	(34)	(99)	(962)
Balance 31 December		171.185	403.535	51.288	2.614	1.315	1.658	631.595
Depreciation and impairment charges								
Balance 1 January		6.282	140.668	42.322	-	1.235	1.329	191.836
Acquisition of subsidiary company	32	221	-	409	-	-	13	643
Charge for the year		3.111	23.929	3.293	-	46	195	30.574
Revaluation of properties	9	(1.214)	-	(61)	-	-	-	(1.275)
Impairment charge	9	-	(11.106)	-	-	-	-	(11.106)
Transfer to non-current assets held for sale	20	-	(40.313)	(6.122)	-	-	(60)	(46.495)
Disposals		(2)	-	(376)	-	(28)	(99)	(505)
Balance 31 December		8.398	113.178	39.465	-	1.253	1.378	163.672
Carrying amounts								
Balance 31 December		162.787	290.357	11.823	2.614	62	280	467.923

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13. VESSELS, PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY	Furniture and fittings €'000	Computers €'000	Motor vehicles €'000	Total €'000
2012				
Cost				
Balance 1 January	-	24	333	357
Additions	560	-	-	560
Balance 31 December	560	24	333	917
Depreciation				
Balance 1 January	-	22	300	322
Charge for the year	56	2	28	86
Balance 31 December	56	24	328	408
Carrying amounts				
Balance 31 December	504	-	5	509
2011				
Cost				
Balance 1 January and 31 December	-	24	333	357
Depreciation				
Balance 1 January	-	20	241	261
Charge for the year	-	2	59	61
Balance 31 December	-	22	300	322
Carrying amounts				
Balance 31 December	-	2	33	35

13. VESSELS, PROPERTY, PLANT AND EQUIPMENT (continued)

The land and buildings of the subsidiary company Louis Hotels Public Company Ltd (“Louis Hotels”) were revalued in December 2012 by independent professionals valuers. The revaluation surplus was transferred to the property revaluation reserve after the inclusion of the relevant estimated provision for deferred tax.

The method used to estimate the fair value of properties is the Comparative Method, by which the valuation of land is based on comparable transactions, in combination with the Capitalisation Method by discounting future cash flows (DCF) to calculate the total value of the hotel properties.

The main factors that have been taken into consideration are the following:

- The specific characteristics of the properties and the surrounding area.
- The supply and demand in the surrounding area.
- The nature of use of the wider region.
- The location of the properties.

The acquisition cost of land and buildings which are presented at their revalued amount and their carrying amount based on the historic cost principle on 31 December 2012 amount to €166.945 thousand (2011: €164.978 thousand) and €148.891 thousand (2011: €149.429 thousand), respectively.

The Group leases vessels, property, plant and equipment through various finance lease agreements. On 31 December the carrying amount of each category of vessels, property, plant and equipment under finance leases is as follows:

	2012 €’000	2011 €’000
Carrying amounts		
Land	9.150	9.150
Buildings	25.795	26.089
Furniture and fittings	-	1.053
Vessels	252.204	-
	287.149	36.292

The immovable property and the vessels of the Group are used as collateral to obtain financing from financial institutions.

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14. INTANGIBLE ASSETS

GROUP

Goodwill

	Note	2012 €'000	2011 €'000
Cost			
Balance 1 January		6.130	5.826
Acquisition of subsidiary company	32	-	304
Impairment charge on goodwill	9	(6.130)	-
Balance 31 December		-	6.130

On 31 December 2011, goodwill amounting to €6.130 thousand resulted as follows:

(a) Acquisition of 100% of the share capital of the subsidiary company Nausicaa Estates Limited on 5 May 2000 by the Group's subsidiary company, Louis Hotels Public Company Ltd ("Louis Hotels").

(b) Acquisition of 100% of the share capital of the subsidiary company Regency S.A. by Louis Hotels with main objective the management and operation of the company owned hotel Louis Regency Hotel which belongs to the subsidiary company Louis Hotels S.A since 2007. During the restructuring in 2007, the company Regency S.A was absorbed by the company Louis Hotels S.A.

(c) Transfer of the company "The Cyprus Tourism Development Public Company Ltd" ("C.T.D.C.") from subsidiary to associate on 29 May 2007.

(d) Acquisition of 100% of the share capital of the subsidiary company IL Mondo Café Ltd on 1 January 2011 by Louis Hotels.

Impairment charges and write-offs of intangible assets are recognised in profit or loss as follows:

	Note	2012 €'000	2011 €'000
Impairment charge on goodwill	9	6.130	-

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14. INTANGIBLE ASSETS (continued)

GROUP (continued)

Goodwill (continued)

Impairment testing for goodwill

For the purpose of impairment testing, goodwill is allocated to cash generating units (CGUs) based on the Group's subsidiary companies. Goodwill analysis is presented in the following table:

	Nausicaa Estates Limited €'000	Louis Regency Hotel €'000	The Cyprus Tourism Development Public Company Limited €'000	IL Mondo Café Ltd €'000	Total €'000
2012					
Carrying amounts	-	-	-	-	-
2011					
Carrying amounts	3.462	1.004	1.360	304	6.130

The recoverable amount of a CGU is estimated based on its value in use. These calculations are determined by discounting future cash flows that are based on financial budgets covering a period of five years and have been approved by management. Cash flows of more than five years are projected using the final estimated growth rate. The growth rate does not exceed the average long-term growth rate of the business in which the CGU operates.

Results of impairment testing for goodwill

Based on the calculation of the carrying amount of the cash generating unit that relates to Nausicaa Estates Limited on 31 December 2012, there was an impairment charge on goodwill amounting to €3.462 thousand.

Based on the calculation of the carrying amount of the cash generating unit that relates to Louis Regency Hotel on 31 December 2012, there was an impairment charge on goodwill amounting to €1.004 thousand.

Based on the calculation of the carrying amount of the cash generating unit that relates to The Cyprus Tourism Development Public Company Limited on 31 December 2012, there was an impairment charge on goodwill amounting to €1.360 thousand.

Based on the calculation of the carrying amount of the cash generating unit that relates to IL Mondo Café Limited on 31 December 2012, there was an impairment charge on goodwill amounting to €304 thousand.

15. HOTEL LEASES

GROUP

	2012 €'000	2011 €'000
Cost		
Balance 1 January and 31 December	31.609	31.609
Amortisation		
Balance 1 January	7.974	7.286
Charge for the year	688	688
Balance 31 December	8.662	7.974
Carrying amounts		
Balance 31 December	22.947	23.635

16. OTHER ASSETS

GROUP

	2012 €'000	2011 €'000
Prepayments	2.014	2.384
Other assets	11	76
	2.025	2.460

Prepayments represent hotel rentals in Greece and restaurant rentals in Cyprus according to relevant agreements entered into by subsidiary companies of the Group.

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17. INVENTORIES

GROUP

	2012 €'000	2011 €'000
Land	104	104
Fuels	1.743	2.163
Other inventories	6.265	6.186
	8.112	8.453

Other inventories represent inventories of consumables, spare parts, food, drinks, cigarettes and souvenirs, and inventories of advertising, printing and cleaning materials.

The fair value of the land, according to a report from independent valuers dated 26 February 2012, amounts to €2.922 thousand. The total value of land is used as collateral to obtain financing from financial institutions.

18. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Trade receivables	35.432	37.649	-	-
Provision for doubtful debts	(12.959)	(9.328)	-	-
	22.473	28.321	-	-
Other receivables and prepayments	24.222	33.442	719	695
	46.695	61.763	719	695
Short-term	46.695	61.763	719	695

The ageing of trade receivables at the reporting date was as follows:

	GROUP		COMPANY	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Up to 30 days	2.666	4.212	-	-
31 – 120 days	7.295	13.687	-	-
More than 120 days	12.512	10.422	-	-
	22.473	28.321	-	-

18. TRADE AND OTHER RECEIVABLES (continued)

Movement of the provision for doubtful debts:

		GROUP	
		2012	2011
	Note	€'000	€'000
Balance 1 January		9.328	454
Provision recognised for doubtful debts	(i)	3.769	8.963
Receivables collected		(138)	(89)
Balance 31 December		12.959	9.328

Note (i)

- The Company made a specific provision for doubtful debts amounting to €3.769 thousand (2011: €8.963 thousand) and was recognised in profit or loss.

- In addition, the Company recognised an impairment charge of trade and other receivables that are not expected to be collected, mainly due to the current economic conditions, amounting to €1.141 thousand.

The Group recognised impairment charges and provisions for doubtful debts in relation to trade and other receivables based on the Group's historical experience in the collection of amounts receivable and based on the applicable accounting policies (see note 3 "Impairment of assets – *Receivables"* and note 2(e)(i) "Use of estimates and judgments": "Provision for doubtful debts"). Based on the assessment of current developments as disclosed in note 42 of the consolidated and separate financial statements of the Company made by the Board of Directors of the Group, as well as existing evidence in hand, it is judged that impairment and/or provisions were sufficient, having also regard to the fact that a large number of customers of the Group are active in various markets outside Cyprus.

The exposure of the Group and the Company to credit risk is presented in note 40 of the consolidated and separate financial statements of the Company.

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19. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Blocked bank deposits	6.838	979	-	-
Cash in hand and at bank	13.497	10.673	66	416
	20.335	11.652	66	416
Bank overdrafts	(29.527)	(28.694)	(8.899)	(7.554)
Credit facilities from a Factoring Organisation	(1.311)	(1.302)	-	-
	(30.838)	(29.996)	(8.899)	(7.554)
	(10.503)	(18.344)	(8.833)	(7.138)

The bank overdrafts bear an average annual interest rate of 7,82% (2011: 7,63%) for the Group and 7,85% (2011: 8,75%) for the Company. The credit facilities from a Factoring Organisation bear an average annual interest rate of 6,96% (2011: 6,78%).

Cash at bank amounting to €605 thousand (2011: €457 thousand) is blocked by Commercial Bank of Greece S.A. as guarantee for the settlement of contingent liabilities to the Hellenic Register of Shipping in Piraeus, the Navy Retirement Fund, the Piraeus Port Authority and in favour of various beneficiaries.

Cash at bank amounting to €248 thousand (2011: €160 thousand) is blocked by Societe Generale Cyprus Ltd as guarantees for the provision of bank guarantees and other bank facilities.

Cash at bank amounting to €nil (2011: €240 thousand) is blocked by Bank of Cyprus Public Company Ltd as guarantees for the provision of bank guarantees and other bank facilities.

Cash at bank amounting to €5.900 thousand (2011: €nil) is blocked by Bank of Cyprus Public Company Ltd as guarantees for bank facilities of Group companies.

Additionally, cash at bank amounting to €25 thousand (2011: €62 thousand), €41 thousand (2011: €41 thousand) and €19 thousand (2011: €19 thousand) is blocked by Cyprus Popular Bank Public Company Ltd and National Bank of Greece S.A., as guarantees for the provision of bank guarantees.

19. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents are secured as follows:

GROUP

- Mortgages over the Group’s vessels,
- Mortgages over immovable property owned by the Group’s subsidiary companies,
- Mortgages over long-term leases of the Group’s subsidiary companies,
- Corporate guarantees of the Parent company CLIN Company Ltd, the Company and the Group’s subsidiary companies,
- Bank guarantee letters,
- Personal guarantee of the Chairman Mr. Costakis Loizou,
- Pledging of shares held by the Parent company CLIN Company Ltd, the Company and the Group’s subsidiary companies,
- Assignment of receipt of the fire insurance of subsidiary companies,
- Assignment of invoices of trade receivables,
- Floating charge over assets of the Group’s subsidiary companies,
- Letter of allocation according to which a subsidiary company of the Group will proceed with the renewal of a lease agreement,
- Negative pledge where subsidiary companies of the Group will not proceed with the sale, assignment, mortgage or pledge of financial assets without the written consent of specific banks.

COMPANY

The bank overdrafts of the Company are secured as follows:

- Mortgages over the Group’s vessels,
- Mortgages over immovable property owned by the Group’s subsidiary companies,
- Mortgages over long-term leases of the Group’s subsidiary companies,
- Corporate guarantees of the Group’s subsidiary companies,
- Pledging of shares of the Group’s subsidiary companies,
- Assignment of receipts of the fire insurance of subsidiary companies,
- Floating charge over the assets of the Group’s subsidiary companies,
- Letter of allocation according to which a subsidiary company of the Group will proceed with the renewal of a lease agreement,
- Negative pledge where subsidiary companies of the Group will not proceed with the sale, assignment, mortgage or pledge of financial assets without the written consent of specific banks.

The exposure of the Group and the Company to liquidity and interest rate risks and sensitivity analysis of the financial assets and liabilities is presented in note 40 of the consolidated and separate financial statements of the Company.

20. NON-CURRENT ASSETS HELD FOR SALE

GROUP

The vessels M/V Sapphire, M/V Emerald and M/V Calypso of the ship owning subsidiary companies of the Group, Sydelle Navigation Corp., Ionian Cruise Lines S.A. and Calypso Navigation Ltd respectively, are classified as non-current assets held for sale, further to the decision of the Board of Directors to dispose of these assets. The procedures for the disposal of the assets commenced in 2011 and continued during the years 2012 and 2013 as follows:

- On 29 March 2012, the ship owning subsidiary company of the Group Sydelle Navigation Corp. disposed of its vessel M/V Sapphire to the company Taymouth Ltd for the amount of €2.552 thousand (US$3,3 m.). The selling price represents the value of the vessel in the consolidated and separate financial statements of the Company and therefore no gain or loss arose as a result of the disposal.

- On 15 June 2012, the ship owning subsidiary company of the Group, Ionian Cruise Lines S.A. disposed of its vessel M/V Emerald to the company Taymouth Ltd for the amount of €4.637 thousand (US$5 m.). The selling price represents the value of the vessel in the consolidated and separate financial statements of the Company and therefore no gain or loss arose as a result of the disposal.

- On 27 February 2013, the ship owning subsidiary company of the Group, Calypso Navigation Ltd disposed of its vessel M/V Calypso to the company Argo Systems Fze for the amount of €2.100 thousand. The selling price represents the value of the vessel in the consolidated and separate financial statements of the Company and therefore no gain or loss arose as a result of the disposal, as disclosed in note 44 (i) of the consolidated and the separate financial statements of the Company.

The hotel units of the subsidiary company Louis Hotels Public Company Ltd ("Louis Hotels"), Louis Ayios Elias Village, Louis Althea Beach and Louis Nausicaa Beach are classified as non-current assets held for sale, further to the decision of the Board of Directors to dispose of these assets. It is expected that the Louis Hotels group will lease back the hotel unit Louis Nausicaa Beach and continue its operation. The procedures for the disposal of the assets commenced in 2011 and continue until the reporting date. Further to the recent developments as disclosed in note 43 of the consolidated and separate financial statements of the Company, the disposal procedure was paused temporarily and is expected to resume soon. The disposal of the remaining assets is expected to be completed during 2013.

20. NON-CURRENT ASSETS HELD FOR SALE (continued)

GROUP (continued)

On 5 June 2012, Louis Hotels disposed the hotel unit Louis Althea Beach to the company Smooland Properties Ltd for the amount of €16.299 thousand. The selling price represents the value of the hotel unit in the books of the Group and therefore no gain or loss arose as a result of the disposal. Louis Hotels group leased back the hotel unit Louis Althea Beach for an initial period of 3 years with a right for renewal for another 2 years on the same terms and continues to operate the unit as in the past.

As at 31 December 2012, non-current assets held for sale consist of financial assets of €36.084 thousand (2011: €59.372 thousand) and financial liabilities €3.944 thousand (2011: €5.144 thousand) as follows:

Non-current assets held for sale

	Note	2012 €'000	2011 €'000
Balance 1 January		59.372	-
Transfers (to)/from vessels, property, plant and equipment	13	(6)	96.240
Inventories on vessels		155	456
Consumables and spare parts on vessles		-	785
Additions		506	-
Write offs		(143)	-
Impairment charge on non- current assets held for sale	9	(501)	(38.109)
Disposals		(23.299)	-
Balance 31 December		36.084	59.372

Liabilities held for sale

	Note	2012 €'000	2011 €'000
Deferred tax			
Balance 1 January		5.144	-
Transfer from deferred tax	27	-	5.144
Charge to income statement		47	-
Disposals		(1.247)	-
Balance 31 December		3.944	5.144

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21. SHARE CAPITAL

GROUP AND COPMAY

	2012 €'000	2011 €'000
Authorised		
1 January and 31 December (500.000.000 shares of €0,17)	85.000	85.000
Issued and fully paid		
1 January and 31 December (460.546.854 shares of €0,17)	78.293	78.293

22. RESERVES

Property revaluation reserve
The property revaluation reserve comprises the accumulated amounts from the revaluations of land and buildings and deferred tax resulting from the revaluations.

Share premium
The share premium reserve comprises amounts arising from the issue of shares at prices in excess of their nominal value and is not distributable.

Hedging reserve
The hedging reserve includes the effective portion of foreign exchange differences resulting from the translation of loans denominated in foreign currencies that effectively hedge revenue receivable in foreign currencies from foreign currency risk. The hedging reserve is not distributable.

Other reserves
Other reserves mainly represent foreign exchange differences from the translation of the financial results of foreign subsidiary companies and are not distributable.

Retained earnings
Retained earnings include accumulated profits or losses and are distributable.

Deemed dividend distribution
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 contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 30 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) will be payable on such deemed dividend to the extent that the owners (individuals and companies), at the end of the period of two year 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 at any time. This special defence contribution is payable by the Company for the account of the owners.

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23. BORROWINGS

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Current liabilities				
Bank loans	74.103	92.867	46.621	28.106
Other loans	1.193	1.106	-	-
	75.296	93.973	46.621	28.106
Non-current liabilities				
Bank loans	108.422	278.360	63.843	77.446
Other loans	2.200	3.325	-	-
	110.622	281.685	63.843	77.446
Total	185.918	375.658	110.464	105.552

Bank and other loans are analysed as follows:

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Repayable				
Within 1 year	75.296	93.973	46.621	28.106
Between 1 and 5 years	49.662	179.642	18.496	77.446
More than 5 years	60.960	102.043	45.347	-
Total	185.918	375.658	110.464	105.552

The movement of the above loans during the year was as follows:

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Balance 1 January	375.658	370.988	105.552	100.544
Granting of new loans	-	4.412	-	-
Repayment of loans	(21.568)	(19.685)	(1.000)	(1.313)
Restructuring of loans/transfer to finance lease obligations (note 24)	(181.530)	-	-	-
Interest credited	13.424	18.929	5.951	6.279
Exchange difference	(66)	1.014	(39)	42
Balance 31 December	185.918	375.658	110.464	105.552

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23. BORROWINGS (continued)

The bank and other loans analysed by currency as at 31 December were as follows:

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Euro	180.597	332.449	108.532	103.725
United States Dollars	5.321	5.010	1.932	1.827
Great Britain Pounds	-	38.199	-	-
	185.918	375.658	110.464	105.552

The weighted average interest rates as at 31 December for the above loans analysed by currency were as follows:

	GROUP		COMPANY	
	2012	2011	2012	2011
	%	%	%	%
Euro	4,73	4,79	4,27	5,03
United States Dollars	4,51	5,00	4,01	4,26
Great Britain Pounds	-	3,98	-	-

Bank loans are secured as follows:

GROUP

- Mortgages over the Group's vessels,
- Mortgages over immovable property owned by Group's subsidiary companies,
- Mortgages over long-term leases of the Group's subsidiary companies,
- Mortgage pre-notation over immovable property owned by one of the Group's subsidiary company,
- Corporate guarantees of the Parent company CLIN Company Ltd, the Company and the Group's subsidiary companies,
- Pledging of shares held by the Parent company CLIN Company Ltd, the Company and the Group's subsidiary companies,
- Assignment of the income and receipt of insurances of the Group's subsidiary companies,
- Assignment of rights, titles, interests and monetary demands on long term leases of the Group's subsidiary companies,
- Assignment of the revenue from the disposal of the vessel M/V Aegean Pearl,
- General assignment of revenue from charter hire agreements,
- Cross default between the Group's companies,
- Floating charge over the assets of the Group's subsidiary companies,
- Letter of allocation according to which a subsidiary company of the Group will proceed with the renewal of a lease agreement,

23. BORROWINGS (continued)

GROUP (continued)

- Negative pledge where subsidiary companies of the Group will not proceed with the sale, assignment, mortgage or pledge of financial assets without the written consent of specific banks.

COMPANY

- Mortgages over the Group's vessels,
- Mortgages over immovable property owned by the Group's subsidiary companies,
- Mortgages over long-term leases of the Group's subsidiary companies,
- Corporate guarantees of the Parent company CLIN Company Ltd and the Group's subsidiary companies,
- Pledging of shares of the Company and the Group's subsidiary companies,
- Assignment receipt of insurances of the Group's subsidiary companies,
- Assignment of rights, titles, interests and monetary demands on long term leases of the Group's subsidiary companies,
- Cross default between the Group's companies,
- Floating charge over the assets of the Group's subsidiary companies,
- Letter of allocation according to which a subsidiary company of the Group will proceed with the renewal of a lease agreement,
- Negative pledge where subsidiary companies of the Group will not proceed with the sale, assignment, mortgage or pledge of financial assets without the written consent of specific banks.

For specific borrowings, cash sweep arrangements are in place, based on which the Group has obligation to proceed to additional repayments of loans, if surplus cash is available.

As at the reporting date, bank loans with carrying amount of €147.597 thousand were in arrears for the amount of €42.083 thousand, out of which €29.646 thousand represented capital and €12.437 thousand represented interest. The Group is in a restructuring process of its financing facilities as disclosed in note 43 of the consolidated and separate financial statements of the Company.

The exposure of the Group and the Company to foreign currency, interest rate and liquidity risks is presented in note 40 of the consolidated and separate financial statements of the Company.

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24. FINANCE LEASE OBLIGATIONS

GROUP

	2012			2011		
	Future value of minimum lease payments €'000	Interest €'000	Present value of minimum lease payments €'000	Future value of minimum lease payments €'000	Interest €'000	Present value of minimum lease payments €'000
Land and buildings						
Within 1 year	3.694	1.064	2.630	3.770	1.413	2.357
Between 1 and 5 years	12.526	3.511	9.015	12.511	4.713	7.798
More than 5 years	18.490	1.450	17.040	21.608	2.701	18.907
	34.710	6.025	28.685	37.889	8.827	29.062
Vessels						
Within 1 year	22.862	6.745	16.117	-	-	-
Between 1 and 5 years	69.375	22.488	46.887	-	-	-
More than 5 years	209.741	84.630	125.111	-	-	-
	301.978	113.863	188.115	-	-	-
Total	336.688	119.888	216.800	37.889	8.827	29.062

The finance leases of land and buildings relate to leases of the Louis Hotels group in the context of various lease agreements.

As part of the restructuring plan as disclosed in note 43 of the consolidated and separate financial statements of the Company, the Group proceeded on 27 April 2012 with the sale and leaseback of four vessels. The value of the finance lease obligations at the date of the reorganization of the Group's borrowings was €181.530 thousand (see note 23). Finance lease obligations are secured as follows:
- Mortgages on vessels of the Group,
- Pledge on the Group's vessels,
- Corporate guarantee of Louis Cruises Ltd, a subsidiary company of the Group.

At this stage, the Group has not fulfilled all of its finance lease obligations according to the agreed repayment schedule. As a result, the Group continues to be in discussions with the specific bank for the renegotiation of the terms and their effective date.

The finance lease obligations that were due but not paid at the reporting date amounted to €4.396 thousand. The Group is in the process of restructuring its financing facilities as disclosed in note 43 of the consolidated and separate financial statements of the Company.

The exposure of the Group and the Company to interest rate and liquidity risks is presented in note 40 of the consolidated and separate financial statements of the Company.

25. OTHER LIABILITIES

GROUP

	Note	2012 €'000	2011 €'000
Current other liabilities			
Short-term creditors	(i)	1.895	2.147
Non-current other liabilities			
Defined benefit scheme	31	1.349	1.349
Long-term creditors	(i)	3.417	5.440
		4.766	6.789
		6.661	8.936

Note

(i) On 9 June 2011, the Company reached to an out of court settlement with the company Star Cruises (currently Genting Hong Kong Ltd). A special provision was made for settlement costs of the dispute in relation to the cruise ship M/V Norwegian Dream of €10,3 m. (US$ 14,5 m.) which comprises the total amount of the settlement. In accordance with the terms of the settlement achieved, Louis plc paid an amount of €5,9 m. (US$ 7,5 m.) and will also pay €5,3 m. (US$ 7 m.), payable in annual interest-free installments over a period of 2 ½ years, out of which €3,4 m. are included in long-term creditors under non-current other liabilities and the balance of €1,9 m. is included in short-term creditors under other current liabilities.

26. DEFERRED INCOME

GROUP

	2012 €'000	2011 €'000
Government grants	4.853	5.443
Customer advances	5.969	3.967
Advances from charter hire of vessels	4.356	5.222
	15.178	14.632
Deferred income is analysed as follows:		
Within 1 year	9.190	6.852
Between 1 and 5 years	2.856	4.008
More than 5 years	3.132	3.772
	15.178	14.632

27. DEFERRED TAX

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Balance 1 January	20.085	28.454	(575)	(575)
Credit in the property revaluation reserve	(850)	(2.663)	-	-
Debit/(credit) in profit or loss	153	(346)	-	-
Decrease in deferred tax due to changes in tax rates	-	(216)	-	-
Deferred tax on liabilities held for sale (note 20)	-	(5.144)	-	-
Balance 31 December	19.388	20.085	(575)	(575)

The liability for deferred tax arises as follows:

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Sale and leaseback	(2.393)	(2.434)	-	-
Revaluation of land	-	127	-	-
Revaluation of assets	15.930	16.834	-	-
Write-off of intangible assets	305	295	-	-
Cummulative temporary differences between depreciation and capital allowances	6.440	6.245	-	-
Other assets	(894)	(982)	(575)	(575)
	19.388	20.085	(575)	(575)

The calculation for deferred tax is based on a tax rate of 20% (2011: 20%) for companies in Greece and a tax rate of 10% for companies in Cyprus on temporary differences between the carrying amount of assets and liabilities and their tax base. For the revaluation of land in Cyprus, the provision for deferred tax was based on the 20% capital gains tax rate.

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28. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Trade payables	16.404	18.610	211	33
Other payables and accruals	44.518	48.116	1.044	994
	60.922	66.726	1.255	1.027

The exposure of the Group and the Company to foreign currency and liquidity risks is presented in note 40 of the consolidated and separate financial statements of the Company.

29. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP AND COMPANY

	Note	2012 €'000	2011 €'000
Cash flow hedge:			
Interest rate swap	(i)	3.909	2.838

Notes
(i) Relates to an interest rate swap used for hedging against exposure in interest rate movements associated with a recognised Company loan.

The exposure of the Group and the Company to liquidity, interest rate and foreign currency risks is presented in note 40 of the consolidated and separate financial statements of the Company.

30. TAXATION DUE

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Cyprus corporation tax	1.056	988	322	322
Greek corporation tax	402	1.751	-	-
Cyprus special defence contribution	1.824	404	347	347
	3.282	3.143	669	669

31. EMPLOYEE RETIREMENT BENEFIT SCHEMES

GROUP

Defined benefit schemes

	Note	2012 €'000	2011 €'000
Balance 1 January		1.349	1.270
Current service cost		-	68
Interest cost		-	57
Contributions paid by the employer		-	(113)
Actuarial loss		-	67
Balance 31 December	25	1.349	1.349

The above amounts relate to Greek subsidiary companies of the Louis Hotels group, the employees of which, under local labor legislation, must be paid retirement benefits after the termination of their service. The amount that will be paid as a retirement benefit is determined based on the employees' salary and the length of their service provision. The provision is based on estimates made by independent qualified actuaries, using the following assumptions:

Discount rate	4,5%
Rate of salary increase	2% per year at nominal values
Average period in service	15,6 years
Inflation	2,5%

The most recent actuarial valuation report was carried out in January 2012.

Defined contribution schemes

The permanent employees of Louis plc and its subsidiary companies Louis Ship Management Ltd, Louis Cruise Centre Ltd and C.S.P.A. Cyprus Shipping & Port Agencies Ltd participate in a defined contribution scheme, the main purpose of which is to provide retirement benefits that cover all permanent staff. The scheme provides for contribution by the above companies equal to 6,25% of gross emoluments. For the period from 1 April 2012 until 30 September 2013, the contribution rate is reduced to 0,25%. The decrease in the percentage contribution involves only the employees of Louis plc. From 1 October 2013 the contribution rate returns to 6,25%.

The ship owning companies of the Group do not participate in defined contribution schemes and there is no existing policy regarding a retirement benefit scheme for staff employed on the vessels due to the fact that such staff is usually employed on short-term contracts.

32. DISPOSALS AND ACQUISITIONS OF COMPANIES

GROUP

Disposals
During the years 2012 and 2011, there were no disposals of companies.

Acquisitions
2012
On 16 March 2012, the subsidiary company Louis Hotels acquired the remaining 50% of the share capital of IL Mondo Café Ltd for €470 thousand from the company Vorini Enterprises Ltd, a company controlled by Mr. Jason Perdios, and now owns 100% of its share capital. The carrying amount of IL Mondo Café Ltd equity as at that date amounted to €708 thousand. The Group has recognised the excess of the cost of acquisition over the share in the equity of IL Mondo Café Ltd acquired amounting to €117 thousand, in retained earnings.

2011
On 1 January 2011, Louis Hotels acquired 50% of the share capital of IL Mondo Café Ltd from the Parent company Clin Company Limited which held 70% of its share capital. The remaining 20% was acquired by the company Vorini Enterprises Limited which owned 30% of the share capital of IL Mondo Café Ltd and on 31 December 2011 held 50% of its share capital.

The transaction took place using the acquisition method as follows:

	Note	2011 €'000
Purchase consideration		928
Fair value of net assets obtained on acquisition:		
Property, plant and equipment	13	2.208
Trade receivables		508
Inventories		96
Cash		16
Loan receivable		1.174
Loans and bank overdrafts		(2.282)
Taxation due		(61)
Trade payables		(411)
		1.248
Share of net assets acquired (50%)		624
Goodwill	14	304
Analysis of cash and cash equivalents:		
Purchase consideration		(928)
Cash acquired		16
Bank overdrafts acquired		(682)
Cash out flow on acquisition		(1.594)

33. INVESTMENT IN ASSOCIATE COMPANY

	GROUP	
	2012	2011
	€'000	€'000
Balance 1 January	16.154	15.523
Additions	-	775
Share of profit attributable to the Group	355	473
Share of tax attributable to the Group	(58)	(45)
Dividend received	(394)	(581)
Share of reserves movement attributable to the Group	103	9
Balance 31 December	16.160	16.154

Details of the investment in associate company are as follows:

Name	Shareholding interest	
	2012	2011
	%	%
The Cyprus Tourism Development Public Company Ltd ("C.T.D.C.")	21,53	21,53

The reporting period of the associated company is the 31 December.

Summary of financial information of the associate company as at 31 December:

	GROUP	
	2012	2011
	€'000	€'000
Assets		
Non-current assets	93.097	92.458
Current assets	3.686	3.271
	96.783	95.729
Liabilities		
Non-current liabilities	17.121	17.344
Current liabilities	4.629	3.381
	21.750	20.725
Income	13.732	13.894
Expenses	(12.353)	(11.908)
Profit for the year	1.379	1.986

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34. RELATED PARTY TRANSACTIONS

The following transactions took place in the normal course of the Group and the Company's business and were carried out on an arm's length basis.

(a) Sale of services

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Subsidiary companies				
Financing and interest	-	-	451	379
Use of space rights	-	-	5	-
Management services	-	-	1	4
	-	-	457	383
Parent and other related companies				
Financing and interest	361	311	361	311
Use of space rights	107	-	107	-
Management services	266	345	26	30
Tourist services	3.387	2.299	-	-
	4.121	2.955	494	341

(b) Purchase of services

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Subsidiary companies				
Financing and interest	-	-	27	24
Parent and other related companies				
Financing and interest	517	601	484	486
Use of space rights	590	1.012	142	220
Technological & IT support services	1.050	1.203	13	4
Tourist services	1.587	1.981	-	-
Management services	218	348	15	12
	3.962	5.145	654	722

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34. RELATED PARTY TRANSACTIONS (continued)

(c) Remuneration of Board of Directors members and management

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Remuneration as executive Directors	730	736	-	-
Remuneration as non-executive Directors	16	20	15	17
	746	756	15	17
Remuneration of chief executive officer	269	-	-	-
	1.015	756	15	17

(d) Year end balances

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Receivables				
Subsidiary companies	-	-	107.360	109.856
Parent and other related companies	58.310	54.760	37.823	36.508
	58.310	54.760	145.183	146.364
Payables				
Subsidiary companies	-	-	11.271	11.284
Parent and other related companies	20.749	18.572	9.514	8.884
	20.749	18.572	20.785	20.168
Total	37.561	36.188	124.398	126.196

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34. RELATED PARTY TRANSACTIONS (continued)

(d) Year end balances (continued)

GROUP

Year end balances are analysed as follows:

	Note	2012 €'000	2011 €'000
Receivables			
Amounts due from Parent and other related companies			
▪ Loans receivable			
Louis plc			
Louis Hotels	(i)	37.578	36.432
	(ii)	4.834	4.977
		42.412	41.409
▪ Trading balances	(v)	15.898	13.351
		58.310	54.760
The above amounts are receivable as follows:			
Current		13.412	15.137
Non-current		44.898	39.623
		58.310	54.760
Payables			
Amounts due to Parent and other related companies			
▪ Loans payable			
Louis plc	(iii)	6.818	6.426
▪ Trading balances	(iv), (v)	13.931	12.146
		20.749	18.572
The above amounts are payable as follows:			
Current		13.113	17.481
Non-current		7.636	1.091
		20.749	18.572

34. RELATED PARTY TRANSACTIONS (continued)

(d) Year end balances (continued)

GROUP (continued)

Notes

(i) (a) Loan in US$ amounting to €12.446 thousand (2011: €12.283 thousand), which bears variable interest rate equal to one year Libor plus 1,65% and is repayable in more than one year.
(b) Loan in US$ amounting to €7.007 thousand (2011: €6.919 thousand), which bears variable interest rate equal to one year Libor plus 1,75% and is repayable in more than one year.
(c) Loan amounting to €17.795 thousand (2011: €16.918 thousand), which bears fixed interest rate equal to 5,67% and is repayable in more than one year.
(d) Loan amounting to €330 thousand (2011: €312 thousand), which bears fixed interest rate equal to 6% (2011: 6,50%) and is repayable in more than one year.

(ii) (a) Loan amounting to €1.924 thousand (2011: €2.064 thousand) granted from the subsidiary company Louis Hotels to the Parent, which bears fixed interest rate equal to 5,20% and is repayable in more than one year.
(b) Loan amounting to €1.348 thousand (2011: €1.440 thousand) granted from the subsidiary company Louis Hotels to the Parent, which bears fixed interest rate equal to 5,20% and is repayable in more than one year.
(c) Two loans amounting to €1.562 thousand (2011: €1.473 thousand) granted from the subsidiary company Louis Hotels to the Parent, which bear fixed interest rate equal to 6% (2011: 7,25%) and are repayable in more than one year.

(iii) Loan amounting to €6.818 thousand (2011: €6.426 thousand), which bears fixed interest rate equal to 6% (2011: 7,50%) and is repayable in more than one year.

(iv) Trading balance for the amount of €1.091 thousand (2011: €1.365 thousand), which bears no interest and is repayable in 4 years.

(v) Receivable and payable trading balances with the Parent and other related companies resulting from transactions between the Group, the Parent and other related companies in the normal course of their business, which bear fixed interest rate equal to 6% (2011: 7,25%) and are repayable within one year.

34. RELATED PARTY TRANSACTIONS (continued)

(d) Year end balances (continued)

COMPANY

Year end balances are analysed as follows:

	Note	2012 €'000	2011 €'000
Receivables			
Amounts due from subsidiary companies			
▪ Loans receivable			
Louis Ship Management Ltd	(i)	2.740	2.740
▪ Trading balances	(iii)	104.620	107.116
		107.360	109.856
The above amounts are receivable as follows:			
Current		104.620	107.116
Non-current		2.740	2.740
		107.360	109.856
Payables			
Amounts due to subsidiary companies			
▪ Loans payable			
Louis Hotels	(ii)	306	304
▪ Trading balances	(iii)	10.965	10.980
		11.271	11.284
The above amounts are payable as follows:			
Current		10.965	11.284
Non-current		306	-
		11.271	11.284

Notes

(i) Loan amounting to €2.740 thousand (2011: €2.740 thousand), which bears variable interest rate equal to 3-month Euribor plus 5,50% and is repayable in more than one year.

(ii) Loan amounting to €306 thousand (2011: €304 thousand), granted to the Company from the subsidiary company Louis Hotels, which bears fixed interest rate equal to 7,24% and is repayable in more than one year.

(iii) Receivable and payable trading balances resulting from transactions between the Company and its subsidiaries companies in the normal course of their business, which bear fixed interest rate equal to 6% (2011: 7,25%) and are repayable within one year.

34. RELATED PARTY TRANSACTIONS (continued)

(d) Year end balances (continued)

COMPANY (continued)

Year end balances are analysed as follows:

	Note	2012 €'000	2011 €'000
Receivables			
Amounts due from Parent and other related companies			
▪ Loans receivable			
CLIN Company Ltd	(i)	37.579	36.432
▪ Trading balances	(iii)	244	76
		37.823	36.508
The above amounts are receivable as follows:			
Current		244	388
Non-current		37.579	36.120
		37.823	36.508
Payables			
Amounts due to Parent and other related companies			
▪ Loans payable			
CLIN Company Ltd	(ii)	6.818	6.426
▪ Trading balances	(iii)	2.696	2.458
		9.514	8.884
The above amounts are payable as follows:			
Current		2.696	8.884
Non-current		6.818	-
		9.514	8.884

Notes

(i) (a) Loan in US$ amounting to €12.446 thousand (2011: €12.283 thousand), which bears variable interest rate equal to one year Libor plus 1,65% and is repayable in more than one year.

(b) Loan in US$ amounting to €7.007 thousand (2011: €6.919 thousand), which bears variable interest rate equal to one year Libor plus 1,75% and is repayable in more than one year.

(c) Loan amounting to €17.795 thousand (2011: €16.918 thousand), which bears fixed interest rate equal to 5,67% and is repayable in more than one year.

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34. RELATED PARTY TRANSACTIONS (continued)

(d) Year end balances (continued)

COMPANY (continued)

Notes (continued)

(d) Loan amounting to €330 thousand (2011: €312 thousand), which bears fixed interest rate equal to 6% (2011: 6,50%) and is repayable in more than one year.

(ii) Loan amounting to €6.818 thousand (2011: €6.426 thousand), which bears fixed interest rate equal to 6% (20011: 7,50%) and is repayable in more than one year.

(iii) Receivable and payable trading balances resulting from transactions between the Company, the Parent and other related companies in the normal course of their business, which bear fixed interest rate equal to 6% (2011: 7,25%) and are repayable within one year.

35. INVESTMENTS IN SUBSIDIARY COMPANIES

COMPANY

	2012 €'000	2011 €'000
Balance 1 January	119.699	144.027
Additions	-	4
Impairment charge on investments in subsidiary companies	(3)	(24.332)
Balance 31 December	119.696	119.699

At each reporting date the Company evaluates whether there is objective evidence that its investments in subsidiary companies have been impaired. During the year, impairment charges on investments in subsidiary companies were recognized in the Company's profit or loss, in those cases where the acquisition cost of the investment in the subsidiary company exceeded its net assets. The total impairment charge of €3 thousand (2011: €24.332 thousand) was recognised in profit or loss.

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36. SUBSIDIARY COMPANIES

The most significant subsidiary companies of the Group are the following:

Company name	Note	Country of incorporation	Shareholding interest 2012 %	2011 %
Subsidiary companies of Louis plc				
Louis Hotels Public Company Ltd		Cyprus	99,87	99,87
Fulmar Shipping Company Ltd		Cyprus	100	100
Fulmar Shipmanagement S.A		Marshall Islands	100	-
Calypso Navigation Ltd		Marshall Islands	100	100
New Wave Navigation S.A.		Marshall Islands	100	100
Iona Maritime Co.		Marshall Islands	100	100
Teal Shipping S.A.		Marshall Islands	100	100
Citron Navigation Corp.		Marshall Islands	100	100
Sydelle Navigation Corp.		Marshall Islands	100	100
Ionian Cruise Lines S.A.		Marshall Islands	100	100
Crew Navigation Ltd		Marshall Islands	100	100
Lauper Shipping Co.		Marshall Islands	100	100
Louis Ship Management Ltd		Cyprus	100	100
Core Marine Ltd		Liberia	100	100
Louis Hellenic Cruises Ltd		Marshall Islands	100	100
Louis Cruise Centre Ltd		Cyprus	100	100
Spirit Holding Ltd		Marshall Islands	100	-
Subsidiary companies of Louis Hotels Public Company Ltd				
Nausicaa Estates Ltd		Cyprus	100	100
Harmakia Development Ltd		Cyprus	100	100
Clairnet Enterprises Ltd		Cyprus	100	100
King Jason S.A.		Greece	100	100
Louis Hotels S.A.		Greece	100	100
Leisureland Hotel Enterprises Ltd		Cyprus	100	100
Trevora Holding Ltd		Cyprus	100	100
Louis S.A.E.		Egypt	100	100
IL Mondo Café Ltd	32	Cyprus	100	50

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37. PARTICIPATION OF DIRECTORS IN THE COMPANY'S SHARE CAPITAL

The percentage of the Company's share capital principally held, directly or indirectly, by the members of the Board of Directors, their spouses and their dependent children as at 31 December 2012 and 22 April 2013 (5 days prior to the date of the approval of the consolidated and separate financial statements of the Company) was as follows:

	31/12/2012 %	22/4/2013 %
Costakis Loizou, Chairman	65,475	65,475
Jason Perdios, Executive Director	1,972	1,972
Louis Loizou, Executive Director	0,003	0,003
Christos Mavrellis	0,015	0,015
Olga Eliadou	-	-
Dinos Papadopoulos	-	-
George Foradaris	-	-

The shareholding interest of Mr. Costakis Loizou includes his shareholding interest of the companies CLIN Company Ltd (the "Parent") and Alasia Cyprus Cruises Ltd, with percentage holdings of 65,199% and 0,016%, respectively, of which he is the primary shareholder and the shareholding interest of Ms. Marissa Loizou (daughter) and Mr. Louis Loizou (son) with percentage holdings of 0,154% and 0,106%, respectively.

38. SHAREHOLDERS HOLDING MORE THAN 5% OF SHARE CAPITAL

The shareholder holding more than 5% of the share capital of the Company as at 31 December 2012 and 22 April 2013 (5 days prior to the date of approval of the consolidated and separate financial statements of the Company) was Mr. Costakis Loizou with a shareholding interest of 65,475%.

39. SIGNIFICANT AGREEMENTS WITH MANAGEMENT

On 31 December 2012, the following agreements existed between the Group and the Company and its management:

- Franchise agreement between the subsidiary company of the Group, Louis Hotels and the company King Jason Hotel Apartments Ltd in which Mr. Jason Perdios, Executive Director of the Group indirectly holds 100% of its issued share capital. According to the agreement, Louis Hotels receives from King Jason Hotel Apartments Ltd 0,5% of its total net annual turnover. The revenue from the franchise agreement with King Jason Hotel Apartments Ltd for 2012 amounted to €7 thousand (2011: €6 thousand).

39. SIGNIFICANT AGREEMENTS WITH MANAGEMENT (continued)

- Charges by the Parent, on an arm's length basis, amounting to €590 thousand (2011: €1.012 thousand) for use of space rights in Louis House, which is owned by the Parent.

- Charges by the Company, on an arm's length basis, amounting to €107 thousand (2011: €nil) for use of space rights in a building that in rented and used as headquarters.

- Agreement for the provision to the Group of technological support services on an arm's length basis by Fourth G.L. Prodata Ltd, the primary shareholder of which is the Parent. For the year 2012, the amount in connection with such services amounted to €1.050 thousand (2011: €1.203 thousand).

40. RISK MANAGEMENT

The Group and the Company are exposed to the following risks from its use of financial instruments:

(i) Credit risk
(ii) Liquidity risk
(iii) Market risk
(iv) Tourist industry risk
(v) Shipping industry risk
(vi) Litigation risk
(vii) Reputational risk
(viii) Other risks
(ix) Fair value
(x) Capital management

The Board of Directors has the overall responsibility for the adoption and oversight of the Group and the Company's risk management framework.

The Group and the Company's risk management policies are established to identify and analyse the risks faced by the Group and the Company, to set appropriate risk limits and control mechanisms, and to monitor risks and adherence to these limits. Risk management policies and systems are regularly revised to reflect changes in market conditions and in the activities of the Group and the Company.

(i) Credit risk

Credit risk arises when a failure by counter parties to repay their obligations could reduce the amount of future cash inflows from financial assets. The Group and the Company do not have significant concentrations of credit risk. The Group and the Company have procedures in place to ensure that the sale of products and rendering of services are made to customers with an appropriate credit history and monitor on a continuous basis the ageing profile of receivables. Cash balances are held in financial institutions with high credit quality and the Group and the Company have procedures in place to limit the amount of credit exposure in relation to each financial institution.

40. RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Trade and other receivables
The Group and the Company's exposure to credit risk is mainly influenced by the individual characteristics of each customer. The Group and the Company establish on allowance for impairment that represents their estimate of losses incurred in respect of trade and other receivables. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed periodically and adjusted accordingly. The main components of this provision concern specific provision in relation to recognised losses on trade and other receivables as described in note 18 of the consolidated and separate financial statements of the Company.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date of the consolidated and separate financial statements of the Company was:

	Carrying amount			
	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Amounts due from related parties	58.310	54.760	37.823	36.508
Amounts due from subsidiary companies	-	-	107.360	109.856
Trade and other receivables	46.695	61.763	719	695
Cash and cash equivalents	20.335	11.652	66	416
	125.340	128.175	145.968	147.475

(ii) Liquidity risk
Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position may negatively affect the ability of the Group and the Company to meet their obligations when they arise. The Group and the Company have procedures in place with the objective of minimising such losses such as the monitoring of cash flows on a continuous basis, maintaining sufficient cash and other highly liquid assets and by having available an adequate amount of committed credit facilities.

Bank overdrafts, borrowings and finance lease obligations are presented in notes 19, 23 and 24 respectively.

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40. RISK MANAGEMENT (continued)

(ii) Liquidity risk (continued)

The contractual maturities of financial liabilities, including estimated interest payments are presented below:

GROUP	Carrying amount €'000	Contractual cash flows €'000	Within 1 year €'000	Between 1 and 5 years €'000	More than 5 years €'000
31 December 2012					
Borrowings	185.918	246.402	74.603	55.470	116.329
Finance lease obligations	216.800	336.688	26.556	81.901	228.231
Bank overdrafts	30.838	30.838	30.838	-	-
Trade and other payables	60.922	60.922	60.922	-	-
Other liabilities	6.661	6.661	1.895	4.766	-
Derivative financial instruments	3.909	3.909	3.909	-	-
Amounts due to related parties	20.749	20.749	13.113	7.636	-
	525.797	706.169	211.836	149.773	344.560
31 December 2011					
Borrowings	375.658	462.047	109.018	230.105	122.924
Finance lease obligations	29.062	37.889	3.770	12.511	21.608
Bank overdrafts	29.996	29.996	29.996	-	-
Trade and other payables	66.726	66.726	66.726	-	-
Other liabilities	8.936	8.936	2.147	6.789	-
Derivative financial instruments	2.838	2.838	2.838	-	-
Amounts due to related parties	18.572	18.572	17.481	1.091	-
	531.788	627.004	231.976	250.496	144.532

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40. RISK MANAGEMENT (continued)

(ii) Liquidity risk (continued)

COMPANY	Carrying amount €'000	Contractual cash flows €'000	Within 1 year €'000	Between 1 and 5 years €'000	More than 5 years €'000
31 December 2012					
Borrowings	110.464	158.729	44.805	15.816	98.108
Bank overdrafts	8.899	8.899	8.899	-	-
Trade and other payables	1.255	1.255	1.255	-	-
Derivative financial instruments	3.909	3.909	3.909	-	-
Amounts due to the Parent and other related parties	9.514	9.514	2.696	6.818	-
Amounts due to subsidiary companies	11.271	11.271	10.965	306	-
	145.312	193.577	72.529	22.940	98.108
31 December 2011					
Borrowings	105.552	151.631	33.145	27.439	91.047
Bank overdrafts	7.554	7.554	7.554	-	-
Trade and other payables	1.027	1.027	1.027	-	-
Derivative financial instruments	2.838	2.838	2.838	-	-
Amounts due to the Parent and other related parties	8.884	8.884	8.884	-	-
Amounts due to subsidiary companies	11.284	11.284	11.284	-	-
	137.139	183.218	64.732	27.439	91.047

40. RISK MANAGEMENT (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, equity prices and fuel prices will affect the Group and the Company's income or the value of its holdings of financial instruments.

(a) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group and the Company to interest rate risk in relation to cash flows and can affect their profitability. Borrowings issued at fixed rates expose the Group and the Company to interest rate risk in relation to fair value. The Group and the Company's management monitors interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date of the consolidated and separate financial statements of the Company, the interest rate profile of interest-bearing financial instruments was:

	GROUP		COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Fixed rate instruments				
Financial assets	38.856	35.558	122.989	124.422
Financial liabilities	(108.898)	(111.074)	(105.541)	(102.575)
Variable rate instruments				
Financial assets	39.789	30.854	22.260	22.357
Financial liabilities	(357.895)	(345.052)	(36.778)	(33.538)
	(388.148)	(389.714)	2.930	10.666

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2012 would have increased the loss for the year by approximately €3.258 thousand (2011: €4.466 thousand) for the Group and by approximately €1.410 thousand (2011: €1.264 thousand) for the Company. 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 profit or loss.

Interest rates and repayment terms of bank overdrafts and borrowings are disclosed in notes 19 and 23, respectively.

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2012

40. RISK MANAGEMENT (continued)

(iii) Market risk (continued)

(b) Risk from changes in fuel prices
Fuel cost is the second highest category of expenses for the Group. Changes in fuel price may significantly affect the Group's results in any particular year. The Group's management monitors the fluctuations in fuel prices on a continuous basis and acts accordingly.

(c) Currency risk
Currency risk is the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group and the Company's functional currency. The Group and the Company are exposed to foreign currency risk arising from various currency exposures, primarily with respect to the US Dollar and the Great Britain Pound. The Group and the Company's management monitors exchange rate fluctuations on a continuous basis and acts accordingly.

The Group's exposure to foreign currency risk was as follows:

	2012		2011	
GROUP	United States Dollars €'000	Great Britain Pounds €'000	United States Dollars €'000	Great Britain Pounds €'000
Assets				
Trade and other receivables	5.191	6.808	13.637	4.023
Cash and cash equivalents	606	872	626	227
Amounts due from related parties	7.007	-	6.919	-
Liabilities				
Borrowings	(5.321)	-	(5.010)	(38.199)
Finance lease obligations	-	(41.056)	-	-
Bank overdrafts	(3.759)	-	(3.650)	-
Trade and other payables	(12.971)	(9.013)	(5.856)	(2.045)
Deferred income	(3.641)	-	(4.695)	-
Net risk exposure	(12.888)	(42.389)	1.971	(35.994)

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2012

40. RISK MANAGEMENT (continued)

(iii) Market risk (continued)

(c) Currency risk (continued)

The Company's exposure to foreign currency risk was as follows:

COMPANY	2012 United States Dollars €'000	2011 United States Dollars €'000
Assets		
Amounts due from Parent and other related parties	7.007	6.919
Cash and cash equivalents	-	2
Liabilities		
Borrowings	(1.932)	(1.827)
Net risk exposure	5.075	5.094

Sensitivity analysis
The strengthening of the Euro against the Great Britain Pound by 1% during 2012 would have decreased the loss by approximately €667 thousand (2011: €133 thousand) for the Group, as well as an increase in equity by approximately €667 thousand (2011: €232 thousand) for the Group. The weakening of the Euro against the Great Britain Pound by 1%, would have resulted in an equal and opposite impact on loss and equity.

The strengthening of the Euro against the United States Dollar by 1% during 2012 would have decreased the loss by approximately €14 thousand (2011: €199 thousand) for the Group and increased by €26 thousand (2011: €28 thousand) for the Company, as well as an increase by approximately €14 thousand (2011: €181 thousand) in equity for the Group and a decrease by €26 thousand (2011: €28 thousand) for the Company. The weakening of the Euro against the United States Dollar by 1%, would have resulted in an equal and opposite impact on loss and equity.

This analysis assumes that all other variables, in particular interest rates, remain constant.

40. RISK MANAGEMENT (continued)

(iv) Tourist industry risks

- The political situation in Cyprus as well as the current developments in the economic environment as disclosed in note 42, may significantly impact the tourist industry.
- The operations of the Group are characterised by a high degree of seasonality, due to the fact that the Group mainly operates during the summer months. Specifically, the Group's high season is in the summer, between April and October, and its low season between the months of November and March.
- The competitiveness of Cyprus and Greece in the international tourist market and the increasing competition within the Cypriot and Greek markets may affect the results of the Group and the Company.
- The economic situation in Europe and the United States may affect the tourist industry due to the fact that the highest percentage of tourists comes from Europe and the United States.

The Group reviews the above risks and considers ways to address them.

(v) Shipping industry risks

The operation of cruise vessels entails serious risks, such as collisions in ports, mechanical failure, conflicts, environmental risks, political instability, arrest of the vessels, warfare, labour disputes, unfavourable weather conditions and unfavourable changes in itineraries of airlines transporting passengers to the vessels, which might cause significant loss of revenue.

The Group maintains an insurance cover which is commensurate with the industry level, against such kinds of risks. It is not always certain that this insurance will be obtained at the same price levels or be adequate to cover the whole cost of compensation that may be requested by the ship owning company, or the loss of revenue as a result of immobilisation of a vessel.

The operation of the Group's vessels is affected by environmental protection laws and other regulations that are subject to changes. As a result, it is possible for the Group (not in the immediate future) to suffer substantial costs for amendments to the vessels and changes in their operational procedures/systems. The Group complies with all laws and regulations in force, but there is no certainty as to whether in the future such regulations may have an effect on the activities or the results of the Group.

The operations of the Group are characterised by a high degree of seasonality. The Group takes actions to mitigate the effects of seasonality, by making efforts to increase the vessels' operational period beyond the summer season.

40. RISK MANAGEMENT (continued)

(vi) Litigation risk
Litigation risk is the risk of financial loss, interruption of the operations of the Group and the Company or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the detailed checking of all contractual and legal obligations and the use of sound legal advice on the contracts used by the Group and the Company to execute their operations.

(vii) Reputation risk
The risk of loss of reputation arising from negative publicity relating to the operations of the Group and the Company (whether true or false) may result in a reduction of their clientele, reduction in revenue and legal actions against the Group and the Company. The Group and the Company apply procedures to minimise this risk.

(viii) Other risks
The general economic environment prevailing in Cyprus and internationally, as well as the credit/financial crisis in Greece and the current international developments may affect the Group and the Company's operations to a great extent. Concepts such as inflation, unemployment, and development of the gross domestic product (GDP) are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas, with a possible effect on the results and the fair values of the assets of the Group and the Company.

(ix) Fair value
Fair value represents the amount for which an asset may be exchanged or a liability may be settled in an arm's length transaction. The fair value of the Group and the Company's financial assets and liabilities at the reporting date is presented in the respective notes to the consolidated and separate financial statements of the Company, when this is required.

The fair value of the Group and the Company's financial assets and liabilities is approximately the same as their carrying amount as presented in the statement of financial position.

The financial instruments are carried at fair value based on the three levels hierarchy, according to the inputs used for the calculation of fair value. The different fair value levels are the following:

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

40. RISK MANAGEMENT (continued)

(ix) Fair value (continued)

The financial liabilities of the Group and the Company which are carried at fair value based on the above hierarchy were as follows:

	2012 Level 2 €'000	2011 Level 2 €'000
Financial liabilities		
Derivatives		
Interest rate swap	3.909	2.838

(x) Capital management

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

41. COMMITMENTS/CONTINGENT LIABILITIES

On 31 December 2012, the Group and the Company had the following commitments or contingent liabilities:

(i) Blocked cash amounting to €362 thousand (2011: €513 thousand) for the issue of bank guarantees in favour of various beneficiaries.

(ii) Blocked cash amounting to €48 thousand (2011: €47 thousand) for the issue of bank guarantees in favour of the Navy Retirement Fund located in Piraeus.

(iii) Blocked cash amounting to €527 thousand (2011: €378 thousand) for the issue of bank guarantees in favour of the Hellenic Register of Shipping in Piraeus.

(iv) Blocked cash amounting to €41 thousand (2011: €41 thousand) for the issue of bank guarantees in favour of the Cyprus Port Authority with expiration date 27 May 2013.

(v) Guarantees amounting to €1.160 thousand (2011: €1.183 thousand) for the issue of bank guarantees in favour of the Navy Retirement Fund located in Piraeus.

(vi) Guarantees amounting to €140 thousand (2011: €136 thousand) for the issue of bank guarantees in favour of the Hellenic Register of Shipping in Piraeus.

(vii) Guarantees amounting to €760 thousand (2011: €1.010 thousand) for the issue of bank guarantee in favour of various beneficiaries.

41. COMMITMENTS/CONTINGENT LIABILITIES (continued)

(viii) Guarantees amounting to €6 thousand (2011: €49 thousand) for the issue of bank guarantees in favour of the Cyprus Port Authority, which come into force in case of defaults in the obligations of the Group's subsidiary companies.

(ix) The subsidiary companies Elona Maritime Company Ltd, owner of the vessel M/V Sea Diamond, and Louis Hellenic Cruises Ltd, appealed against decisions and claims of various authorities of the Greek Republic and third parties, relating to the shipwreck. The decisions/claims relate to a total amount of €9.672 thousand. The total amount of €8.352 thousand has been covered by the vessel's insurance company during the year. In case where the remaining amount of €1.320 thousand becomes payable, this will be covered by the vessel's insurance company.

(x) The Navy Retirement Fund (NRF) of Greece claimed from the subsidiary company New Wave Navigation S.A., owner of the vessel M/V Coral, the amount of €989.783 for debts owed by the previous owner of the vessel. The company submitted an appeal to the Multi Member Court of First Instance of Piraeus, which decided that the pertinent body for the hearing of the case is the Administrative Court. The company has filed an appeal against the NRF and on the previous decision by the Single Member Court of First Instance of Piraeus. After a series of postponments, the hearing of the case took place and the final decision of the Court ic expected to be issued.

(xi) There are various claims, lawsuits and complaints arising in the ordinary course of the business. In case where decisions will be issued against the Company, the total amount of compensations is not expected to exceed €366 thousand (2011: €308 thousand).

(xii) In addition to the tax liabilities that have already been provided for in the consolidated and separate financial statements of the Company based on existing evidence, there is a possibility that additional tax liabilities may arise following the examination of tax and other related matters of the Group's companies and the Company.

(xiii) Various claims, lawsuits and complaints, such as those involving government regulations, arise in the ordinary course of business. Based on management's opinion, all such pending matters, are not expected to have any significant negative effect on the Group and the Company's financial position, liquidity, cash flows or operational results at any time, other than those already recognised in the financial statements.

41. COMMITMENTS/CONTINGENT LIABILITIES (continued)

(xiv) Companies of the subsidiary group Louis Hotels have given guarantees and collateral securities amounting to €21,77 m. for loans of the Parent, the largest part of which was given before Louis Hotels became public. In return, Louis Hotels has received guarantees from the Parent amounting to €0,70 m., as well as guarantees in the form of pledge of 79,44 m. shares of the Company, held by the Parent. Louis Hotels has given guarantees of €113,85 m. and guarantees in the form of pledge of 3,7 m. shares of Nausicaa Estates Ltd held by the group of Louis Hotels, were given to the Company. In exchange, Louis Hotels has received guarantees in the form of pledge of 46,5 m. shares of Louis Hotels held by the Company.

(xv) On 31 December 2012 the commitments of the Group for capital expenditure relating to hotel and vessel renovations, for which no provision has been made in the consolidated and separate financial statements of the Company, amounted to €8.085 thousand (2011: €2.512 thousand).

(xvi) The Navy Retirement Fund (NRF) of Greece demanded the payment of contributions to NRF for vessels under Greek flag even though the law during the relevant period, provided that these vessels were retrospectively exempt from such obligation. The Legal Council of the state was also in agreement with respect to this exemption. Nevertheless, the NRF continued to require payment of the contributions, forcing the Company to appeal to the court. The total amount of the claim and the timeframe of completion of the case cannot be estimated. The Board of Directors, taking into consideration a relevant legal opinion, estimates that the probability of a substantial obligation arising is remote.

(xvii) On 31 December the commitments of the Group for operating lease rentals was as follows:

	2012 €'000	2011 €'000
Within 1 year	7.462	10.723
Between 1 and 5 years	30.872	39.491
More than 5 years	10.303	14.538
	48.637	64.752

42. ECONOMIC ENVIRONMENT AND GROUP'S OPERATIONS

Economic environment

The Cypriot economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. During 2012, there was a considerable tightening of financing availability from Cypriot financial institutions, mainly resulting from financial instability in relation to the Greek sovereign debt crisis, including the impairment of Greek Government Bonds, and its impact on the Cyprus economy. In addition, following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly affected. The Cyprus Government entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund, in order to obtain financial support.

The Cyprus Government and the Eurogroup (together with the International Monetary Fund) have reached to agreement on the key elements necessary for a future macroeconomic adjustment program which includes the provision of financial assistance to the Republic of Cyprus of up to €10 billion. The program aims to address the exceptional economic challenges that Cyprus is facing, and to restore the viability of the financial sector, with a view to restoring sustainable economic growth and sound public finances in the coming years.

The Eurogroup decision for Cyprus includes plans for the restructuring of the financial sector and safeguards deposits below €100.000 in accordance with European Union legislation. In addition, the Cypriot authorities have confirmed their commitment to step up efforts in the areas of fiscal consolidation, structural reforms and privatizations. The Eurogroup requested the Cypriot authorities and the European Commission, in liaison with the European Central Bank and the International Monetary Fund, to finalize the relevant Memorandum of Understanding in April 2013, which will then be followed by the formal approval of the Board of Directors of the European Stability Mechanism as well as by the ratification by Eurozone member states through national parliamentary (or equivalent) approval.

On 22 March 2013 legislation was enacted by the House of Representatives concerning restrictive measures in respect of transactions executed through the banking institutions operating in Cyprus. The extent and duration of the restrictive measures are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and were enforced on 28 March 2013. The restrictive measures include, among others, restrictions on cash withdrawals, export of capital abroad, ban early termination of deposits having a specific period of duration and notice accounts and required re-programming of the maturity of time deposits. In addition, on 25 March 2013, the European Central Bank announced that it will provide liquidity to the Central Bank of Cyprus through the Emergency Liquidity Assistance ("ELA"), in accordance with applicable regulations.

The Board of Directors of the Group is monitoring the developments in relation to these capital controls and is assessing the implications on the Group's operations.

42. ECONOMIC ENVIRONMENT AND GROUP'S OPERATIONS (continued)

Impact of developments on the Group

The Board of Directors of the Group is unable to predict all the developments which could have an impact on the economy of Cyprus and Greece, and therefore, could have an impact on the future financial performance, cash flows and financial position of the Group. The Board of Directors monitors the volatile environment and takes decisions for the normal operation of the Group. Among others, the Group performs treasury management and handles issues relating to the financial institutions with which it has facilities, centrally.

The Group's Board of Directors' assessment regarding the collectibility of trade and other receivables of the Group is disclosed in note 18 of the consolidated and separate financial statements of the Company.

The impact of the developments regarding shipping, hotel and other activities of the Group are not expected to have a significant effect on its turnover. The majority of the Group's revenues is derived either from operations outside Cyprus or from foreign customers and it is important to note that there are no foreign exchange restrictions on capital inflows.

Specifically, during 2012, about 95% of the turnover of Louis Cruises derived from overseas operations, while the percentage of Louis Hotels' hotel units in Greece is 45%. Overall, on a consolidated level, 73% of the revenue of the Group results from operations outside Cyprus. In 2012, the turnover of the Group amounted to €193.895 thousand. The Group expects that the turnover from hotel operations in 2013 will show an improvement compared to that of 2012, due to the anticipated increase in tourist arrivals mainly towards Greece.

Also, it is worth noting that the Group has a strong and long lasting business relationship with the group of TUI UK Ltd ("TUI"), which is the largest tour operator in Europe. TUI is currently in a very strong financial position. The principal activities of the Group's companies with TUI are supported by legally binding long-term agreements.

Additionally, Louis Hotels group has developed a strong relationship with Biblio Globus, which is one of the leading tour operators with activity from Russia towards Europe, and is supported by legally binding long-term agreements signed during 2013.

Considering the current developments, announcements to-date, as well as the Group's Board of Directors interpretation and views, it is expected that from the haircut of deposits and taking into account the setoff between deposits and loans, a net loss is expected of approxinately €100 thousand will be incurred in relation to Laiki Bank and no loss is expected from Bank of Cyprus. Regarding Bank of Cyprus, if the interpretation of the directors of the Group on the setting-off method is not correct and on the assumption that the haircut will reach the maximum of 60%, then in the worst case, incur an additional loss of around €1.500 thousand may arise.

42. ECONOMIC ENVIRONMENT AND GROUP'S OPERATIONS (continued)

Impact of developments on the Group (continued)

These calculations were made with reservations, having regard to the possibility that the percentages announced may be varied and/or additional measures for these banks may be adopted.

Having regard to the above, the current developments are not anticipated to affect the normal operations of the Group. Additionally, the Board of Directors believes that tourism can be the driving force for the re-coinvigoration of the Cyprus economy and takes all necessary measures to maintain the viability of the Group.

43. GOING CONCERN BASIS

The Group incurred a loss of €40.195 thousand for the year ended 31 December 2012 and on that date the Group's current liabilities exceeded its total current assets by €96.498 thousand. The main reasons for the loss as mentioned above, as well as the increase in the current liabilities of the Group are the following:

- decrease in turnover in the cruise sector mainly due to the concentration of operations in the Eastern Mediterranean, as well as the decrease in demand for cruises from Piraeus,
- decrease in passenger numbers and reduced margin per passenger,
- unpredictable and non-recurring costs due to bad debts in the cruise sector, primarily in Greece,
- increase in financing costs due to the restructuring of borrowings.

In 2011, the Group proceeded with the development of a five year strategic plan with the purpose of restructure the financing of the Group.The proposed action plan includes, among others, the following:

- termination of the operations of Louis Cruises in the Western Mediterranean,
- consolidation of the fleet with the disposal of vessels,
- significant reduction in staff costs and other operating expenses,
- reduction of short term borrowings,
- lengthening of the repayment period,
- sale and leaseback of hotel units in order to reduce the total debt of the Group,
- recruitment of a new Chief Executive Officer (CEO) for Louis Cruises and restructuring and strengthening of the management fuction.

43. GOING CONCERN BASIS (continued)

Significant provisions of the above plan have already been adopted and implemented. Specifically, during 2012 two vessels were disposed of (M/V Sapphire and M/V Emerald) and in early 2013 the vessel M/V Calypso was disposed of. Also, the operations of Louis Cruises in the Western Mediterranean were terminated with the simultaneous strengthening of the operations in the Eastern Mediterranean. The plan is implemented under the guidance of the new Chief Executive Officer (CEO) of Louis Cruises, who was recruited in January 2012. At the same time, the Group proceeded in 2012 to execute a sale and leaseback transaction for one hotel unit (Louis Althea Beach).

Although at this stage certain loan and finance lease obligations were not fully met (see notes 23 and 24) based on the agreed repayment schedules, the Group is in advanced discussions with its main lenders and has agreed to a high degree the restructuring of its borrowings based on the expected cash flows for the following years. Any potential adverse development in relation to these factors may create significant uncertainty as to the Group's ability to continue as a going concern. In case the Group is unable to continue its operations, it will need to make the appropriate adjustments for impairment of assets to their realizable value and to make provisions for any additional liabilities that may arise.

Specifically, the current developments with the main lenders of the Group are as follows:

(a) An agreement with a specific bank was signed on 11 February 2013 with effective date 31 December 2012, which provides for the extension of the repayment period of the Group’s loan with the specific bank until the year 2018, while neither interest nor principal will be paid until and including June 2013.

(b) A framework agreement was concluded for the reorganization plan of the Group's borrowings with a specific bank, dated 13 March 2012, which provides for the disposal of a specific hotel unit (which has already been implemented), extension of the repayment period of the Group’s borrowings from this bank until the year 2026, payment only of interest (no principal) at a low interest rate for 3 years and the repayment of principal to begin in 2015. This agreement has been approved by the Board of the bank and is under implementation, although there is a delay in its signing due to the recent events in the banking sector of Cyprus as described in note 42 of the consolidated and separate financial statements of the Company.

43. GOING CONCERN (continued)

(c) An initial agreement has been reached in principle for the reorganization of the Group's borrowings, with a specific bank, which is on a similar basis to that referred to in paragraph (b) above. The agreement has been approved by the Board of Directors of the bank and its ratification by the Central Bank of Cyprus is pending. The implementation of the agreement is pending because of the recent events in the banking sector in Cyprus. The Board of Directors of the Group is optimistic that the agreement will be implemented, either in the form agreed upon, or in another equivalent from a financial point of view form. However, as a result of the recent events, it is not in a position to predict this with certainty.

(d) On 27 April 2012, an agreement with a specific bank was completed and implemented on the basis of the strategic plan for the restructuring of the Group's debt. One of the provisions of this agreement which was applied and was implemented during 2012 (see notes 23 and 24) was the disposal of vessels and their simultaneous leaseback was. At this stage, the Group has not met the agreed repayment schedule of specific loan and finance lease obligations as disclosed in notes 23 and 24 of the consolidated and separate financial statements of the Company. As a result, the Group continues the discussions with the bank as regards the renegotiation of the terms and their effective date. The proposed action plan was presented to the bank on 25 April 2013 for discussion and this is expected to be completed in the second half of 2013. The plan includes, inter alia, the revision of the repayment schedule and other facilities with regards to specific loan and finance lease obligations. The repayment schedule will be agreed on the basis of the three year action plan, which the Group's management considers achievable and feasible.

The specific bank is willing to support the Group provided it achieves its objectives based on the proposed action plan. This is evidenced in writing in a letter dated 12 April 2013. Furthermore, it is important to note that the specific bank, during 2013 provided short-term financing to the Group despite the fact that it has not met the aforementioned agreed repayment schedule. It is worth noting that the bank adopted in the past a reliable and constructive approach towards the Group.

Also, the Group is in the process of entering into new agreements with a specific Greek bank following the sale to it of the activities of the two Cypriot banks Popular Bank Public Company Ltd (Laiki) and Bank of Cyprus Public Company Ltd.

Additionally, it is noted that the current developments in the economic environment of Cyprus are not expected to affect significantly the normal operations of the Group as disclosed in note 42 of the consolidated and separate financial statements of the Company.

43. GOING CONCERN (continued)

The Board of Directors of the Group is not in a position to predict with certainty all developments that could have an impact on the economy of Cyprus and Greece, and therefore, could have an impact on the future financial performance, cash flows and financial position the Group. However, based on the current information and indications, the Board of Directors believes that the Group is able to continue operating as a going concern for at least 12 months from the reporting date, taking into account the progress achieved in implementing the restructuring plan, the projected cash flows for 2013, the assessment of the developments in the economic environment, and that the Board of Directors will continue to take all necessary measures to maintain the viability of the Group and enhance its operations in the current business and economic environment.

44. EVENTS AFTER THE REPORTING PERIOD

Further to the current developments in the Cyprus economic environment disclosed in note 42 of the consolidated and separate financial statements of the Company, the following events after the reporting period have a bearing on the consolidated and separate financial statements of the Company as at 31 December 2012:

(i) On 27 February 2013, the ship owning subsidiary company of the Group, Calypso Navigation Ltd, disposed of its vessel M/V Calypso to the company Argo Systems Fze for the amount of €2.100 thousand. The selling price represents the value of the vessel in the consolidated and separate financial statements of the Company and therefore no gain or loss arose as a result of the disposal.

(ii) Based on the decision of the District Court of Nicosia, on 1 March 2013, the operations of the subsidiary company of the Group, IL Mondo Café Ltd were amalgamated with those of the subsidiary company Louis Hotels. With the merger certain write offs of financial assets were incurred and a loss of approximately €2,2 m. is expected to be recognised in the results of 2013.

(iii) Law 4110/23.1.2013 was recently enacted in Greece, raising the income tax rate from 20% to 26% with effect from the year 2013. Apart from the increase in the current tax, this change is expected to result in an increase in deferred tax liability by approximately €5.132 thousand.

45. MODIFICATION OF INDICATIVE FINANCIAL RESULTS

The audited financial results of the Group present the following differences from the announced indicative results:

	2012 €'000
Loss as per the announcement of indicative results	(30.442)
Additional impairment charge on goodwill	(6.130)
Transfer of derivative financial instruments fair value to the results	(3.623)
Loss as per the consolidated financial statements	(40.195)

This change was made following the recent completion of the valuation of the Group's hotel units to their fair values, as a result of which an impairment of goodwill amounting to €6,13 m. was decided. In addition, with the completion of the audit it was decided that an amount of €3.62 m. from the hedging reserve to be transferred to the income statement.

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REPORT, CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2012