LOUIS PLC

REPORT, CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2017

C O N T E N T S

LOUIS PLC

BOARD OF DIRECTORS AND PROFESSIONAL ADVISERS

Board of Directors	Costakis Loizou	*(Chairman, Non-Executive Director)*
	Jason Perdios	*(Executive Director)*
	Louis Loizou	*(Executive Director)*
	Christos Mavrellis	
	Olga Eliadou	*(resigned on 16 February 2018)*
	Theodoros Middleton	
	George Lysiotis	*(appointed on 24 November 2017)*
	Takis Taussianis	*(appointed on 15 December 2017)*
	Cleopatra Kitti	*(appointed on 16 February 2018)*
Secretary	Costas Hadjimarkos	
Independent Auditors	KPMG Limited	
Legal Advisers	Ioannides Demetriou LLC L. Papaphilippou & Co LLC L. Pelekanos & Associates Law Firm & Legal Advisers Pampoukis-Maravelis-Nicolaides & Associates Law Firm Tassos Papadopoulos & Co LLC Chrysafinis & Polyviou LLC Chrysses Demetriades & Co LLC Roussos & Hadjidimitriou Law Partnership Hill Dickinson LLP Ince & Co International Law Firm Goulielmos & Associates Law Firm	
Bankers	Societe Generale Bank - Cyprus Ltd Piraeus Bank S.A National Bank of Greece S.A. Hellenic Bank Public Company Ltd Bank of Cyprus Public Company Ltd USB Bank Plc Alpha Bank S.A. Barclays Bank PLC AstroBank Ltd Cyprus Development Bank P.C.Ltd	
Registered Office	11 Limassol Avenue 2112, Nicosia Cyprus	

LOUIS PLC

STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE 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, (N.190 (I)/2007) ("Law"), we the members of the Board of Directors and the officials responsible for the consolidated and separate financial statements of Louis plc (the "Company") for the year ended 31 December 2017, confirm that to the best of our knowledge:

(a) the annual consolidated and separate financial statements of the Company which are presented on pages 45 to 146:
   (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, and

(b) the consolidated and separate management report gives a fair view of the developments and the financial performance by the business as well as the financial position of the Company and the Group, along with a description of the principal risks and uncertainties that they are facing.

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

Costakis Loizou	Chairman, Non-Executive Director	…………………………
Jason Perdios	Executive Director	…………………………
Louis Loizou	Executive Director	…………………………
Christos Mavrellis	Non-executive Director	…………………………
Theodoros Middleton	Non-executive Director	…………………………
George Lysiotis	Non-executive Director	…………………………
Takis Taussianis	Non-executive Director	…………………………
Cleopatra Kitti	Non-executive Director	…………………………
Marios Ioannou	Chief Financial Officer	…………………………
Stavros Rossos	Chief Accountant	…………………………

Nicosia, 26 April 2018

LOUIS PLC

CONSOLIDATED AND SEPARATE MANAGEMENT REPORT

The Board of Directors of Louis plc (the “Company”) presents to the members its Annual Report and the audited consolidated and separate financial statements and its subsidiaries (the “Group”) for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Group during 2017 continued to include the operation of cruises, the charter hire of vessels to third parties and the ownership, operation and management of hotel units, the acquisition and disposal of movable and immovable property, the construction, management and administration of cottages, as well as the provision of financial facilities to subsidiaries or related companies of the Group.

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

Economic analysis

The profit attributable to the owners of the Company for the year 2017 amounted to €11,5 m., compared to €7,7 m. in the previous year. There was an improvement of €3,8m. which was due to the increase in operating profits by €2,3 m. during 2017 and to the residual net increase of €1,5m as detailed below.

The Group’s turnover for the year 2017 increased by €4,5 m. (+4,1%) in relation to 2016. This was a result of the chartering of a cruise ship and the increase in the turnover of Louis Hotels Public Company Ltd (“Louis Hotels”).

Operating profits before interest, taxes, depreciation and hotel rents (EBITDAR) for the year ended 31 December 2017 were higher by €2,3 m (+5,5%). Specifically, operating profits this year amounted to €44,2 m., compared to €41,9 m. in 2016. This was as a result of the increase in turnover, as well as, in the profitability of Louis Hotels.

The result for the year shows significant improvement, from a loss of €1,4m in 2016 to a profit of €11,6m in 2017. The improvement is a result of the reduction of the loss from provisions, and the effect of the restructuring of borrowings, consisting of a reduction in finance costs and a profit of €8,2m. This improvement was limited by the increase in the share of loss from investments in joint ventures.

The results for the year 2016 ended up being profitable due to non-recurring net profit of €9,1m resulting from the investment in Celestyal Cruises Ltd (“Celestyal”).

As analysed above, the result for the year showed significant improvement and profitability.

The Company looks forward to a continued positive growth in both the Cypriot and the Greek tourist markets in 2018, respectively benefiting the Company.

LOUIS PLC

CONSOLIDATED AND SEPARATE MANAGEMENT REPORT

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

With the completion of the loan restructuring, the current liabilities of the company decreased significantly, resulting to the significantly improved current position of the Group and the Company. Specifically, for the year ended 31 December 2016, the current liabilities of the Group and the Company exceeded the Current Assets by €82.771 thousand and €73.127 thousand, respectively. With the completion of the loan restructuring, and on 31 December 2017, the current liabilities of the Group and the Company exceeded the Current Assets by €6.779 thousand and €22.015 thousand, respectively.

The performance of the Group is also assessed on the basis of the following financial ratios:

Ratio	Change %	2017	2016
Trade Receivables Days	(7)	48 days	51 days
Net Debt to Profit before Taxation, Depreciation, Amortization and Interest	(18)	7,01	8,52
Interest Cover	43	3,11	2,16
Occupancy rate	4	85,7%	82,4%

Trade Receivable Days ((Trade Receivables / Turnover) X 365)
The decrease for the Group is due to the increase in sales and the decrease of trade receivables, as a consequence of the effort made for timely collection.

Net Debt to Profit before Tax, Depreciation, Amortisation and Interest
The indicator shows decrease compared to last year due to increase in profitability and decrease in the level of debt.

Interest coverage ratio (Profit before Tax, Depreciation, Amortisation and Interest / Interest expense)
The indicator shows increase compared to last year due to a reduction in interest expense, as a result of the decrease in the cost of borrowing and increased profitability.

Occupancy rate (Total occupied rooms / Total available rooms)
The indicator shows increase in relation to last year due to increased occupancy in relation to the available rooms and hotel operating time.

DIVIDEND

The Board of Directors does not recommend the payment of a dividend for the year 2017.

MAIN RISKS AND UNCERTAINTIES

The main risks faced by the Group and the Company and the actions being taken to monitor and manage them are stated below and analysed further in note 38 of the consolidated and separate financial statements.

LOUIS PLC

CONSOLIDATED AND SEPARATE MANAGEMENT REPORT

MAIN RISKS AND UNCERTAINTIES (continued)

Credit risk
Credit risk is the risk of default by counter parties to settle their liabilities, which may result to a reduction in the future cash inflows from financial assets at the reporting date. The Group and the Company apply principles which are considered appropriate and employ relevant procedures to monitor and control credit. Credit risk is monitored on an ongoing basis.

Liquidity risk
Liquidity risk is the risk that arises when the expiry dates of assets and liabilities do not coincide. When expiry dates do not coincide, the return may increase but at the same time the risk for losses may also increase. The Group and the Company have procedures in place to minimize such losses, such as retaining sufficient amounts in cash and other highly liquid assets and securing available credit facilities..

Interest rate risk
Interest rate risk is the risk of fluctuations in the value of financial instruments due to movements in market interest rates. Borrowing in variable interest rates exposes the Group and the Company in interest rate risk that affects cash flows. Borrowing in fixed interest rates exposes the Group and the Company in interest rate risk that affects the fair value. The management of the Group and the Company is monitoring the fluctuations of interest rates on an ongoing basis and takes appropriate actions.

Tourism Industry risk
The Group's operations are subject to seasonal fluctuations due to the fact that the Group is mainly active during the summer months. The Group is taking actions to reduce the seasonality by making efforts to increase the operational hotel period beyond the summer season. Furthermore, the competitiveness of Cyprus and Greece in the international tourism markets as well as the increasing competition within the Cypriot and Greek markets affect the Group's results. The group, through its commitment contracts is trying to reduce the above risk of the tourism industry.

SHARE CAPITAL

The Board of Directors, taking into account the fact that according to the audited individual financial statements of the Company for the year ended 31 December 2016, the Company lost more than 50% of the issued share capital and according to the provisions of Section 169F of the Companies Law Cap. 113, called an Extraordinary General Meeting on 23 February 2017 at which the following were approved:

1. The issued share capital of the Company amounting to €78.292.965,18, divided into 460.546.854 ordinary shares with nominal value of €0,17 each, to be reduced to €9.210.937,08 divided into 460.546.854 ordinary shares with nominal value of €0,02 each, and the reduction to be effected by way of reduction of the nominal value of each share from €0,17 to €0,02 and the cancelation of the amount of €0,15 per share for the purpose of eliminating accumulated losses of the Company in the Retained Earnings reserve amounting to €69.082.028,10.

LOUIS PLC

CONSOLIDATED AND SEPARATE MANAGEMENT REPORT

SHARE CAPITAL (continued)

2. The nominal share capital of the Company to be reduced by €69.082.028,10, taking into account the reduced amount of the issued share capital, and as a result the nominal share capital of the Company to be reduced from €85.000.000 divided into 500.000.000 ordinary shares with nominal value of €0,17 each, to €15.917.971,90 divided into 795.898.600 ordinary shares with nominal value of €0,02 each.

3. Simultaneously with the implementation of the above resolutions, the Company's nominal share capital to be increased from €15.917.971,90 to €85.000.000 divided into 4.250.000.000 shares, with nominal value of €0,02 each.

4. The share premium account of the Company which shows credit balance of €94.300.187 to be reduced to €0 for the purpose of writing off accumulated losses of the Company losses and specifically accumulated losses in the Merger reserve amounting to €25.964.445 and accumulated losses in the Retained Earnings reserve amounting to €68.335.742.

5. Simultaneously with the implementation of the above special resolutions, paragraph 5 of the Memorandum to be fully amended by way of its replacement with a new paragraph as follows:

«5. The share capital of the Company is €85.000.000 divided into 4.250.000.000 shares with nominal value of €0,02 each. The shares at the initial or any other increased capital can be divided into different classes and they can be assigned with any rights, privileges, terms or restrictions of preference or specifically regarding dividends, share capital, voting rights or otherwise.»

The above decisions of the Company have been ratified by the Nicosia District Court, were certified by the Registrar of Companies and entered into force on 28 July 2017.

BRANCHES

During the year, the Group operated autonomous branches in Athens and in the islands of Zakynthos, Corfu, Crete, Mykonos and Rhodes. Moreover, the Group operates in Cyprus, Greece and other countries through subsidiary companies, which are reported in note 34 of the consolidated and separate financial statements of the Company.

FUTURE DEVELOPMENTS

The Group will continue to operate in the hotel sector, seeking further expansion of its activities in Cyprus and Greece, as well as in new overseas markets, where opportunities are presented in relation to hotel management or leasing of hotel units.

As it regards the cruise sector, Celestyal's aims include further expansion of its activities with its own brand as well as the operation of cruise ships during the whole year, which reduce effects of the seasonality in the sector.

LOUIS PLC

CONSOLIDATED AND SEPARATE MANAGEMENT REPORT

COMPOSITION, ALLOCATION OF RESPONSIBILITIES AND REMUNERATION OF THE BOARD OF DIRECTORS – SHARE CAPITAL PARTICIPATION – RE-ELECTION

The members of the Board of Directors as at 31 December 2017 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2017 except Mr. George Lysiotis and Mr. Takis Taussianis, who were appointed on 24 November 2017 and 15 December 2017, respectively. On 16 February 2018, Ms.Olga Eliadou resigned and on the same day Ms.Cleopatra Kitti was appointed.

Details regarding allocation of responsibilities and the remuneration of the members of Board of Directors are included in Part B (III and IV) of the Management Report regarding Corporate Governance for the year 2017 which is presented after this report. In this respect, note 37 of the consolidated and separate financial statements is also relevant.

The percentages of participation in the share capital of the Company which are held directly and indirectly by the members of the Board of Directors of the Company as at 31 December 2017 and as at 21 April 2018 are presented in notes 35 and 36 of the consolidated and separate financial statements.

In accordance with the provisions of the Company's Articles of Association, in the forthcoming Annual General Meeting, Mr. Costakis Loizou, Louis Loizou, George Lysiotis and Takis Taussianis, and Ms.Cleopatra Kitti are due for retirement eligible for re-election, offer themselves for re-election. For the filling of the vacancies elections will be held at the Annual General Meeting.

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

RELATED PARTY TRANSACTIONS AND AGREEMENTS WITH THE BOARD OF DIRECTORS AND THEIR RELATED PARTIES

Except for the transactions with related parties and agreements with officers as disclosed in notes 32 and 37 respectively, there were no other significant transactions in which officers and their related parties had a significant interest.

GOING CONCERN BASIS

The consolidated and separate financial statements of the Company were prepared on a going concern basis.

The Board of Directors has assessed the ability of the Group and the Company to continue as a going concern, taking into account the available information for the twelve months following the date of approval of these consolidated and separate financial statements of the Company. Based on that assessment, the Board of Directors is satisfied that the consolidated and separate financial statements of the Company can be prepared on a going concern basis.

EVENTS AFTER THE REPORTING PERIOD

The events that occurred after the reporting period are disclosed in note 41 of the consolidated and separate financial statements of the Company.

LOUIS PLC
CONSOLIDATED AND SEPARATE MANAGEMENT REPORT

CORPORATE COVERNANCE DECLARATION

On 6 March 2003 the Board of Directors of the Company decided to implement all the provisions of the Corporate Governance Code ('the Code') which was issued by the Cyprus Stock Exchange (CSE) Board, as amended from time to time. The Code is also uploaded on the Company's Website. The Management report on Corporate Governance for the year 2017 is presented after the Consolidated and Separate Management Report. The Report and the consolidated and separate financial statements are available and are uploaded on the websites of both the Cyprus Stock Exchange and the Company.

There are no material deviations from the provisions of the Code beyond the non-compliance to the provision of paragraph A.2.3 of the Code regarding the composition of the Board of Directors. The said paragraph provides that at least 50% of the members must be independent.

On 17 March 2017, the CSE granted to the Company a period of nine months, until 17 December2017, to comply with the provision of Paragraph A.2.3 of the Code regarding the independence of at least 50% of the members of the Board of Directors.

The company, by appointing two additional Independent members of the Board of Directors, has complied with the provision of the Code regarding the independence of at least 50% of the members of the Board of Directors.

The internal control and risk management systems ensure the orderly operation of the Group and adherence to the internal controls and procedures.

Through the internal control system, which is under the supervision of the Audit Committee and the Risk Management Committee, the Company has implemented effective procedures for the compilation and preparation of the financial statements, as well as for the preparation for reporting of periodic information as required for listed companies. The main characteristics of these procedures, in addition to what has already been stated above, are:

- The Financial Statements of the subsidiary companies are prepared as part of the responsibility of the Financial Controller of each company and under the supervision of the Group Chief Financial Officer.

- The Financial Statements of the Group and the Company are prepared as part of the responsibility of the Company's Financial Controller and under the supervision of the Group Chief Financial Officer.

- The announcements of the Group's results per quarter as well as the explanatory statements are prepared by the Group Chief Financial Officer and are reviewed by the Audit Committee. The relevant announcements are approved by the Board of Directors prior to their publication.

The shareholders who held, directly or indirectly, a significant interest in the Company are stated in notes 35 and 36 of the consolidated and separate financial statements.

The Company's share capital is divided into ordinary shares with equal rights. There were no issued shares with preference controlling or voting rights.

LOUIS PLC

CONSOLIDATED AND SEPARATE MANAGEMENT REPORT

CORPORATE GOVERNANCE DECLARATION (continued)

Each Board Member is elected at the general meeting of shareholders or appointed by the Board of Directors. A Member who is appointed by the Board of Directors automatically retires at the first annual general meeting following his appointment, where elections take place. In every annual general meeting one third of the longest serving board members retire and if they are available for re-election, the members decide. Any member of the Board of Directors can be removed by a decision at the General Meeting.

The Company's Articles of Association can be amended with a special resolution of the shareholders at a General Meeting.

The Board of Directors' authority is general and it is only limited by the power given to the Company's shareholders at a General Meeting either by the Law or by the Company's Articles of Association. A decision for the issuance of new shares other than to existing shareholders on a pro rata basis, is taken at a General Meeting adhering to legal provisions as it regards information requirements. The right to purchase own shares of the Company, unless otherwise permitted by law, is given to the Board of Directors reference the General Meeting for a specific period with the adoption of a Special Resolution at a General Meeting.

The composition, the terms of reference and the method of operation of the governing, management and supervision bodies that are defined by the Code are stated in Management Report on Corporate Governance.

On 2 June 2017, the Companies Act (Amendment No 3) of 2017 entered into force, the purpose of which is to harmonize national legislation with the European Directive 2014/95 EU as regards to the disclosure of non-financial information and information for diversity.

The Management report on Corporate Governance of the Group and the Company will be presented until 30 June 2018.

INDEPENDENT AUDITORS

In view of the expiry of the maximum term of the independent auditors', the procedure for selecting new independent auditors will be followed, as provided in the relevant regulation Auditors Law 53 (I) / 2017 and European Parliament Regulation 537/2014 and of the Council. The Board of Directors, upon recommendation by the Audit Committee, will submit a proposal for the appointment of independent auditors at the Annual General Meeting.

By order of the Board of Directors,

Costas Hadjimarkos
Secretary

Nicosia, 26 April 2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

LOUIS PLC

Report on the audit of the consolidated and separate financial statements

Opinion

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"), which are presented on pages 45 to 146 and comprise of the consolidated statement of financial position, and the statement of financial position of the Company as at 31 December 2017, the consolidated income statement and 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 notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated and separate financial statements"* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code"), and the ethical requirements in Cyprus that are relevant to our audit of the consolidated and separate financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

<table>
<tr><th colspan="2">Going Concern</th></tr>
<tr><td colspan="2">As stated in note 40 of the consolidated and separate financial statements.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>We draw attention to note 40 of the consolidated and separate financial statements, which indicates that the Group showed a net gain of €11.561 thousand and the Company a loss of €4.984 thousand during the year ended 31 December 2017 and, as of that date, the Group's and Company's current liabilities exceeded their current assets by €6.779 thousand and €22.015 thousand, respectively. Additionally, at that date, the Group and the Company showed net liability position of €20.197 thousand and €26.278 thousand, respectively.

Considering the above, the operating environment that the Group operates and the loan restructuring agreement during 2017 (see note 22), we have focused our attention on the assessment of the Group's and Company's ability to continue as a going concern.</td><td>Audit procedures performed mainly include the following:

- Evaluation of the methodology, reliability and accuracy of the data used in the financial future cash flow budgets covering the next financial year and until April 2019, as prepared by the Group's Management on the basis of historical experience, expectations for future events and a series of estimates and judgments.
- Evaluate management's experience in developing expectations regarding the future cash flows of the Group.
Review the Group's loan restructuring agreements and investigate whether the Group and the Company comply with the terms and conditions of these agreements</td></tr>
</table>

Valuation of land and building in the consolidated financial statements	
As stated in note 14 of the consolidated and separate financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Group's most significant asset is land and buildings which are measured at Fair Value and whose total value amounts to €195.394 thousand in the consolidated financial statements as at 31 December 2017, representing 68% of the Group's total assets. The significance of the balance and the subjectivity involved in the assessment of the fair value, make the valuation of land and buildings as one of the key audit matters.	Audit procedures performed mainly include the following: - Evaluation of the Group's policy regarding the valuation of land and buildings. - Evaluation of management's experience to develop expectations regarding future inflows and outflows, taking into account the relevance of the previous conditions and whether they are representative of future circumstances and events. - Evaluation of the reliability, appropriateness, reasonableness and correctness of the methodology, data and assumptions used by the Group's management for the estimation of the Fair Value of the land and buildings. Assess the adequacy of the relevant disclosures in the notes of the Financial Statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Management Report and Consolidated Management Report and the Management Report on Corporate Governance but does not include the consolidated and separate financial statements and the auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap. 113.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact.

With regards to the management report and the corporate governance statement, our report is presented in the "Report on other legal and regulatory requirements" section.

Responsibilities of the Board of Directors for the consolidated and separate 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.

In the preparation of the consolidated and separate financial statements, the Board of Directors is responsible for assessing the ability of the Company and the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Company intends to liquidate or cease operations or there is no realistic alternative.

The Board of Directors is responsible for overseeing the financial reporting process of the Group and the Company.

Auditors' responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Auditors' responsibilities for the audit of the consolidated and separate financial statements *(continue)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related consolidated and separate disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

Report on other regulatory and legal requirements

Other regulatory requirements

Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014 we provide the following information, which is required in addition to the requirements of ISAs.

Date of our appointment and period of engagement

We were first appointed auditors of the Group by the General Meeting of the Company's members on 1998. The company obtained a listing in the Cyprus Stock Exchange in 1999. Our appointment has been renewed annually by shareholder resolution. Our total uninterrupted period of engagement is 20 years covering the periods ending 31 December 1998 to 31 December 2017.

Consistency of the additional report to the Audit Committee

Our audit opinion is consistent with the additional report presented to the Audit Committee dated 31 December 2017.

Provision of non-audit services ("NAS")

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L.53(I)/2017").

Other legal matters

Pursuant to the additional requirements of the Law N.53(I)/2017 and based on the work done during our audit, we report the following:

- In our opinion, the Management Report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the consolidated and separate financial statements.

- In the light of the knowledge and understanding of the Group and the Company's environment obtained in the course of our audit, we have not identified material misstatements in the Management Report.

- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113, have been prepared in accordance with the requirements of the Companies Law, Cap, 113, and is consistent with the consolidated and separate financial statements.

- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113.

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 69 of Law 53 (I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Haris A. Kakoullis.

Haris A. Kakoullis, CPA
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

26 April 2018

LOUIS PLC

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 €'000	2016 €'000
Continuing operations			
Revenue	4,5	115.036	110.559
Operating expenses		(36.877)	(35.905)
Personnel costs		(31.870)	(30.545)
Selling and administrative expenses		(2.128)	(2.243)
		(70.875)	(68.693)
Operating profit before interest, taxes, depreciation, amortisation and hotel rent expenses		44.161	41.866
Hotel rents		(11.407)	(10.973)
Depreciation	14	(8.592)	(9.131)
Lease amortisation charges	15	(688)	(688)
Other amortisation charges		233	334
Profit from operations	6	23.707	21.408
Impairment charge on assets	8	(2.382)	(2.978)
Write offs and provisions for doubtful debts	9	(48)	(2.292)
Loss from provisions		(2.430)	(5.270)
Finance income		590	515
Finance expenses		(11.136)	(14.787)
Net finance expenses	7	(10.546)	(14.272)
Profit from loan restructuring	22	8.207	-
Share of (loss)/profit from investment in associates	31	(4.147)	(1.526)
Profit/(Loss) before taxation		14.791	340
Taxation	10	(3.230)	(1.744)
Loss for the year from continuing operations		11.561	(1.404)
Discontinued operations			
(Loss)/Profit from discontinued operations	12	-	(4.680)
Net gain from investments	30	-	13.828
Profit from discontinued operations		-	9.148
Profit/(Loss) for the year		11.561	7.744
Profit/(Loss) for the year attributable to:			
Owners of the Company		11.537	7.711
Non-controlling interest		24	33
Profit(loss) for the year		11.561	7.744
Profit/(Loss) per share			
Basic and fully diluted (loss) per share (€ cent)			
Continuing operations		2,51	(0,31)
Discontinued operations		-	1,99
	13	2,51	1,68

The notes on pages 57 to 146 form an integral part of these consolidated and separate financial statements of the Company.

LOUIS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 €'000	2016 €'000
Profit/(Loss) for the year		11.561	7.744
Other comprehensive income			
Items that will never be reclassified to the consolidated profit or loss			
Revaluation of properties		3	95
Deferred tax on revaluation		(3)	(10)
Adjustments to the obligations for employee benefits	29	31	140
Deferred tax due on adjustments to the obligations for employee benefits	26	(9)	(41)
		22	184
Items that are or may be reclassified to the consolidated profit or loss			
Exchange difference from translation of foreign subsidiary company's financial statements		(11)	(69)
		(11)	(69)
Items that will never be reclassified to the consolidated			
Other comprehensive income for the year		11	115
Total comprehensive income for the year		11.572	7.859
Total comprehensive income attributable to:			
Owners of the Company		11.548	7.826
Non-controlling Interest		24	33
Total comprehensive income for the year		11.572	7.859

The notes on pages 57 to 146 form an integral part of these consolidated and separate financial statements of the Company.

LOUIS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 €'000	2016 €'000
Assets			
Vessels, property, plant and equipment	14	212.626	220.517
Hotel leases	15	19.507	20.195
Amounts due from related parties	32	6.174	6.174
Investment in associates	31	16.608	20.902
Non-current assets		254.915	267.788
Inventories	16	1.751	1.580
Trade and other receivables	17	7.543	9.255
Amounts due from related parties	32	521	567
Blocked bank deposits	18	2.474	10.916
Cash and cash equivalents	19	18.766	24.905
Current assets		31.055	47.223
Total assets		285.970	315.011
Equity			
Share capital	20	9.211	78.293
Reserves	21	(29.408)	(110.038)
Equity attributable to the owners of the Company		(20.197)	(31.745)
Non-controlling interest		28	7
Total equity		(20.169)	(31.738)
Liabilities			
Borrowings	22	209.867	157.208
Finance lease obligations	23	23.098	24.450
Other liabilities	24	1.124	1.143
Deferred income	25	3.208	3.441
Deferred taxation	26	31.008	30.513
Non-current liabilities		268.305	216.755
Bank overdrafts	19	5.494	25.295
Borrowings	22	8.677	79.941
Finance lease obligations	23	1.375	1.319
Trade and other payables	27	12.767	13.885
Amounts due to related parties	32	277	735
Deferred income	25	5.303	4.556
Taxation due	28	3.941	4.263
Current liabilities		37.834	129.994
Total liabilities		306.139	346.749
Total equity and liabilities		285.970	315.011

The consolidated and separate financial statements of the Company were approved by the Board of Directors on 26 April 2018.

_________________________	_________________________
Costakis Loizou	Christos Mavrellis
Chairman, Executive director	Director

The notes on pages 57 to 146 form an integral part of these consolidated and separate financial statements of the Company.

LOUIS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

		Equity attributable to the owners of the Company									
	Note	Share capital €'000	Share premium €'000	Property revaluation reserve €'000	Employee defined benefits €'000	Other reserves €'000	Difference from conversion of capital to Euro €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance 1 January 2017		78.293	94.301	18.140	313	152	364	(223.308)	(31.745)	7	(31.738)
Total comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	11.537	11.537	24	11.561
Other comprehensive income											
Decrease in Share Capital	20,21	(69.082)	(94.301)	-	-	-	-	163.383	-	-	-
Exchange difference from translation of foreign subsidiary company's financial statements		-	-	-	-	(11)	-	-	(11)	-	(11)
Deferred tax on revaluation		-	-	(3)	-	-	-	-	(3)	-	(3)
Transfer of additional depreciation from revaluation		-	-	(38)	-	-	-	38	-	-	-
Revaluation		-	-	3	-	-	-	-	3	-	3
Adjustments to obligations for employee benefits	29	-	-	-	31	-	-	-	31	-	31
Deferred tax adjustments on liabilities for employee benefits	26	-	-	-	(9)	-	-	-	(9)	-	(9)
Other comprehensive income for the year		(69.082)	(94.301)	(38)	22	(11)	-	163.421	11	-	11
Total comprehensive income for the year		(69.082)	(94.301)	(38)	22	(11)	-	174.958	11.548	24	11.572
Transactions with owners recognised directly in equity											
Contributions and distributions to Owners											
Dividends		-	-	-	-	-	-	-	-	(3)	(3)
Total contributions and distributions to Owners		-	-	-	-	-	-	-	-	(3)	(3)
Total transactions with owners recognised directly in Equity		-	-	-	-	-	-	-	-	(3)	(3)
Balance 31 December 2017		9.211	-	18.102	335	141	364	(48.350)	(20.197)	28	(20.169)

The notes on pages 57 to 146 form an integral part of these consolidated and separate financial statements of the Company.

LOUIS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

		Equity attributable to the owners of the Company									
	Note	Share capital €'000	Share premium €'000	Property revaluation reserve €'000	Employee defined benefits €'000	Other reserves €'000	Difference from conversion of capital to Euro €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance 1 January 2016		78.293	94.301	18.109	214	221	364	(231.073)	(39.571)	(5.433)	(45.004)
Total comprehensive income for the year											
Profit for the year								7.711	7.711	33	7.744
Other comprehensive income											
Exchange difference from translation of foreign subsidiary company's financial statements		-	-	-	-	(69)	-	-	(69)	-	(69)
Deferred tax on revaluation		-	-	(10)	-	-	-	-	(10)	-	(10)
Transfer of additional depreciation from revaluation		-	-	(54)	-	-	-	54	-	-	-
Revaluation		-	-	95	-	-	-	-	95	-	95
Adjustments to obligations for employee benefits	29	-	-	-	140	-	-	-	140	-	140
Deferred tax adjustments on liabilities for employee benefits	26	-	-	-	(41)	-	-	-	(41)	-	(41)
Other comprehensive income for the year		-	-	31	99	(69)	-	54	115	-	115
Total comprehensive income for the year		-	-	31	99	(69)	-	7.765	7.826	33	7.859
Transactions with owners recognised directly in equity											
Change in participation in subsidiary											
Deemed disposal of subsidiary	30	-	-	-	-	-	-	-	-	5.407	5.407
Total changes in participation in subsidiary		-	-	-	-	-	-	-	-	5.407	5.407
Total transactions with owners recognised directly in equity		-	-	-	-	-	-	-	-	5.407	5.407
Balance 31 December 2016		78.293	94.301	18.140	313	152	364	(223.308)	(31.745)	7	(31.738)

The notes on pages 57 to 146 form an integral part of these consolidated and separate financial statements of the Company.

LOUIS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 €'000	2016 €'000
Cash flows from operating activities			
Profit/(Loss) for the year		11.561	7.744
Adjustments for:			
Depreciation	14	8.592	9.131
Lease amortisation charges	15	688	688
Other amortisation		(233)	(334)
Impairment charge on assets	8	2.382	2.978
Loss from the write off of equipment		7	64
Unrealised exchange loss		92	132
(Profit)/Loss from disposal of equipment		2	(1)
Write offs and provisions for bad and doubtful debts	9	48	2.292
Net gain from investments	30	-	(13.828)
Cost of employee benefits scheme	29	86	98
Share of loss/(profit) from equity accounted- investees	31	4.147	1.526
Profit from loan restructuring	32	(8.207)	-
Foreign exchange gain from loan restructuring	22	(180)	-
Interest income		(397)	(515)
Interest expense		11.045	14.618
Taxation		3.230	1.744
Cash flows from operating activities before working capital changes		32.863	26.337
Decrease/(Increase) in inventories		(168)	112
Decrease/(Increase) in trade and other receivables		1.713	1.043
(Decrease)/Increase in trade and other payables		(1.124)	(224)
Increase/(Decrease) in deferred income		747	324
Decrease in other liabilities		-	(3)
Net movement in amounts due from/(to) related parties		(457)	6.396
Benefits paid in relation to employee benefits scheme	29	(74)	(45)
Cash flows from operating activities		33.500	33.940
Taxation paid		(3.084)	(2.270)
Net cash flows from operating activities		30.416	31.670
Cash flows from investing activities			
Payments for acquisition of vessels, property, plant and equipment	14	(3.159)	(9.273)
Proceeds from disposal of vessels, property, plant and equipment		65	40
Dividend received	31	150	111
Interest received		397	515
Net cash flow used in investing activities		(2.547)	(8.607)
Cash flow from financing activities			
Proceeds from issue of new borrowings		-	1.500
Repayments of borrowings and finance lease obligations		(28.808)	(3.323)
Blocked bank deposits		8.352	(139)
Interest paid		(13.740)	(9.624)
Net cash flow used in financing activities	22	(34.196)	(11.586)
Net increase in cash and cash equivalents		(6.327)	11.477
Cash and cash equivalents at the beginning of the year		(390)	(11.803)
Debt restructuring - conversion from bank overdrafts to bank loans	22	18.666	-
Debt restructuring - write-off of bank overdraft interest	19	1.338	-
Effect of exchange rate fluctuations on cash and cash equivalents		(15)	(64)
Cash and cash equivalents at the end of the year		13.272	(390)
Cash and cash equivalents consist of:			
Cash in hand and at bank	19	18.766	24.905
Bank overdrafts	19	(5.494)	(25.295)
		13.272	(390)

The notes on pages 57 to 146 form an integral part of these consolidated and separate financial statements of the Company.

LOUIS PLC

INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 €'000	2016 €'000
Revenue	4	4.289	1.547
Personnel costs		(1.217)	(1.121)
Depreciation	14	(69)	(68)
Administrative and other expenses		(894)	(1.282)
		(2.180)	(2.471)
(Loss)/profit from operations	6	2.109	(924)
Impairment charge on investments in subsidiary companies	33	(3)	-
Impairment charge on investment in joint venture	31	(4.600)	(15.400)
Write offs and provisions for doubtful debts	9	(4.309)	(5.596)
		(8.912)	(20.996)
Finance income		184	2
Finance expenses		(6.213)	(8.940)
Net finance expenses	7	(6.029)	(8.938)
Profit from loan restructuring	22	7.548	-
Loss before taxation		(5.284)	(30.858)
Taxation	10	300	-
Loss for the year		(4.984)	(30.858)
Basic and fully diluted loss per share (€ cent)	13	(1,08)	(6,70)

The notes on pages 57 to 146 form an integral part of these consolidated and separate financial statements of the Company.

LOUIS PLC
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 €'000	2016 €'000
Loss for the year		(4.984)	(30.858)
Other comprehensive income		-	-
Total comprehensive income for the year		(4.984)	(30.858)

The notes on pages 57 to 146 form an integral part of these consolidated and separate financial statements of the Company.

LOUIS PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 €’000	2016 €’000
Assets			
Equipment	14	297	359
Amounts due from joint ventures	32	6.174	6.174
Investment in associate company	31	9.748	9.746
Investment in joint venture	31	-	4.600
Investments in subsidiary companies	33	93.726	93.729
Non-current assets		109.945	114.608
Trade and other receivables	17	33	34
Amounts due from subsidiary companies	32	2.536	9.250
Amounts due from Parent and other related parties	32	68	245
Amounts due from associate company	32	-	37
Amounts due from joint venture	32	858	183
Cash and cash equivalents	19	10	10
Current assets		3.505	9.759
Total assets		113.450	124.367
Equity			
Share capital	20	9.211	78.293
Reserves	21	(35.489)	(99.587)
Total equity		(26.278)	(21.294)
Liabilities			
Borrowings	22	113.898	62.465
Amounts due to subsidiary companies	32	310	310
Non-current liabilities		114.208	62.775
Bank overdrafts	19	-	17.957
Borrowings	22	2.413	62.837
Trade and other payables	27	999	1.296
Amounts due to subsidiary companies	32	21.545	22
Amounts due to Parent and other related parties	32	194	105
Taxation due	28	369	669
Current liabilities		25.520	82.886
Total liabilities		139.728	145.661
Total equity and liabilities		113.450	124.367

The consolidated and separate financial statements of the Company were approved by the Board of Directors on 26 April 2018.

Costakis Loizou Chairman, Executive Director	Christos Mavrellis Director

The notes on pages 57 to 146 form an integral part of these consolidated and separate financial statements of the Company.

LOUIS PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

		Share capital €’000	Share premium €’000	Difference from conversion of capital to Euro €’000	Merger reserve €’000	Retained earnings €’000	Total equity €’000
Balance 1 January 2017		78.293	94.301	364	(25.965)	(168.287)	(21.294)
Total comprehensive income for the year							
Loss for the year		-	-	-	-	(4.984)	(4.984)
Other comprehensive income							
Decrease in Share Capital	20,21	(69.082)	(94.301)	-	25.965	137.418	-
Other comprehensive income for the year		(69.082)	(94.301)	-	25.965	137.418	-
Total comprehensive income for the year		(69.082)	(94.301)	-	25.965	132.434	(4.984)
Balance 31 December 2017		9.211	-	364	-	(35.853)	(26.278)

The notes on pages 57 to 146 form an integral part of these consolidated and separate financial statements of the Company.

LOUIS PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital €'000	Share premium €'000	Difference from conversion of capital to Euro €'000	Merger reserve €'000	Retained earnings €'000	Total equity €'000
Balance 1 January 2016	78.293	94.301	364	(25.965)	(137.429)	9.564
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(30.858)	(30.858)
Total comprehensive income for the year	-	-	-	-	(30.858)	(30.858)
Balance 31 December 2016	78.293	94.301	364	(25.965)	(168.287)	(21.294)

The notes on pages 57 to 146 form an integral part of these consolidated and separate financial statements of the Company.

LOUIS PLC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 €'000	2016 €'000
Cash flows from operating activities			
Loss for the year		(4.984)	(30.858)
Adjustments for:			
Depreciation	14	69	68
Unrealised exchange loss/(gain)		-	96
Impairment charge on investment in subsidiaries	33	3	-
Dividends		(2.647)	-
Impairment charge on investment in joint venture	31	4.600	15.400
Write offs and provision for bad and doubtful debts	9	4.309	5.596
Profit from loan restructuring	22	(7.548)	-
Foreign exchange gain from loan restructuring	22	(180)	-
Interest expense		6.213	8.843
Taxation		(300)	-
Cash flows from operating activities before working capital changes		(465)	(855)
Increase in trade and other receivables		2	(6)
Increase in trade and other payables		(299)	606
Net movement in amounts due from subsidiary companies		26.474	2.787
Net movement in amounts due from Parent and other related parties		217	(106)
Net movement in amounts due from associates		37	230
Net movement in amounts due from joint ventures		(675)	-
Net cash flow from operating activities		25.291	2.656
Cash flows from investing activities			
Dividends received		150	-
Payments for acquisition of equipment	14	(7)	(5)
Net cash flow used in investing activities		143	(5)
Cash flows from financing activities			
Repayment of loans		(17.178)	-
Interest paid		(8.842)	(4.074)
Net cash flow used in financing activities	22	(26.020)	(4.074)
Net decrease in cash and cash equivalents		(586)	(1.423)
Cash and cash equivalents at the beginning of the year		(17.947)	(16.525)
Debt restructuring - conversion from bank overdrafts to Bank loans	22	17.407	-
Debt restructuring - write-off of bank overdraft interest		1.136	-
Effect of exchange rate fluctuations on cash and cash equivalents	22	-	1
Cash and cash equivalents at the end of the year		10	(17.947)
Cash and cash equivalents consist of:			
Cash in hand and at bank	19	10	10
Bank overdrafts	19	-	(17.957)
		10	(17.947)

The notes on pages 57 to 146 form an integral part of these 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 2017

1. INCORPORATION AND PRINCIPAL ACTIVITIES

General

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"). Its registered office is at 11 Limassol Avenue, 2112, Nicosia.

Principal activities

The principal activities of the Group during 2017 continued to include the operation of cruises, the charter hire of vessels to third parties and the ownership, operation and management of hotel units, the acquisition and disposal of movable and immovable property, the construction, management and administration of cottages, as well as the provision of financial facilities to subsidiaries or related companies of the Group.

2. BASIS OF PREPARATION

The consolidated and separate financial statements for the year ended 31 December 2017 consist of the financial statements of the Company and its subsidiaries (which together are referred to as «the Group»).

(a) Statement of compliance

The consolidated and separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113, the Cyprus Stock Exchange Laws and regulations and the Transparency Requirements (Traded Securities in Regulated Market) Law.

The consolidated and separate financial statements were approved by the Company's Board of Directors on 26 April 2018.

(b) Basis of measurement

The consolidated and separate financial statements of the Company have been prepared under the historical cost convention, except in the cases of land and buildings and derivative financial instruments, which are measured at fair value.

(c) Going concern basis

The consolidated and separate financial statements of the Company were prepared on a going concern basis.

The Board of Directors has assessed the ability of the Group and the Company to continue as a going concern, taking into account the available information for the twelve months following the date of approval of these consolidated and separate financial statements of the Company. Based on that assessment, as stated in note 40 of the consolidated and separate financial statements of the Company, the Board of Directors is satisfied that the consolidated and separate financial statements can be prepared on a going concern basis.

2. BASIS OF PREPARATION (continued)

(d) Functional currency and presentation

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

(e) Use of estimates and judgments

The preparation of consolidated and separate financial statements, in accordance IFRSs, requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and supporting assumptions rely on historical experience and various other factors that are believed to be reasonable in the circumstances. Actual results may deviate from these estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate 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.

Judgments

Information about judgments in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated and separate financial statements is included in the following notes:

- Note 3 «Consolidated financial statements – Joint arrangements» - classification of joint arrangements.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 29 – measurement of defined benefit obligation: key actuarial assumptions.
- Notes 14 – impairment test: key assumptions underlying recoverable amounts and value in use.
- Notes 22 and 39 – recognition and measurement of provisions and contingent liabilities: key assumptions for the possibilities and the size of outflow of assets.

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgments (continued)

Assumptions and estimation uncertainties (continued)

- Note 17 – «Provision for bad debts» - The Group and the Company assess whether there are indications regarding the possibility of non-collection of amounts due from trade and other receivables.
- Notes 31 and 33 «Impairment of investments in subsidiaries and investments in associates» - determination of the recoverability of investments in cases where there are indications for impairment.

Measurement of fair values

A number of the Group's and Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group and the Company have adopted a control framework with respect to the measurement of fair values. This includes a valuation team that reports directly to the Finance Manager and also has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group and the Company uses observable market data as far as possible.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgments (continued)

The Group and the Company recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information on assumptions used for the computation of fair values is included in the following note:

- Note 14 «Property, plant and equipment».

(f) Adoption of new and revised IFRS and Interpretations as adopted from the European Union (EU)

From 1 January 2017, the Group and the Company adopted all the changes to IFRS which are relevant to its operations. The adoption did not change significantly the accounting policies of the Group and the Company. The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2017. Those which may be relevant to the Company and the Group are set out below. The Company and the Group do not plan to adopt these Standards before their applicable date.

(i) Standards and Interpretations adopted by the EU

IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).

IFRS 9 replaces the existing guidance in IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss (ECL) model for calculating impairment on financial assets, and new general hedge accounting requirements. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Management has assessed the estimated impact on the consolidated and separate financial statements. The estimated effect of applying this standard to the Group and Company results is analysed as follows:

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on its assessment, Management does not expect that the implementation of the standard will have significant effect on the classification of the financial assets of the financial assets of the Group and the Company.

2. BASIS OF PREPARATION (continued)

(f) Adoption of new and revised IFRS and Interpretations as adopted from the European Union (EU) (continued)

Impairment - Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking ECL model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:
– 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
– lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. The Company may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Company may choose to apply this policy also for trade receivables and contract assets with a significant financing component. There is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless the Company has reasonable and supportable information to corroborate a more lagging default criterion.

Management evaluates that the adoption of IFRS 9 may increase to a limited extent the provisions for impairment of financial instruments based on the methodology stated in the standard. Specifically, regarding the trade receivables, the provision of doubtful debts is evaluated based on the geographical spread of trade receivables, the probable delays that may arise on the balances of the receivables of each company in the Group, also on the exposure of the Group to the credit risk to the extent that it is not offset. The real effect of IFRS 9 on 1 January 2018 may change as the new accounting policies and parameters are subject to changes until the Group and the Company present their first financial statements that include the original effective date.

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2. BASIS OF PREPARATION (continued)

(f) Adoption of new and revised IFRS and Interpretations as adopted from the European Union (EU) (continued)

IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2018).
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". It provides a principles-based approach for revenue recognition, and introduces the concept of recognizing revenue for performance obligations as they are satisfied. The recognition of such revenue is in accordance with five steps to: 1) identifying the contract with the customer; 2) identifying each of the performance obligations included in the contract; 3) determining the transaction price; 4) allocating the transaction price to the performance obligations in the contract; and 5) recognising revenue as each performance obligation is satisfied.

Based on current estimates, the Management does not expect that the application of this standard will have a significant effect on hotel revenues in respect of the time or value of recognition. Contracts with travel agents have also been evaluated and no significant differences have been notes on the revenue recognition.

The clarifications relate principally to identifying performance obligations (step 2), accounting for licenses of intellectual property (step 5) and agent vs principal considerations. The clarifications also introduce additional practical expedients on transition in relation to modified and completed contracts.

IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).
IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard introduces a single, on-balance sheet lease accounting model for lessees. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The previous distinction between operating and finance leases is removed for lessees. Instead, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

At this stage, the Management evaluates the effect of the standard on the consolidated and separate financial statements. Consequently, the effect is not yet known or can it be measured reliably.

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2. BASIS OF PREPARATION (continued)

(f) Adoption of new and revised IFRS and Interpretations as adopted from the European Union (EU) (continued)

Annual Improvements to IFRSs 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018 (IFRS 1 and IAS 28)).
The amendments to IFRS 1 remove the outdated exemptions for first-time adopters of IFRS. The amendments to IAS 28 clarify that the election to measure at fair value through profit or loss an investment in associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. Additionally, a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries (election can be made separately for each investment entity associate or joint venture). The Group and the Company at the current stage are evaluating the effect of these improvements on the consolidated and separate Financial Statements.

IFRS 2 (Amendments) "Classification and Measurement of Share-based Payment Transactions" (effective for annual periods beginning on or after 1 January 2018).
The amendments cover three accounting areas: a) measurement of cash-settled share-based payments; b) classification of share-based payments settled net of tax withholdings; and c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements can affect the classification and/or measurements of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards. The Group and the Company at the current stage are evaluating the effect of these improvements on the consolidated and separate Financial Statements.

IFRS 9 (Amendments) "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after 1 January 2019)
In October 2017, the IASB issued "Prepayment Features with Negative Compensation (Amendments to IFRS 9)". The amendments address the issue that under pre-amended IFRS 9, financial assets with such features would probably not meet the SPPI criterion and as such would be measured at fair value through profit or loss. The IASB believes that this would not be appropriate because measuring them at amortised cost provides useful information about the amount, timing and uncertainty of their future cash flows. Financial assets with these prepayment features can therefore be measured at amortised cost or fair value through other comprehensive income provided that they meet the other relevant requirements of IFRS 9. The final amendments also contain a clarification in the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in thederecognition of the financial liability. Based on the clarification, an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. The Group and the Company at the current stage are evaluating the effect of these improvements on the consolidated and separate Financial Statements.

2. BASIS OF PREPARATION (continued)

(f) Adoption of new and revised IFRS and Interpretations as adopted from the European Union (EU) (continued)

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).
The interpretation clarifies that the transaction date, for the purpose of determining the exchange rate, is the date of initial recognition of the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The Group and the Company at the current stage are evaluating the effect of these improvements on the consolidated and separate Financial Statements.

(ii) Standards and Interpretations not adopted by the EU

IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).
IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. The key test is whether it is probable that the tax authority will accept the chosen tax treatment, on the assumption that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty being either the most likely amount or the expected value. The interpretation also requires companies to reassess the judgements and estimates applied if facts and circumstances change. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements in relation to judgements made, assumptions and estimates used, and the potential impact of uncertainties that are not reflected. The Group and the Company at the current stage are evaluating the effect of these improvements on the consolidated and separate Financial Statements.

IAS 28 (Amendments) "Long-term Interest in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2019)
The amendments clarify that an entity applies IFRS 9 "Financial Instruments", including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The Group and the Company at this stage assess the impact of improvements in the consolidated and separate financial statements.

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FINANCIAL STATEMENTS OF THE COMPANY

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2. BASIS OF PREPARATION (continued)

(f) Adoption of new and revised IFRS and Interpretations as adopted from the European Union (EU) (continued)

Annual Improvements to IFRSs 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019)
In December 2017, the IASB published Annual Improvements to IFRSs 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements". The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest in that business at fair value. The amendments to IFRS 11 clarify that when an entity maintains (or obtains) joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 "Income Taxes": the amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.
- IAS 23 "Borrowing Costs": the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Group and the Company is currently evaluating the effect of these improvements on the consolidated and separate financial statements.

IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement" (effective for annual periods beginning on or after 1 January 2019)
In February 2018, the IASB issued amendments to the guidance in IAS 19 "Employee Benefits", in connection with accounting for planned amendments, curtailments and settlements. The Group and the Company is currently evaluating the effect of these improvements on the consolidated and separate financial statements.

"Amendments to References to the Conceptual Framework in IFRS Standards" (effective for annual periods beginning on or after 1 January 2020)
In March 2018 the IASB issued a comprehensive set of concepts for financial reporting, the revised "Conceptual Framework for Financial Reporting" (Conceptual Framework), replacing the previous version issued in 2010. The main changes to the framework's principles have implications for how and when assets and liabilities are recognised and derecognized in the financial statements, while some of the concepts in the revised Framework are entirely new (such as the "practical ability" approach to liabilities". To assist companies with the transition, the IASB issued a separate accompanying document "Amendments to References to the Conceptual Framework in IFRS Standards". This document updates some references to previous versions of the Conceptual Framework in IFRS Standards, their accompanying documents and IFRS Practice Statements. The Group and the Company is currently evaluating the effect of these improvements on the consolidated and separate financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these consolidated and separate financial statements of the Company. The accounting policies have been consistently applied by 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

Subsidiaries are entities controlled by the Group. Control exists where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date that control commences until the date control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring them in line with the accounting policies of the Group.

During consolidation, all intercompany transactions, balances, income and expenses are eliminated in full.

In the separate financial statements, investments in subsidiaries are stated at acquisition cost. In cases where the value of an investment is deemed to have been permanently impaired, the impairment charge is transferred to profit or loss for the year.

Non-controlling interest

The non-controlling interests is presented in the consolidated statement of financial position, in equity, separately from equity attributable to equity holders of the parent company. Profits or losses attributable to the minority interest are disclosed in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss for the period.

The non-controlling interest may be initially measured either at fair value or at the proportionate share of the non-controlling interest in net identifiable assets of the acquired company. The Group applies the latter approach.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries
Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received, is recognised directly in equity as transactions with shareholders acting in their capacity as shareholders. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

When the Group loses control of a subsidiary, the assets and liabilities of the subsidiary, as well as any related interest without control and other equity elements are written off. Any gain or loss arising is recognized in the statement of profit and loss. Any interest retained in the former subsidiary is measured at fair value as at the date that control is lost.

Associate companies
An associate is a company in which the Group exercises significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policies of the investee, without exercising any control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations'. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Associate companies (continued)
The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity engages in an associate business, profits or losses arising from transactions with the related party are recognized in the Group's consolidated financial statements only to the extent that the Group's unrelated holding in that associate is.

In the financial statements of the Company, the investments in joint venture is stated at acquisition cost. If the value of the investment is deemed to have been permanently impaired, the deficit is transferred to profit or loss, results.

Joint arrangements
Joint arrangements are arrangements in which the Group has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint ventures
The Groups's share in a joint venture is recorded at cost and then is adjusted accordingly in order to include the Group’s share in change in net assets and liabilities of the joint venture.

The Group reports its interests in jointly controlled entities using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5' Non-current Assets Held for Sale and Discontinued Operations'.

Under the equity method, the investments are initially recognized at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the Joint Venture. The Group's share of post-acquisition losses of the joint venture is recognised to the extent of the carrying amount of the investment (prior to recognition of losses). In such cases, in subsequent periods the Group recognises income from the joint ventures only to the extent that its share of the profits is in excess of the losses not yet recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Joint ventures(continued)
Any distributable dividends received in excess of the Company's investment in a Joint venture and the Group (a) is not liable for the obligations of the joint venture or otherwise committed to provide financial support to the Joint Venture and (b) the distribution is not refundable by agreement or Law, then such excess distribution is recognised as income in profit or loss. In subsequent years, if the Joint Venture reports a profit, the Group resumes applying the equity method in accordance to IAS 28 once the Joint Venture has made sufficient profits to cover the aggregate of any Joint Venture losses not recognised by the Group and any income previously recognised for excess distributions.

Any excess of the cost of acquisition over the Group's share of the fair value of the net identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. Goodwill is included within the carrying amount of the interest in joint venture and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

In the Company’s financial statements, investments in joint ventures are recognized at cost. In case that the value of the investment is considered permanently decreased, then the impairment charge is transferred to profit and loss.

Transactions eliminated on consolidation
Intra group balances, and any unrealised income and expenses arising from intra group transactions are eliminated in preparing consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Company’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Joint ventures (continued)

Acquisition for entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. For this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

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.

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) Hotel operations revenue

Revenue from the operation of hotels represents amounts invoiced and services rendered to customers for accommodation, catering and the hiring of ballrooms for receptions and is recognised in the accounting period in which the services are rendered.

(ii) 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 collectibility of the related receivable is reasonably assured.

(iii) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

(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 future 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.

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, bank overdrafts, interest payable on finance lease obligations, creditors' interest, losses on financial instruments that are recognised in profit or loss and bank charges. Finance expenses, except bank charges, are recognised in the results based on the effective interest rate method. Bank charges are recognised as expenses in the results at the date on which are due.

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

Foreign currency transactions

(i) Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which each company operates ("functional currency").

(ii) Transactions and balances

Foreign currency transactions are translated into respective functional currencies using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

(iii) Translation of the results of foreign subsidiaries
The financial results of foreign subsidiary companies are translated into Euro as follows: (a) Assets and liabilities for each consolidated statement of financial position are translated using the exchange rates at the reporting date. (b) Revenues and expenses for each consolidated income statement are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the exchange rates prevailing at the dates of the transactions in which case the income and expenses are translated with transaction dates); and (c) Any resulting exchange difference is recognized as a separate component in equity in a specific reserve in the consolidated statement of changes in equity.

Tax
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 in other comprehensive income or directly in equity. In this case, tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax
Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, applying tax rates and laws that have been enacted, or substantively enacted, by the reporting date. Current tax includes any adjustments to tax payable in respect of earlier periods.

Deferred tax
Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of assets or liabilities in a transaction other than a business combination which at the time of the transaction does not affect either accounting or taxable profits or losses. Deferred tax is determined using the currently enacted or substantively enacted tax rates and regulations until the reporting date and are expected to be valid when the relevant deferred tax asset is disposed or when the deferred tax liability is settled.

A deferred tax asset is recognised for unutilized tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of the year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Vessels, property, plant and equipment

(i) Vessels

The carrying value of the Group's vessel represents its original cost at the time it was delivered or purchased less depreciation calculated based on its useful economic life, using the number of years from the date the vessel was originally delivered or purchased and less any accumulated impairment losses.

The carrying value of the Group's vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of new builds. Historically, both charter rates and vessel values tend to be cyclical. The Group records impairment losses only when events occur that cause the Group to believe that future cash flows derived from the use of the vessels will be less than their carrying value. The carrying amount of a vessel held and used by the Group is reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of the vessel may not be fully recoverable. In such instances, an impairment charge is recognised if the estimate of the discounted future cash flows expected to result from the use of the vessel and its eventual disposal is less than the vessel's carrying amount.

Depreciation is calculated using the straight-line method, by deducting the vessel's estimated residual value. The average expected economic life of the Group's vessels and their estimated residual value is mainly based on the estimated weighted average useful economic life and the residual value of their significant components, such as cabins, engines, superstructure and hull. The Group has estimated that the useful life of its vessels is 30 years less 10% residual value.

If the economic life assigned to the vessel proves to be too long because of new regulations or other future events, higher depreciation expense and impairment losses could result in future periods related to a reduction in the useful life of the vessel.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

(ii) Property, plant and equipment

Land and buildings are carried at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Revaluations are carried out with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income and then to revaluation reserve of properties in equity. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from fair value reserves to retained earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Vessels, property, plant and equipment (continued)
(ii) Property, plant and equipment (continued)
Depreciation is calculated on a straight-line basis to write off the cost or the revaluation over the estimated useful life of each part of an item of vessels, property, plant and equipment. The annual depreciation rates for the current and comparative periods are the following:

Buildings	1%
Building renovations	10%
Furniture and equipment	10% - 33%
Computer hardware	20%
Motor vehicles	20%
Computer software	33 $^{1}/_{3}$ %

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

No depreciation is charged on land and assets under renovation. Also, no depreciation is charged on clothing and kitchenware, as they are accounted for based on the replacement method.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. When revalued assets are sold, the amounts included in the fair value reserves are transferred to retained earnings.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations;
- is a subsidiary acquired exclusively with a view to re-sell.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income are presented as if the operation had been discontinued from the start of the comparative year.

Inventories

Inventories are measured at the lower of cost and net realisable value. The net realizable value is based on the estimated selling price during the normal course of business less any additional expenses expected to occur by the inventories' date of sale. 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.

When considered necessary, provision is made for defective and obsolete items or slow moving inventory, where this is applicable.

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

Impairment of Non-financial assets

Non-financial assets with indefinite useful life are not depreciated but reviewed annually for impairment. Assets (other than biological assets, investment property, inventories and deferred tax assets) that are depreciated are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is tested for impairment annually.

For the purposes of testing for impairment, assets are grouped into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash inflows from other assets or cash-generating units. Goodwill arising from a business combination is allocated to cash-generating units or groups of cash generating units expected to benefit from the synergies of the combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-financial assets (continued)
The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is 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 or amortization, if no impairment loss had been recognised.

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.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, cash at bank and bank overdrafts.

Share capital
(i) Ordinary share capital
Ordinary shares that have been issued and paid are classified as equity.

Direct costs relating to the issue of new shares are recognised as a deduction from equity, net of any tax effects.

(ii) Share premium
The share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. The share premium account can only be used for limited purposes which do not include the distribution of dividends and is otherwise subject to the provisions of the Cyprus Companies Law regarding the reduction of share capital.

(iii) Dividend
The distribution of dividend to the owners of the Company is recognised as a liability in the consolidated and separate financial statements in the year in which the dividend is approved by the owners of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share
The Company presents basic and diluted earnings per share that corresponds to the shareholders. The basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of issued shares outstanding during the year. The diluted earnings per share is calculated by dividing the adjusted profit attributable to the shareholders of the Company and the weighted average number of issued shares outstanding during the year.

Borrowings
Borrowings are initially recognised at their fair value after the deduction of transaction costs. Borrowings are then measured at amortised cost. Any difference between the receipts (after the deduction of transaction costs) and the repayment amount, is recognised in the statement of comprehensive income during the period of the borrowing using the effective interest method.

Leases
At inception of an arrangement, the Group determines whether an arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

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

Finance leases - The Group as lessor
The leases of the Group are classified as finance leases, if they transfer to the Group substantially all the risks and rewards incidental to ownership of an asset. The Group recognises a finance lease as an asset and liability at the lower of the fair value of the leased asset and the present value of minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

The payments are apportioned between the finance expenses and the decrease of the finance lease obligations based on the effective interest method.

Operating leases
Leases where a significant portion of the risks and rewards of ownership remain with the lessor are classified as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income

Deferred income consists of sales of services based on contracts, and relates to services that will be provided in the period after the year end.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants received for the acquisition of non-current assets are recorded are amortised on a systematic basis using the straight-line method over the expected useful life of the respective assets. Government grants that relate to expenses are recognised as revenue in the profit or loss when received.

Employee benefits

Defined contribution plans

A defined contribution plan is a benefit scheme provided to employees upon termination of their employment, according to which a company pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay additional amounts. Obligations for contributions to defined contribution plans are recognized as an expense in the income statement in the period in which the services were offered by the employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is possible.

The Company's permanent staff participate in defined contribution plans to provide retirement benefits covering all permanent staff. The plan provides for a contribution rate of 6.25% from the Company to annual gross earnings.

Cypriot companies of the hotel segment of the Group and their employees contribute a fixed percentage to a national fund, the “Hotel Industry Employees Provident Fund”, for the purpose of providing retirement benefits for all personnel.

From 1 March 2016 to 31 December 2018 the employer's contribution to the Fund is set at 5% of the employee's regular basic salary while the affected employee may choose to contribute between 5% and 10%.

Defined benefit plans

Defined Benefit plan is a benefit plan provided to employees upon termination of their employment, which is not a defined contribution scheme. The net liability or asset of the Group is calculated by estimating the amount of future benefits earned by employees as consideration for their service in the current and prior periods less any unrecognized past service cost and the fair value of the plan assets. The future benefit is discounted to determine its present value at a discount rate equal to the expected future return on the plan assets. This calculation is carried out at regular intervals by a professional actuary using the projected unit credit method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Defined benefit schemes (continued)

The Group provides predetermined redundancy benefits for its permanent staff employed in Greece, in the form of a lump sum according to the Greek legislation. The cost of the retirement benefits is undertaken exclusively by the Group and is calculated annually by the Management of the Group and on regular intervals by independent qualified actuaries. Any surpluses or deficits which might arise from the difference between the expected and actual returns on the actuarial assumptions are recognised in the income statement.

Trade and other payables

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

Provisions

A provision is recognised in the statement of financial position when the Group or the Company has a present legal or constructive obligation as a result of past events, from which it is probable that a future outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised when:

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

Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability and the difference in the respective carrying amounts is recognised in profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, the Group has the enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Events after the reporting date
Assets and liabilities are adjusted for events which occurred in the period between the reporting date and the date the financial statements are approved by the Board of Directors, when these events provide additional information for the estimation of amounts relating to conditions existing at the reporting date or indicate that the going concern principle for the Group or the Company or a part of them is not appropriate.

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

4. REVENUE

Revenue represents income from the operation of hotels which represents amounts invoiced and services rendered to customers during the year after the deduction of discounts, commissions and returns. Revenue from the operation of hotels includes services that relate to accommodation, catering, the hiring of ballrooms for receptions and other services rendered to customers, as well as the use of restaurants and cafeterias.

Income from shipping activities consists of revenue from the charter hire of vessels.

The Company's revenue comprises dividend and management services.

Revenue from operations is analysed as follows:

	GROUP		COMPANY	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Revenue from hotel operations	111.503	109.781	-	-
Income from shipping activities	2.755	-	-	-
Other Income	778	778	1.642	1.436
Dividend Income	-	-	2.647	111
	115.036	110.559	4.289	1.547

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For the year ended 31 December 2017

5. OPERATING SEGMENTS

GROUP

Information on reportable operating segments

	Crusing and other operations		Hotel operations		Total	
	2017	2016	2017	2016	2017	2016
	€'000	€'000	€'000	€'000	€'000	€'000
Revenue from operations	6.180	16.501	111.503	109.781	117.683	126.282
Inter-segment reportable revenue	2.647	111	-	-	2.647	111
Finance income	194	3	396	512	590	515
Finance expense	(6.389)	(10.905)	(4.747)	(5.713)	(11.136)	(16.618)
Depreciation, amortisation and impairment charges	(1.879)	(5.317)	(7.168)	(7.396)	(9.047)	(12.713)
Reportable segment (loss)/profit before taxation	(6.070)	(3.776)	21.878	20.171	15.808	16.395
Other significant items:						
Share of profit from investment in associate company	453	278	-	-	453	278
Share of profit from investment in joint venture	(4.600)	(1.804)	-	-	(4.600)	(1.804)
Impairment charge on assets	(2.382)	(2.978)	-	-	(2.382)	(2.978)
Write offs and provisions for bad and doubtful debts	(48)	(2.292)	-	-	(48)	(2.292)
Profit from loan restructuring	7.548	-	659	-	8.207	-
Investment in associate company	16.608	16.302	-	-	16.608	16.302
Investment in joint venture	-	4.600	-	-	-	4.600
Additions of vessels, property, plant and equipment	7	5	3.152	9.268	3.159	9.273
Reportable segment assets	83.028	112.281	186.334	181.828	269.362	294.109
Reportable segment liabilities	125.436	153.856	180.703	192.893	306.139	346.749

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For the year ended 31 December 2017

5. OPERATING SEGMENTS (continued)

GROUP (continued)

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

	2017 €'000	2016 €'000
Revenue		
Total revenue of reportable segments	117.683	126.282
Elimination of inter-segment reportable revenue	(2.647)	(111)
Elimination of discontinued operations	-	(15.612)
Revenue as per financial statements	115.036	110.559
(Profit)/Loss before taxation		
Total reportable segment profit	15.808	16.395
Elimination of inter-segment reportable revenue	(2.647)	(111)
Share of profit from investment in associate company	453	278
Share of loss from investment in joint venture	(4.600)	(1.804)
Impairment charge on assets	(2.382)	(2.978)
Write offs and provisions for bad and doubtful debts	(48)	(2.292)
Profit from loan restructuring	8.207	-
Elimination of discontinued operations	-	(9.148)
Profit/(Loss) before taxation as per financial statements	14.791	340
Assets		
Total reportable segment assets	269.362	294.109
Investment in associate company	16.608	16.302
Investment in joint venture	-	4.600
Assets as per financial statements	285.970	315.011
Liabilities		
Liabilities as per financial statements	306.139	346.749

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For the year ended 31 December 2017

5. OPERATING SEGMENTS (continued)

GROUP (continued)

Other significant items

	2017				2016			
	Reportable segments totals €'000	Reconciliation €'000	Elimination of discontinued operations €'000	Consolidated totals €'000	Reportable segments totals €'000	Reconciliation €'000	Elimination of discontinued operations €'000	Consolidated totals €'000
Finance income	590	-	-	590	515	-	-	515
Finance expense	(11.136)	-	-	(11.136)	(16.618)	-	1.831	(14.787)
Additions of vessels, property plant and equipment	3.159	-	-	3.159	9.273	-	-	9.273
Depreciation, amortisation and impairment charges	(9.047)	-	-	(9.047)	(12.713)	-	3.228	(9.485)
Impairment charge on assets	(2.382)	-	-	(2.382)	(2.978)	-	-	(2.978)
Write offs and provisions for bad and doubtful debts	(48)	-	-	(48)	(2.292)	-	-	(2.292)
Profit from loan restructuring	8.207	-	-	8.207				

LOUIS PLC

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5. OPERATING SEGNMENTS (continued)

GROUP (continued)

Information per geographical segment

(i) Cruising and other operations

	Revenue	
	2017	2016
	€'000	€'000
Cyprus	3.425	893
Greece	-	618
Other countries	2.755	14.990
	6.180	16.501

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 occasionally 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. Therefore, the geographical analysis of profit from operations and operating capital is not recommended.

(ii) Hotel operations

	Revenue		Non-current assets	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Cyprus	68.882	62.947	76.828	80.816
Greece	42.621	46.834	152.506	152.842
	111.503	109.781	229.334	233.658

Major customer
Revenues from one customer of the Group's "Hotel operations" segments represented approximately €45 million (2016: €43 million) of the Group's total revenues.

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For the year ended 31 December 2017

6. PROFIT/(LOSS) FROM OPERATIONS

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

	GROUP		COMPANY	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Independent auditors' remuneration for the statutory audit of annual accounts:				
- current year	319	349	75	88
- prior year	17	-	7	-
Auditors' remuneration for other non-audit services	27	48	4	18
Auditors' remuneration for taxation related advisory services	108	89	35	9
Remuneration of the members of the board of directors as:				
- executive directors and Chairman	1.223	1.010	455	395
- non executive directors	11	10	11	10
Remuneration of other related parties	615	378	23	23
Salaries and employee benefits	24.542	23.602	612	565
Employer's contributions to Social Insurance contributions	4.171	4.222	41	40
Employer's contributions to Provident Fund	414	435	47	52
Other employer's contributions	905	898	39	46
Depreciation	8.592	9.131	69	68
Amortisation of leases	688	688	-	-
Amortisation and other impairment charges	(233)	(334)	-	-

*The remuneration does not include employer's contributions to Social Insurance contributions, to Provident Fund and other employer's contributions.

During the year the average number of the employees of the Group was 1.848 (2016: 1.774) and of the Company 20 (2016: 20).

The most important operating expenses are analysed as follows:

	2017	2016
	€'000	€'000
Food and beverages	15.773	15.761
Advertising	868	863
Water	3.361	3.052
Electricity and fuels	4.421	4.151
Repairs	2.315	1.947
Agency commission	962	840

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7. NET FINANCE EXPENSES

	GROUP		COMPANY	
	2017	2016	2017	2016
	€’000	€’000	€’000	€’000
Interest from Parent and other related parties	-	14	-	-
Bank interest income	397	497	-	-
Exchange differences	193	4	184	2
Finance income	590	515	184	2
Interest on borrowings and finance lease obligations	(9.519)	(10.528)	(5.540)	(7.449)
Bank interest and charges	(1.525)	(4.089)	(672)	(1.393)
Creditors’ and other interests	(1)	(1)	(1)	(1)
Exchange differences	(91)	(169)	-	(97)
Finance expenses	(11.136)	(14.787)	(6.213)	(8.940)
Net finance expenses	(10.546)	(14.001)	(6.029)	(8.938)

8. IMPAIRMENT CHARGE ON ASSETS

GROUP

	Note	2017	2016
		€’000	€’000
Impairment charge on assets	14	2.382	2.978

9. WRITE OFFS AND PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	Note	GROUP		COMPANY	
		2017	2016	2017	2016
		€’000	€’000	€’000	€’000
Provision for bad and doubtful debts and write offs of net balances from related parties	32	-	-	4.261	5.596
Provision for bad and doubtful debts of net balances from Parent	32	48	14	48	-
Provision for other receivables	17	-	2.278	-	-
		48	2.292	4.309	5.596

10. TAXATION

	GROUP		COMPANY	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Corporation tax in Cyprus and Greece	2.842	2.740	-	-
Corporation tax from prior years	(141)	(11)	(300)	
Special defence contribution in Cyprus	46	101	-	-
Deferred taxation	483	(1.086)	-	-
Charge for the year	3.230	1.744	(300)	-

Reconciliation of taxation based on the taxable income and taxation based on the accounting profits/(losses) of the Group and the Company:

	GROUP		COMPANY	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Accounting profit /(loss) before taxation from continuing operations	14.791	340	(5.284)	(30.858)
Tax based on the applicable taxable rates	2.980	(80)	(660)	(3.857)
Tax effect of expenses not deductible for tax purposes	2.263	3.456	1.386	2.784
Tax effect of allowances and income not subject to tax	(2.401)	(1.276)	(1.040)	(56)
Prior year taxation	(141)	(10)	(300)	-
Effect of tax losses carried forward	-	10	-	-
Special defence contribution for the year	46	101	-	-
Deferred taxation	483	(1.086)	-	-
Effect on taxable losses	314	1.129	314	1.129
Losses surrendered from Group companies	(314)	(500)	-	-
Taxation as per consolidated income statement	3.230	1.744	(300)	-

The Group and the Company are subject to corporation tax on the basis of legislation and rates applicable in Cyprus and Greece. For specific transactions and calculations, the determination of final tax is uncertain. The Group and the Company recognize liabilities for anticipated tax issues based on estimates of whether additional tax will arise. Where the final tax outcome of these issues differs from the amount initially recognized, the differences affect the provision for corporate tax and deferred tax in the period in which the determination is made.

10. TAXATION (continued)

In Cyprus, the corporation tax rate for the year was 12,5%. Tax losses can be carried forward for the next five years until their full utilisation and can also be offset against taxable profits of other Group companies. In certain cases, dividend received from abroad may be subject to special defence contribution at the rate of 17%.

Cypriot companies are subject to special defence contribution on rental income at the rate of 3% and on interest receivable at the rate of 30%. In such cases the interest is exempted from corporation tax.

In Greece, the rate of income tax is 29%.

The deferred tax calculation was made using the rate of 29% for Greek companies and of 12,5% for Cypriot companies.

According to the Merchant Shipping (Fees and Taxing Provisions) Law 2010, L.44(I)/2010, ship owning companies and companies offering ship management services that are taxed or elect to be taxed under the tonnage tax system are exempt from corporation tax based on the provisions of the Law. Also, no defence contribution is charged on dividends paid directly or indirectly from the profits generated from ship owning companies and companies offering ship management services.

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 on vessels 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.

11. DIVIDEND

GROUP AND COMPANY

The Board of Directors does not recommend the payment of a dividend for the year 2017.

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12. DISCONTINUED OPERATIONS

GROUP

In December 2015, the Group decided to proceed with debt and other restructurings involving significant reduction in the shareholding percentage, in conjunction with relevant terms in the shareholders' agreement, to an extent that the Group would not maintain control in Celestyal, the crussing segment of the Group. The debt restructuring of the Celestyal group was completed on 11 March 2016.

As a result of the loss of control, a net profit of €13.828 thousand was recognized, which consists of a profit from loss of control of a subsidiary of €27.424 thousand and impairment loss in the joint venture value of €13.596 thousand (see Note 30) in the Group's results. The results of the Celestyal group for the current and prior periods are presented in the consolidated financial statements as discontinued operations.

The results of the Celestyal group for 2016 are presented as discontinued operations up to March 11, the date when of control was lost. From 12 March 2016, the investment in Celestyal is recognized using the equity method (see also note 31).

Financial information presented in the consolidated income statement and cash flow:

(a) Results of discontinued operation

	1/1/2016-11/03/2016 €'000
Revenue	15.612
Expenses	(20.547)
(Loss)/profit from operations	(4.935)
Other income/(expenses)	255
(Loss)/profit from discontinued operations	(4.680)

(b) Cash flows from discontinued operations

	1/1/2016-11/03/2016 €'000
Cash flows from operating activities	10.909
Cash flows used in investing activities	(10.295)
Cash flows from/(used in) financing activities	7.063
Net cash flow for the period/year	7.677

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13. EARNINGS/(LOSS) PER SHARE

	2017			2016		
	Continued operations €'000	Discontinued Operations €'000	Total €'000	Continued operations €'000	Discontinued operations €'000	Total €'000
GROUP						
Profit/(loss) attributable to the owners (€'000)	11.537	-	11.537	(1.437)	9.148	7.711
Weighted average number of shares in issue and fully diluted during the year ('000)	460.547	-	460.547	460.547	460.547	460.547
Basic and fully diluted profit/(loss) per share (€ cent)	2,51	-	2,51	(0,31)	1,99	1,68

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13. EARNINGS PER SHARE (continued)

	2017	2016
COMPANY		
Loss attributable to owners (€'000)	(4.984)	(30.858)
Weighted average number of shares in issue and fully diluted during the year ('000)	460.547	460.547
Basic and fully diluted loss per share (€ cent)	(1,08)	(6,70)

On 31 December 2017, the fully distributed profit/(loss) per share is the same as the basic, as there were no warrants on or other titles convertible to shares in issue.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

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14. VESSELS, PROPERTY, PLANT AND EQUIPMENT

GROUP	Note	Land and buildings €'000	Furniture and equipment €'000	Clothing and kitchen utensils €'000	Computers €'000	Motor Vehicles €'000	Total €'000
2017							
Cost							
Balance 1 January		281.441	60.241	2.722	163	1.317	345.884
Additions		1.012	2.005	45	1	96	3.159
Disposals and write-offs		(114)	(2.903)	(56)	-	(87)	(3.160)
Balance 31 December		282.339	59.343	2.711	164	1.326	345.883
Depreciation and impairment charges							
Balance 1 January		75.815	48.260	-	162	1.130	125.367
Charge for the year		6.362	2.156	-	2	72	8.592
Impairment charge	8	2.382	-	-	-	-	2.382
Disposals and write-offs		(114)	(2.895)	-	-	(75)	(3.084)
Balance 31 December		84.445	47.521	-	164	1.127	133.257
Carrying amounts							
Balance 31 December		197.894	11.822	2.711	-	199	212.626

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

GROUP	Note	Land and buildings €'000	Furniture and equipment €'000	Clothing and kitchen utensils €'000	Computers €'000	Motor Vehicles €'000	Total €'000
2016							
Cost							
Balance 1 January		278.716	60.284	2.506	160	1.326	342.992
Additions		5.242	3.744	253	3	31	9.273
Disposals and write-offs		(2.517)	(3.787)	(37)	-	(40)	(6.381)
Balance 31 December		281.441	60.241	2.722	163	1.317	345.884
Depreciation and impairment charges							
Balance 1 January		68.521	49.772	-	160	1.083	119.536
Charge for the year		6.826	2.222	-	2	81	9.131
Impairment charge	8	2.978	-	-	-	-	2.978
Disposals and write-offs		(2.510)	(3.734)	-	-	(34)	(6.278)
Balance 31 December		75.815	48.260	-	162	1.130	125.367
Carrying amounts							
Balance 31 December		205.626	11.981	2.722	1	187	220.517

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2017

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

COMPANY	Furniture and fittings €'000	Computers €'000	Motor vehicles €'000	Total €'000
2017				
Cost				
Balance 1 January	662	33	196	891
Additions	1	-	6	7
Balance 31 December	663	33	202	898
Depreciation				
Balance 1 January	305	31	196	532
Charge for the year	66	2	1	69
Balance 31 December	371	33	197	601
Carrying amounts				
Balance 31 December	292	-	5	297
2016				
Cost				
Balance 1 January	660	30	196	886
Additions	2	3	-	5
Balance 31 December	662	33	196	891
Depreciation				
Balance 1 January	239	29	196	464
Charge for the year	66	2	-	68
Balance 31 December	305	31	196	532
Carrying amounts				
Balance 31 December	357	2	-	359

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

GROUP

Property valuation process

On 31 December 2015, the method used for estimating the fair value of the properties, taking into account the valuations by independent valuers, is the Comparative Method, which estimates the value of land, in combination with the Capitalization Method and discounting of cash flows (DCF) for the total value of the hotel. The major factors taken into consideration are as follows:

- Specific characteristics of properties and of the surrounding area.
- Supply and demand in the surrounding area.
- The nature of usage in the particular wider area.
- Location of the property.

The Group's land and buildings were revalued on 31 December 2017 by Managemnet based on previous valuations from independent professional valuers. The method used for the estimation of the fair value of the properties was the Capitalization Method and discounting cash flows (CDF). Based on the respective calculations there was no significant difference between the revalued amount of the land and buildings of the Group compared to their net book value and as a result no adjustment was effected to the net book value.

Information on fair value estimates using significant non-observable data (Level 3) – 31 December 2017

Description	Fair Value as at 31/12/2017 (€'000)	Fair Value Method	Non-Observable data	Range of non-observable data	Inter-relationship between key unobservable inputs and fair value measurement
Louis Hotels (including land and buildings) – Cyprus and Greece	185.430	Fair Value Method, Discounted Cash Flows (DCF) based on Gross Operating Expenses (EBITDA) until 2025	Discount factor	9%-11%	The higher the discount factor, the lower the Fair Value.
			EBITDA (average 2016-2025)	17.184 €'000	The higher the EBITDA, the higher the Fair Value
			Occupancy factor (average 2016-2025)	89%	The higher the occupancy factor, the higher the Fair Value

LOUIS PLC

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

Sensitivity of Management's estimates – 31 December 2017

Louis Hotels (including land and buildings) – Cyprus and Greece			Change in discount rate		
			-1%	0%	+1%
	Change in EBITDA (average 2016-2025)	-5%	184.420 €'000	176.190 €'000	168.470 €'000
		0%	194.130 €'000	185.430 €'000	177.330 €'000
		+5%	203.830 €'000	194.720 €'000	186.190 €'000

The cost of land and buildings which are presented in revalued amounts and their net book values based on the historical cost convention as at 31 December 2017 amounted to €201.357 thousand (2016:€200.460 thousand) and €163.405 thousand (2016: €166.947 thousand), respectively.

In the years 2017 and 2016, the Group's management decided to perform a test for impairment of the assets that constitute a cash-generating unit as a result of a decrease in the income accruing from those assets. Therefore, an impairment loss of € 2.382 thousand and € 2.978 thousand was recognized for the years 2017 and 2016, respectively.

For the calculation of the impairment loss for the year ended 2017 the Fair Value of the Assets was used, while for the year ended 2016 the value for use.

For 2016, the discount rate used to calculate the value for use was approximately 11%. In estimating the future Cash Flows, the Group takes into account future expected Revenues and Expenses, as well as the remaining useful economic life of these assets.

The assumptions and estimates used are based on historical experience as well as future projections. Management believes that the estimates and assumptions used in the calculation of impairment loss are reasonable and appropriate – but such estimates are very subjective.

During 2017, the Group's management assessed the use of the ship's spare parts, concluding that these spare parts are used multiple times with few repairs during long periods of time rather than once in the normal course of business.

As a result, it was considered more appropriate to reclassify these parts from inventory to the cost of the vessel for the current and prior periods.

The value of the reclassified parts for the years 2017 and 2016 amounted to €691 thousand. These assets were recorded as undervalues and tested for impairment in 2017 and 2016.

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

GROUP (continued)

The Group leases vessels, property, plant and equipment under various finance lease agreements. On 31 December, the net book value of each category of vessels, property, plant and equipment under finance leases was as follows:

	2017 €'000	2016 €'000
Net book value		
Land	9.150	9.150
Buildings	24.326	24.620
	33.476	33.770

The immovable property and the vessels of the Group are used as collateral to obtain financing from financial institutions as presented in notes 22 and 23 of the consolidated and separate financial statements of the Company.

15. HOTEL LEASES

GROUP

	2017 €'000	2016 €'000
Cost		
Balance 1 January and 31 December	31.609	31.609
Amortasation		
Balance 1 January	11.414	10.726
Charge for the year	688	688
Balance 31 December	12.102	11.414
Carrying amount		
Balance 31 December	19.507	20.195

Leases relate to the cost of securing hotel leases in Cyprus as determined on the acquisition date of 3 July 2000 on the basis of valuations by professional valuers.

16. INVENTORIES

GROUP

	2017 €'000	2016 €'000
Land	104	104
Fuels	148	175
Other inventories	1.499	1.303
	1.751	1.580

Other inventories represent items of food, drinks, cigarettes, souvenirs, as well as cleaning materials.

The total value of land is used as collateral to secure loans of the Group and the Parent.

There are no inventories for which a reduction in their value was necessary.

The ship's spare parts have been reclassified from inventories to the cost of the ship as described in note 14 to the consolidated and separate financial statements.

Stock consumption amounting to €15.773 thousand (2016: €15.761 thousand) have been included in operating expenses.

17. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Trade receivables	14.980	15.493	-	-
Provision for bad and doubtful debts	(10.642)	(10.473)	-	-
	4.338	5.020	-	-
Other receivables and prepayments	3.205	4.235	33	34
	7.543	9.255	33	34
Short-term	7.543	9.255	33	34

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2017

17. TRADE AND OTHER RECEIVABLES (continued)

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

	GROUP		COMPANY	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Not past due nor impaired	512	213	-	-
Past due 1 - 30 days	1.175	793	-	-
Past due 31 – 120 days	2.219	1.439	-	-
More than 121 days	432	2.575	-	-
	4.338	5.020	-	-

Movement of the provision for bad and doubtful debts :

	GROUP	
	2017	2016
	€'000	€'000
Balance 1 January	10.473	10.472
Provision recognised for bad and doubtful debts	181	8
Debtors written off as non-collectible	(12)	(7)
Balance 31 December	10.642	10.473

- The Group made a specific provision for doubtful trade receivables amounting to €181 thousand (2016: €8 thousand) which was recognised in profit and loss of the Group.
- During 2016, the Group recorded a provision for other receivables, amounting to €2.278 thousand and which recognized in profit and loss of the Group.

The Group and the Company examine at each reporting date whether there is any evidence of the probability that the amounts due will be not recovered from trade and other debtors. Significant financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy proceedings or financial restructuring and failure or inability to fulfill his obligations are considered as evidence that the receivable may have been impaired. If such indications exist, the recoverable amount is calculated and a corresponding provision for doubtful debts is recognised. The amount of the provision is recognized in the income statement.

LOUIS PLC

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For the year ended 31 December 2017

17. TRADE AND OTHER RECEIVABLES (continued)

Credit risk is assessed on a continuous basis and the methodology and assumptions for calculating the provision for doubtful debts are reviewed at regular intervals and adjusted accordingly.

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. Based on the assessment made by the Board of Directors of the Company, as well as existing evidence in hand, it is judged that impairment charges 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 38 of the consolidated and separate financial statements of the Company.

18. BLOCKED BANK DEPOSITS

GROUP

	2017 €'000	2016 €'000
Blocked bank deposits	2.474	10.916

These deposits are not classified as cash and cash equivalents because they are blocked by the financial institutions and consist of:

Cash at bank amounting to €551 thousand (2016: €572 thousand), blocked by Alpha Bank (ex. 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 favor of various other beneficiaries.

Cash at bank amounting to €607 thousand (2016: €9.037 thousand) and €1.307 thousand (2016: 1.298 thousand), blocked by Bank of Cyprus Public Company Ltd, and Piraeus Bank of Greece, respectively, securing liabilities of Group companies.

Additionally, cash at bank amounting to €9 thousand (2016: €9 thousand) is blocked by National Bank of Greece A.E., as security for bank guarantees.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2017

19. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Cash in hand and at bank	18.766	24.905	10	10
Bank overdrafts	(5.494)	(23.954)	-	(17.957)
Credit facilities from a Factoring Organisation	-	(1.341)	-	-
	(5.494)	(25.295)	-	(17.957)
	13.272	(390)	10	(17.947)

In June 2017, under Bank Loans Restructuring agreement, bank overdrafts and credit facilities by the Factoring Organization worth €17,407 thousand and €1.259 thousand, respectively, were converted into bank loans while amounts of €1.338 thousand were deleted (see note 22).

Cash amounting to €440 thousand (2016: €279 thousand) is held in a joint account with the Holy Archdiocese of Cyprus to finance renovations of hotel units rented by the subsidiary Louis Hotels Public Company Limited.

Bank overdrafts bear an average annual interest rate of 2,84% (2016: 6,21%) for the Group. For the company, bank overdrafts brought an average annual interest rate of 6.90% in 2016. The credit facilities from the Factoring Organization brought an average annual interest rate of 5,16% in 2016.

GROUP

The bank overdrafts of the Group are secured as follows:

- Mortgages over immovable property and other assets owned by the Group's subsidiary companies,
- Mortgages over long-term leases of the Group's subsidiary companies,
- Mortgage pre-notations over immovable property owned by the Group's subsidiary companies,
- Corporate guarantees of the Parent, the Company and the Group's subsidiary companies,
- Pledge of shares of the Company, the associate company and the Group's subsidiary companies,
- Assignment of income and receipts in respect of insurances of the Group's subsidiary companies,
- Assignment of invoices of trade receivables,
- Assigning rights, titles, interests and financial requirements to long-term leases of subsidiaries of the Group
- Floating charge over assets of the Group's subsidiary companies,
- Secured bank deposits amounting to €1.914 thousand

19. CASH AND CASH EQUIVALENTS (continued)

COMPANY

The bank overdrafts of the Company during 2017 until the loan restructuring date were secured as follows:

- Mortgages over immovable property and other assets 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,
- Pledge of shares of the associate company and the Group's subsidiary companies,
- Assignment of income and receipts in respect of insurances of subsidiary companies,
- Floating charge over the assets of the Group's subsidiary companies,
- Negative pledge where subsidiary companies of the Group will not proceed with the sale, assignment, mortgage or charging (pledging) of financial assets without the written consent of specific banks.
- Assignment of invoices of trade receivables.

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 38 of the consolidated and separate financial statements of the Company.

20. SHARE CAPITAL

GROUP AND COMPANY

	2017 €'000	2016 €'000
Authorised		
31 December		
(4.250.000.000 ordinary shares of €0,02/ 500.000.000 ordinary shares of €0,17)	85.000	85.000
Issued and fully paid		
1 January (460.546.854 ordinary shares of €0,17)	78.293	78.293
Decrease of share capital	(69.082)	-
31 December (46.546.854 ordinary shares of €0,02/€0,17)	9.211	78.293

The Board of Directors, taking into consideration that, based on the financial statements for the year ended 31 December 2016 where the Company lost more than 50% of the issued share capital, and the provisions of Article 169F of the Companies Law Cap. 113, decided to hold an Extraordinary General Meeting on 23 February 2017, during which the following specific resolutions were approved:

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

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20. SHARE CAPITAL (continued)

1. The issued share capital of the Company, amounting to €78.292.965,18 and a divided to 460.546.854 ordinary shares of nominal value €0,17 each, it is reduced to €9.210.937,08 divided to 460.546.854 ordinary shares of a nominal value of €0,02 each, and such reduction is effected by the reduction of the nominal value of each ordinary share from €0,17 each to €0,02 each and the cancellation of the amount of €0,15 per share for the purposes of write-off of losses of the Company amounting to €69.082.028,10.

2. As the nominal share capital of the Company is reduced by € 69.082.028,10, taking into account the amount of the reduction of the issued share capital, and therefore the nominal share capital of the Company is reduced from €85.000.000 divided to 500.000.000 ordinary shares of nominal value of €0,17 each to €15.917.971,90 divided into 795.898.600 ordinary shares of nominal value €0,02 each.

3. Simultaneously with the implementation of the above resolutions, the nominal share capital of the Company is increased from €15.917.971,90 to €85.000.000,00 divided into 4.250.000.000 shares of a nominal value of €0,02 each.

4. Share premium account of the Company that presents a credit balance of €94.300.187 is reduced to €0 in order to write off losses of the Company, specifically the coverage of accumulated losses in the merger reserve, of €25.964.445 and in the income reserve amounting to €68.335.742.

5. As with the implementation of the above special resolutions, paragraph 5 of the Memorandum is amended by replacing it entirely with the new paragraph 5:

   «5. The share capital of the company is €85.000.000 divided into 4.250.000.000 shares of €0,02 each. Shares in the original or in any increased capital may be divided into different classes and any rights, powers, terms or restrictions or expecially in respect of dividends, capital, voting rights or otherwise.»

   The aforementioned decisions of the Company were ratified by the District Court of Nicosia, certified by the Registrar of Companies and entered into force on 28 July 2017.

21. RESERVES

GROUP AND COMPANY

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.

During 2017, the share premium decreased to €0 after the write-off of acculumated losses as described in note 20 of the consolidated and separate financial statements.

21. RESERVES (continued)

GROUP AND COMPANY (continued)

Property revaluation reserve
The property revaluation reserve consists of the accumulated amounts from the revaluations of land and buildings and deferred tax resulting from the revaluations. The property revaluation reserve is not distributable.

Employee benefits reserve
The employee benefits reserve comprises adjustments to the employee benefit obligations arising from the defined benefit plans and consists of:

(i) Actuarial gains and losses,
(ii) Expected return on plan assets,
(iii) Any change due to changes in the upper ceilings of plan assets.

The employee benefits reserve is not distributable.

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

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

During 2017, accumulated losses were written off after a reduction in the share capital and the use of the share premium, as described in note 20 of the consolidated and separate financial statements.

Merger reserve
The merger reserve arose from the merging of jointly-controlled companies (under common control) which were recognised using the method of book value accounting. In applying the method of book value accounting, an adjustment in equity was required which reflects the difference between the cost of acquisition and the equity of the acquired companies. The adjustment in equity was recognised through merger reserve. The merger reserve is not distributable.

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

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21. RESERVES (continued)

GROUP AND COMPANY (continued)

During 2017, the merging reserve was written off using the share premium reserve as described in note 20 of the consolidated and separate financial statements.

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 17% will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The 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 contribution for defence is paid by the company for the account of the owners.

22. BORROWINGS

	GROUP		COMPANY	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Current liabilities				
Bank loans	5.668	71.623	2.413	62.837
Other loans	1.444	1.566	-	-
Other bank obligations	1.565	6.752	-	-
	8.677	79.941	2.413	62.837
Non-current liabilities				
Bank loans	154.321	99.510	113.898	62.465
Other loans	1.884	2.500	-	-
Other bank obligations	53.662	55.198	-	-
	209.867	157.208	113.898	62.465
Total	218.544	237.149	113.898	125.302

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

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22. BORROWINGS (continued)

Bank and other loans are repayable as follows:

	GROUP		COMPANY	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Within 1 year	8.677	79.941	2.413	62.837
Between 1 and 5 years	58.389	41.383	16.426	15.222
More than 5 years	151.478	115.825	97.472	47.243
Total	218.544	237.149	116.311	125.302

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

	GROUP		COMPANY	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Euro	218.544	234.059	116.311	122.212
United States Dollars	-	3.090	-	3.090
	218.544	237.149	116.311	125.302

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

	GROUP		COMPANY	
	2017	2016	2017	2016
	%	%	%	%
Euro	3,21	4.20	3,42	5,18
United States Dollars	-	4,50	-	4,50

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2017

22. BORROWINGS (continued)

Reconciliation of liabilities arising from financing activities:

GROUP

	Borrowing €'000	Liabilities financing leases €'000	Bank Overdraft €'000	Secured Bank Deposits €'000	Total €'000
Balance 1 January 2017	237.149	25.769	25.295	(10.916)	277.297
Cash Transactions:					
Capital Repayments	(27.491)	(1.317)	-	-	(28.808)
Interest payments	(11.246)	(983)	(1.511)	-	(13.740)
Release of bank deposits	-	-	-	8.352	8.352
Total changes from financial cash flows	(38.737)	(2.300)	(1.511)	8.352	(34.196)
Effect of changes in exchange rates currency	(180)	-	-	90	(90)
Non-Cash Transactions:					
Loan restructuring – Conversion from bank overdrafts to loans	18.666	-	(18.666)	-	-
Profit from loan restructuring	(6.869)	-	(1.338)	-	(8.207)
Interest	8.515	1.004	-	-	9.519
Change in bank overdraft	-	-	1.714	-	1.714
Total changes	20.312	1.004	(18.290)	-	3.026
Balance 31 December 2017	218.544	24.473	5.494	(2.474)	246.037

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2017

22. BORROWINGS (continued)

Reconciliation of liabilities arising from financing activities:

COMPANY

	Borrowing €'000	Bank Overdraft €'000	Total €'000
Balance 1 January 2017	125.302	17.957	143.259
Cash Transactions:			
Capital Repayments	(17.178)	-	(17.178)
Interest payments	(8.168)	(674)	(8.842)
Total changes from financial cash flows	(25.346)	(674)	(26.020)
Effect of changes in exchange rate currencies	(180)	-	(180)
Non-Cash Transactions:			
Loan restructuring – conversion from bank overdrafts to loans	17.407	(17.407)	-
Profit from loan restructuring	(6.412)	(1.136)	(7.548)
Interest	5.540	-	5.540
Change in bank overdraft	-	1.260	1.260
Total changes	16.535	(17.283)	(748)
Balance 31 December 2017	116.311	-	116.311

Bank loans are secured as follows:

GROUP

- Mortgages over immovable property and other assets 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 a subsidiary company of the Group,
- Corporate guarantees of the Parent, the Company and the Group's subsidiary companies,
- Pledge of shares of the Company, the associate company and 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 income and receipts in respect of insurances of the Group's subsidiary companies,
- Assignment of invoices of trade receivables of the Group's subsidiary companies,
- Floating charge over the assets of the Group's subsidiary companies,
- Blocked bank deposits amounting to €1.914 thousand.

22. **BORROWINGS** (continued)

COMPANY (continued)

- Mortgages over immovable property and other assets owned by the Group's subsidiary companies,
- Mortgages over long-term leases of the Group's subsidiary companies,
- Mortgage pre-notations over immovable property owned by the Group's subsidiary companies,
- Corporate guarantees of the Parent, the Company and the Group's subsidiary companies,
- Pledge of shares of the Company, the associate company and 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 income and receipts of insurances of the Group's subsidiary companies,
- Assignment of invoices of trade receivables of the Group's subsidiary companies,
- Floating charge over assets of the Group's subsidiary companies,
- Secured bank deposits amounting to €573 thousand.

GROUP AND COMPANY

On 23 May 2017, after months of negotiations between the Group, the Bank and the lending banks, a loan restructuring agreement was signed. The agreement specifies, among other things, the modification and settlement of specific debt obligations of companies of the Group, its parent and specific subsidiaries, in such a way as to be able to meet these obligations on the basis of available cash flows, mainly Louis Hotels.

The various provisions of the Restructuring Agreement include the following:

- Write off part of the Group's loan liabilities amounting to €8.207 thousand, out of which €6.869 thousand relate to bank loans and €1.338 thousand bank overdrafts,
- Write off part of the Company's loan liabilities amounting to €7.548 thousand, out of which €6.412 thousand relate to bank loans and €1.136 thousand bank overdrafts,
- Conversion of bank overdrafts of the Group amounting to €18.666 thousand in bank loans
- Conversion of bank overdrafts of the Company amounting to €17.407 thousand in bank loans,
- Conversion of part of the loan liabilities into long-term, which will bear a fixed interest rate and will be repaid over time through the Group's cash flows,
- Modification of the basic terms of part of the loan obligations, such as interest rate reduction, revision of timetable and repayment methods,
- Extension of the general repayment schedule of debt obligations up to 2032,
- Imposing specific financial ratios to be met (loan covenants).

22. BORROWINGS (continued)

GROUP AND COMPANY (continued)

With the completion of the loan restructuring, the current liabilities relating to the loans decreased significantly, resulting in a significant improvement in the current position of the Group.

The Group's management, after assessing the effect of substantive modification of borrowing terms on the basis of the provisions of International Accounting Standard 39 "Financial Instruments: Recognition and Measurement", assessed that (a) profit of €8.2 million was incurred for the Group and €7.5 million for the Company, and (b) the fair value of the new borrowing is equal to their nominal value.

At 31 December 2017, following the loan restructuring agreement, there were no unpaid installments of bank loans. At 31 December 2016, the Group's borrowings of carrying amount of €129,8 m. included arrears totaling €61 m., out of which €37,8 m. represented principal and €23,2 m. represented interest. Company's bank loans with carrying amount of €125,3 m. included arrears totaling €56,5 m., out of which €33,5 m. represented principal and €23 m. represented interest.

Other bank obligations - Provision for recognition of obligation in relation to corporate guarantees
Companies of Louis plc group granted corporate guarantees amounting to €65,7 m. plus interest for loans of the Parent and subsidiaries of the Parent.

Following the above, on 22 December 2015, the Board of Directors of Louis plc, considering the expected restructuring of certain debt obligations of the Group, the Parent and specific subsidiaries of the Parent, decided that Louis Hotels, having regard to the abovementioned guarantees, will assume the servicing of these loan obligations retroactively from 1 January 2015. Therefore, in 2015, Louis Hotels began repayment of accrued interest arising from the aforementioned borrowings.

Based on the above and evaluating the current financial position of the Parent, it was assessed that the said company is unable to repay its debt obligations in the foreseeable future. Therefore, given the corporate guarantees given and the resulting contractual obligation of Louis Hotels to incur outflows of economic resources in settling the obligations of the Parent, an amount of €62.200 thousand was recognised as a provision in the consolidated income statement for the year ended on 31 December 2015.

In calculating the amount of provision, the Management of the Group assessed the ability of repayment of the funds by Louis Hotels, concluding that the Parent is unable to repay the amount to Louis Hotels in the foreseeable future.

The exposure of the Group and the Company to liquidity, interest rate and foreign currency risks is presented in note 38 of the consolidated and separate financial statements of the Company.

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23. FINANCE LEASE OBLIGATIONS

GROUP

	2017			2016		
	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	2.302	927	1.375	2.323	1.004	1.319
Between 1 and 5 years	9.208	3.241	5.967	9.208	3.475	5.733
More than 5 years	19.708	2.577	17.131	22.015	3.298	18.717
	31.218	6.745	24.473	33.546	7.777	25.769

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

The exposure of the Group and the Company to interest rate and liquidity risks is presented in note 38 of the consolidated and separate financial statements of the Company.

24. OTHER LIABILITIES

GROUP

	Note	2017 €'000	2016 €'000
Non-current other liabilities			
Defined benefit schemes	29	1.124	1.143

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25. DEFERRED INCOME

GROUP

	2017 €'000	2016 €'000
Government grants	3.441	3.675
Customer advances	5.070	4.322
	8.511	7.997
Deferred income is analysed as follows:		
Within 1 year	5.303	4.556
Between 1 and 5 years	911	934
More than 5 years	2.297	2.507
	8.511	7.997

Deferred income refers to government grants, which were obtained for renovations of hotel units in Greece. Government grants were obtained in 2007, 2008 and 2011.

26. DEFERRED TAX

	GROUP	
	2017 €'000	2016 €'000
Balance 1 January	30.513	31.558
Debit in the property revaluation reserve	3	-
(Credit)/debit in profit or loss	483	(1.086)
Debit in employees' benefits reserve	9	41
Balance 31 December	31.008	30.513

26. DEFERRED TAX (continued)

The liability for deferred tax arises as follows:

	2017 €'000	2016 €'000
Revaluation of immovable property	4.637	5.102
Sale and leaseback	(7.000)	(7.263)
Revaluation of assets	32.380	31.983
Intangible assets written off	484	484
Cumulative temporary differences between depreciation and capital allowances	1.351	1.014
Other assets	(844)	(807)
	31.008	30.513

The calculation for deferred tax is based on a tax rate of 29% for companies in Greece and a tax rate of 12,5% 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 capital gains tax rate of 20%.

27. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Trade payables	4.399	5.865	314	365
Other payables and accruals	8.368	8.020	685	931
	12.767	13.885	999	1.296

The exposure of the Group and the Company to liquidity and foreign currency risks is presented in note 38 of the consolidated and separate financial statements of the Company.

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28. TAXATION DUE

	GROUP		COMPANY	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Special defence contribution in Cyprus	14	14	-	-
Corporation tax in Cyprus	2.384	1.023	369	369
Corporation tax in Greece	1.543	3.226	-	-
Taxation due within one year	3.941	4.263	369	669

29. EMPLOYEE RETIREMENT BENEFIT SCHEMES

GROUP

Defined benefit schemes

	Note	2017 €'000	2016 €'000
Balance 1 January		1.143	1.230
Current service cost		58	58
Interest cost		15	24
Cut back costs		13	16
Contributions paid by the employer		(74)	(45)
Actuarial profit		(31)	(140)
Balance 31 December	24	1.124	1.143

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. The Company made a provision for compensation in relation to a possible retirement of all employees in accordance with the Greek Labor Legislation. The provision is based on estimates made during 2016 by an independent qualified actuary, while for 2017 the provision was based on estimates by Management.

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29. EMPLOYEE RETIREMENT BENEFIT SCHEMES (continued)

GROUP (continued)

Defined benefit schemes (continued)
Benefit costs for defined benefit plans are calculated on the basis of actuarial estimates using assumptions on discount rates, long-term return on investment, salary growth rates, mortality rates and future increases in retirement benefits where necessary. The Group makes these assumptions based on market expectations at the reporting date, using the best estimates for each parameter, covering the period in which the liability will be settled.

	2017	2016
Discount rate	1,50%	1,30%
Percentage increase in salaries	0,75%	0,75%
Average period of time in service	13,36 years	14,36 years
Inflation	1,75%	1,75%

Defined contribution schemes
The permanent employees of the Company 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.

The Cypriot companies of the group Louis Hotels and their employees contribute a percentage to the Provident Fund of the hotel industry employees (the “Fund”) for retirement benefits that covers all the employees.

From 1 March 2016 until 31 December 2018, the employer’s contribution to the Fund is 5% of gross emoluments (basic and c.o.l.a.), while the employee can elect to contribute between 5% and 10%.

30. DEEMED DISPOSALS OF SUBSIDIARY

Information on the deemed disposal of the subsidiary of the Group in 2016 is given in note 12 of the consolidated and separate financial statements.

	11/03/2016 €'000
Disposed Assets	
Vessels, property, plant and equipment	252.856
Intangible assets	39
Investments	8
Inventories	15.178
Trade and other receivables	15.666
Cash and cash equivalents	2.854
	286.601
Disposed Liabilities	
Bank overdrafts	653
Borrowings	22.705
Finance lease obligations	212.086
Deferred income	13.288
Trade and other payables	42.743
Balances with related parties	7.957
	299.432
Net disposed liabilities	(12.831)
Investment in joint venture	20.000
Deemed disposal of net liabilities	12.831
Deemed disposal of subsidiary	(5.407)
Gain from loss of control of subsidiary	27.424

As a result of the loss of control, a net investment profit was recognized that consists of:

		2016 €'000
Profit from loss of control of subsidiary		27.424
Impairment charge on investment in joint venture	31	(13.596)
Net gain from investment		13.828

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31. INVESTMENT IN ASSOCIATE COMPANY

GROUP

	2017 €'000	2016 €'000
Investment in associate company	16.608	16.302
Investment in joint venture	-	4.600
	16.608	20.902

The movement of the investments in associate companies during the year was as follows:

	2017 €'000	2016 €'000
Balance 1 January	20.902	16.049
Investment in joint venture	-	20.000
Impairment charge on investment in joint venture	-	(13.596)
Share of (loss)/profit attributable to the Group	(4.147)	(1.526)
Dividend received	(150)	(111)
Share of movement in reserves attributable to the Group	3	86
Balance 31 December	16.608	20.902

The investments of the Group in associate companies are as follows:

Name	Total issued share capital (number of shares) '000	Shareholding interest 2017 %	Shareholding interest 2016 %
The Cyprus Tourism Development Public Company Ltd («C.T.D.C.»)	3.000	21,74	21,73
Celestyal Cruises Limited	100	51,00	51,00

The companies that are recognized under the equity method are registered in Cyprus and their reporting date is 31 December. The main activities of C.T.D.C. Is the management of a privately owned hotel and Celestyal's main activities are in the cruise sector.

LOUIS PLC

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31. INVESTMENT IN ASSOCIATE COMPANY (continued)

GROUP (continued)

Investment in associate company

Summary of financial information of the associate company
The following is a summary of the financial information of the associate, which is accounted for under the equity method in the consolidated financial statements.

	2017 €'000	2016 €'000
Summary statement of financial position		
Non-current assets	92.194	92.666
Current assets	2.411	1.069
Non-current liabilities	(14.797)	(15.099)
Current liabilities	(2.705)	(2.941)
Net assets	77.103	75.695
Summary statement of profit and loss		
Revenue	11.976	10.656
Profit for the year before tax	2.399	1.514
Taxation	(314)	(221)
Profit for the year after tax	2.085	1.293
Total comprehensive income for the year	2.098	1.686

The above information represents the amounts presented in the financial statements of the associate company and not the Group's share.

The movement of the investment in associate company during the year was as follows:

	2017 €'000	2016 €'000
Balance 1 January	16.302	16.049
Share of profit attributable to the Group	453	278
Dividend received	(150)	(111)
Share of reserves movement attributable to the Group	3	86
Balance 31 December	16.608	16.302

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31. INVESTMENT IN ASSOCIATE COMPANY (continued)

GROUP (continued)

Investment in joint venture

Summary of financial information for joint venture
The following is the summarized financial information for the joint venture, which as of 12 March 2016 (see note 12), is accounted for using the equity method in the consolidated financial statements.

	2017 €'000	2016 €'000
Summary statement of financial position		
Non-current assets	226.316	255.182
Current assets (including cash and cash equivalents – 2017: €7.746, 2016: €3.290)	22.034	24.996
Non-current liabilities (including non-current financial liabilities with the exception of trade and other liabilities and provisions - 2017: €153.348, 2016: €164.435)	(159.522)	(170.609)
Current liabilities (including current financial liabilities with the exception of trade and other liabilities and provisions - 2017: €46.545, 2016: €26.907)	(84.784)	(77.900)
Net assets/(liabilities)	4.044	31.669
Summary statement of profit and loss		
Revenue	131.182	131.571
Depreciation and amortisation	(22.411)	(16.048)
Finance expenses	(5.779)	(7.060)
Profit for the year	(27.691)	10.808
Total comprehensive income for the year	(27.691)	10.808

The above summarized financial information reflects the amounts presented in the financial statements of the companies that are accounted for using the equity method and not the Group's share.

31. INVESTMENT IN ASSOCIATE COMPANY (continued)

GROUP (continued)

Investment in joint venture (continued)

Summary of financial information for joint venture (continued)

The movement of the investment in joint venture during the year was as follows:

	Notes	2017 €'000	2016 €'000
Balance 1 January		4.600	-
Investment in joint venture		-	20.000
Impairment charge on investment in joint venture	30	-	(13.596)
Share of loss attributable to the Group		(4.600)	(1.804)
Balance 31 December		-	4.600

COMPANY

	2017 €'000	2016 €'000
Investment in associate company	9.748	9.746
Investment in joint venture	-	4.600
	9.748	14.346

The movement of the investment in joint venture during the year was as follows:

	2017 €'000	2016 €'000
Balance 1 January	4.600	-
Investment in joint venture	-	20.000
Impairment charge on investment in joint venture	(4.600)	(15.400)
Balance 31 December	-	4.600

The Company has received guarantees for its loan obligations, in the form of pledging of 652 thousand and 51 thousand shares of C.T.D.C. and Celestyal, respectively, owned by the Company

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31. INVESTMENT IN ASSOCIATE COMPANY (continued)

GROUP (continued)

Investment in joint venture (continued)

Summary of financial information for joint venture (continued)

Impairment loss of joint venture:
Taking into account, among other things, the operating results of the joint venture for the year ended 2017 and 2016 and the conditions existing at the reporting date, the Group's management decided to write down the investment value for 2017 by € 4.600 thousand for the Company and for 2016 by €13.596 thousand for the Group and €15.400 thousand for the Company. The methodology used for 2016 included the use of historical and projected profitability data and multipliers.

32. RELATED PARTY TRANSACTIONS

The following transactions took place in the normal course of the Group's and the Company's business.

(a) Sale of services

	GROUP		COMPANY	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Subsidiary companies				
Use of space rights	-	-	18	17
Management services	-	-	626	411
	-	-	644	428
Parent and other related parties				
Financing and interest	8.006	1.879	-	-
Use of space rights	107	109	107	109
Management services	153	25	46	21
Tourist services	63	55	-	-
	8.329	2.068	153	130
Joint venture				
Financing and interest	-	66	-	-
Use of space rights	189	203	189	203
Management services	982	957	963	905
Tourist services	4	3	-	-
	1.175	1.229	1.152	1.108

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32. RELATED PARTY TRANSACTIONS (continued)

(b) Purchase of services

	GROUP		COMPANY	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Subsidiary companies				
Financing and interest	-	-	26.851	-
Management services	-	-	218	-
	-	-	27.069	-
Parent and other related parties				
Use of space rights	-	271	-	-
Technological & IT support services	395	341	38	8
Management services	280	271	133	120
Tourist services	186	139	22	-
	861	1.022	193	128
Joint venture				
Financing and interest	41	901	-	18
Management services	95	-	26	-
Tourist services	17	26	-	-
	153	927	26	18

(c) Dividend received

	COMPANY	
	2017	2016
	€'000	€'000
Subsidiary companies	2.497	-
Associate company	150	111
	2.647	111

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32. RELATED PARTY TRANSACTIONS (continued)

(d) Remuneration of Board of Director members and management

	GROUP		COMPANY	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Executive Directors and Chairman				
- Remuneration	1.223	1.010	455	395
- Employer's contributions	27	38	10	21
Remuneration of non-executive Directors	11	10	11	10
Other related parties:				
- Remuneration	615	378	23	23
- Employer's contributions	37	33	3	3
Contributions to employee benefit schemes	66	74	15	23
	1.979	1.543	517	475

(e) Year end balances

	GROUP		COMPANY	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Receivables				
Subsidiary companies	-	-	2.536	9.250
Parent and other related parties	74	296	68	245
Associate company	-	37	-	37
Joint venture	6.621	6.408	7.032	6.357
	6.695	6.741	9.636	15.889
Payables				
Subsidiary companies	-	-	(21.855)	(332)
Parent and other related parties	(277)	(115)	(194)	(105)
Joint venture	-	(620)	-	-
	(277)	(735)	(22.049)	(437)
Total	6.418	6.006	(12.413)	15.452

32. RELATED PARTY TRANSACTIONS (continued)

COMPANY AND GROUP

Write-offs and provisions for bad and doubtful debts

In 2015, based on recent developments in relation to the ability of the Parent to repay its debt obligations in the foreseeable future, as described in note 22 of the consolidated and separate financial statements, the Group's Management has made an assessment of the possibility of repayment of the net receivable balance of the Parent, amounting to €43.841 thousand, of which, €31.925 thousand concern the Company.

Based on the assessment, and taking into account the current economic situation of the Parent, the developing restructuring plan of specific borrowings of companies of the Group, the Parent and specific subsidiaries of the Parent, where Louis Hotels will be responsible for the payment of a substantial amount of the specific loan obligations of the Parent and the possibility of non-payment of dividend for a considerable period of time, it is estimated that during the assessment period, the Parent is unable at present to pay the amounts due.

Therefore, the above net receivable balances for the Group and the Company are considered doubtful and corresponding provisions were recognised in the results of the year ended 31 December 2015.

Provisions were made for doubtful debts and write-offs of net balances from related parties amounting to €32.335 thousand resulting from certain net receivables in relation to various subsidiaries of the Company, mainly due to the corporate restructuring that took place on 27 November 2015. The net amount was recognised in the Company's profit and loss for the year ended 31 December 2015.

For the year ended 31 December 2016, provision for doubtful debts was recognized of net balances from the Parent amounting to €14 thousand in the profit and loss of the Group and provision for doubtful debts of net balances from related parties amounting to €5.596 thousand in the profit and loss of the Company.

For the year ended 31 December 2017, a provision for doubtful debts of €48 thousand of Parent Loans was recognized in the Group's and Company's results and provision for doubtful receivables and write-offs of net balances from related parties of € 4.261 thousand in the income statement of the Company.

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32. RELATED PARTY TRANSACTIONS (continued)

GROUP

Year end balances are analysed as follows:

	2017 €'000	2016 €'000
Receivables		
Amounts due from Parent and other related parties		
▪ Trading balances	74	296
The above amounts are receivable as follows:		
Current	74	296
Amounts due from associate company		
▪ Dividends	-	37
The above amounts are receivable as follows:		
Current	-	37
Amounts due from joint venture		
▪ Financial	6.174	6.174
▪ Trading balances	447	234
	6.621	6.408
The above amounts are payable as follows:		
Current	447	234
Non-current	6.174	6.174
	6.621	6.408

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32. RELATED PARTY TRANSACTIONS (continued)

(e) Year end balances (continued)

GROUP (continued)

	2017 €'000	2016 €'000
Payables		
Amounts due to Parent and other related parties		
▪ Trading balances	277	115
The above amounts are payable as follows:		
Current	277	115
Amounts due to joint venture		
▪ Trading balances	-	620
The above amounts are payable as follows:		
Current	-	620

COMPANY

Year end balances are analysed as follows:

	2017 €'000	2016 €'000
Receivables		
Amounts due from subsidiary companies		
▪ Trading balances	2.536	9.250
The above amounts are receivable as follows:		
Current	2.536	9.250
Payables		
Amounts due to subsidiary companies		
▪ Loans payable – Louis Hotels	310	310
▪ Trading balances	21.545	22
	21.855	332
The above amounts are payable as follows:		
Current	21.545	22
Non-current	310	310
	21.855	332

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32. RELATED PARTY TRANSACTIONS (continued)

(e) Year end balances (continued)

COMPANY (continued)

	2017 €'000	2016 €'000
Receivables		
Amounts due from Parent and other related parties		
▪ Trading balances	68	245
The above amounts are receivable as follows:		
Current	68	245
Payables		
Amounts due to Parent and other related parties		
▪ Trading balances	194	105
The above amounts are payable as follows:		
Current	194	105
Receivables		
Amounts due from associate company		
▪ Dividends	-	37
The above amounts are receivable as follows:		
Current	-	37
Receivables		
Amounts due from joint venture		
▪ Financial	6.174	6.174
▪ Trading balances	858	183
	7.032	6.357
The above amounts are receivable as follows:		
Current	858	183
Non-current	6.174	6.174
	7.032	6.357

The finance balance due to subsidiaries of €21.545 thousand relates to the company's loan repayments, which are made from the available cash flows of Louis Hotels, as determined inter alia by the loan restructuring agreement (see note 22).

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32. RELATED PARTY TRANSACTIONS (continued)

(e) Year end balances (continued)

GROUP AND COMPANY

The finance balance due from joint venture amounting to €6,174 thousand relates to the servicing of specific loan liabilities of Group companies by Celestyal. These loan commitments were initially given to subsidiaries, which acted as managers of ship owning companies of the Celestyal Group, for the purpose of financing working capital for shipping activities. Since Celestyal is the shareholder of the ship owning companies, it was agreed to undertake the servicing of these loan obligations.

The Company is in the process of discussions with the lending bank in order for these loan obligations to be legally transferred to Celestyal. As a result of this transfer, the borrowings and the related receivable balance will be written off from the Group's statement of financial position.

The Group and the Company agreed with the Parent that the non-trading balances between them would be offset. As a result the trade receivable and payable balances remained due as above and the net receivable balance amounted to €43.841 thousand for which a provision was made during the year 2015.

33. INVESTMENTS IN SUBSIDIARY COMPANIES

COMPANY

	2017 €'000	2016 €'000
Balance 1 January	93.729	113.729
Impairment charge on investments in subsidiary companies	(3)	-
Loss of control from subsidiary company (note 12)	-	(20.000)
Balance 31 December	93.726	93.729

The Group and the Company periodically evaluate the possibility of recovering investments in subsidiaries/associates whenever there are any indications for impairment. Impairment indicators include factors such as a reduction in earnings, profits or cash flows or adverse changes in the economic or political stability of a particular country, which may indicate that the book value may not be recoverable. If facts and circumstances show that the value of investments in subsidiaries/associates may have been impaired, the identifiable future cash flows associated with those subsidiaries/associates are compared to their carrying amounts to determine whether the devaluation in fair value is essential.

34. SUBSIDIARY COMPANIES

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

Company name	Country of incorporation	Principal activity	Shareholding interest 2017	Shareholding interest 2016
			%	%
Subsidiary companies of Louis plc				
Louis Hotels Public Company Ltd	Cyprus	Operation of hotel units	99,87	99,87
Teal Shipping S.A.	Marshall Islands	Ownership and operation of vessel	100	100
Subsidiary companies of Louis Hotels Public Company Ltd				
Nausicaa Estates Ltd	Cyprus	Operation of hotel unit	100	100
Louis Hotels S.A.	Greece	Operation of hotel units	100	100

The Group, the Company and the Parent have received guarantees for their loan obligations in the form of pledging of shares, as follows:

- 57.5 million shares of Louis Hotels owned by the Company for loans to the Group and the Group,
- 54.2 million shares of Louis Hotels, owned by the Company, for loans of the Group,
- 36 million shares of Louis Hotels, owned by the Company, for loans to the Company and the joint venture company,
- 10.3 million shares of Nausicaa Estates Ltd, owned by Louis Hotels, for loans to the Company.

35. 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 2017 and 21 April 2018 (5 days prior to the date of the approval of the consolidated and separate financial statements of the Company) was as follows:

	31/12/2017	21/04/2018
	%	%
Costakis Loizou, Chairman,Non - Executive Director	65.211	65.211
Jason Perdios, Executive Director	1,972	1,972
Louis Loizou, Executive Director	0,003	0,003
Christos Mavrellis	0,015	0,015
Olga Eliadou	-	-
Theodoros Middleton	-	-
George Lysiotis	-	-
Takis Taussianis	-	-
Cleopatra Kitti	-	-

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35. PARTICIPATION OF DIRECTORS IN THE COMPANY'S SHARE CAPITAL (continued)

The shareholding interest of Mr. Costakis Loizou includes his shareholding interest of the companies Clin Company Ltd and Capital L Ltd, with percentage holdings of 64,936% and 0,013%, respectively, of which he is the primary shareholder, as well as the shareholding interest of Ms. Marissa Loizou (daughter) and Mr. Louis Loizou (son) with percentage holdings of 0,155% and 0,107%, respectively.

36. 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 2017 and as at 21 April 2018 (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 65,211%.

37. SIGNIFICANT AGREEMENTS WITH MANAGEMENT

On 31 December 2017, 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 since 31 December 2010. On 29 July 2015, the Company entered into a management agreement with Azelco Limited and Panayiotis Constantinou Estates Limited which are the owners of a hotel in Protaras area. Mr. Jason Perdios owns 95% of the share capital of the above companies. The revenue from the franchise agreement with King Jason Hotel Apartments Ltd for 2017 amounts to €19 thousand (2016: €17 thousand) and from Azelco Limited €94 thousand (2016: €83 thousand).

38. RISK MANAGEMENT

Financial risk factors
The Group and the Company are exposed to the following risks:
(i) Credit risk
(ii) Liquidity risk
(iii) Market risk.

This note presents information about the exposure of the Group and the Company to these risks, the objectives of the Group and the Company, the policies and the procedures followed for measuring and managing these risks, and the capital management of the Group and the Company. Additional quantitative financial disclosures are included throughout these financial statements.

38. RISK MANAGEMENT (continued)

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

The Group's 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 exposure to credit risk in relation to each financial institution.

Trade and other receivables
The Group's and the Company's exposure to credit risk is mainly influenced by the individual characteristics of each customer. The Group and the Company establish an allowance for doubtful receivables 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 receivables as described in note 17 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 2017

38. RISK MANAGEMENT (continued)

Financial risk factors (continued)

(i) Credit risk (continued)

Exposure to credit risk

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

	Carrying amount			
	GROUP		COMPANY	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Amounts due from Parent and other related parties	74	296	68	245
Amounts due from joint venture	6.621	6.408	7.032	6.357
Amounts due from subsidiary companies	-	-	2.536	9.250
Amounts due from associate company	-	37	-	37
Trade and other receivables	7.543	9.255	33	34
Blocked bank deposits	2.474	10.916	-	-
Cash and cash equivalents	18.766	24.905	10	10
	35.478	51.817	9.679	15.933

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group and the Company have procedures in place with the objective of minimizing 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, 22 and 23 respectively.

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2017

38. RISK MANAGEMENT (continued)

Financial risk factors (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 Demember 2017					
Borrowings	163.317	220.684	11.802	60.161	148.721
Other bank obligations	55.227	67.436	3.726	15.685	48.025
Finance lease obligations	24.473	31.218	2.302	9.208	19.708
Bank overdrafts	5.494	5.494	5.494	-	-
Trade and other payables	12.767	12.767	12.767	-	-
Amounts due to related parties	277	277	277	-	-
	261.555	337.876	36.368	85.054	216.454
31 Demember 2016					
Borrowings	175.199	220.595	55.858	34.755	129.982
Other bank obligations	61.950	82.383	8.569	18.065	55.749
Finance lease obligations	25.769	33.546	2.323	9.208	22.015
Bank overdrafts	25.295	25.295	25.295	-	-
Trade and other payables	13.885	13.885	13.885	-	-
Amounts due to related parties	735	735	735	-	-
	302.833	376.439	106.665	62.028	207.746

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2017

38. RISK MANAGEMENT (continued)

Financial risk factors (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 2017					
Borrowings	116.311	173.923	5.913	24.949	143.061
Trade and other payables	999	999	999	-	-
Amounts due to Parent and related parties	194	194	194	-	-
Amounts due to Subsidiaries	21.855	21.855	21.545	310	-
	139.359	196.971	28.651	25.259	143.061
31 December 2016					
Borrowings	125.302	165.595	38.898	15.222	111.475
Bank overdrafts					
Trade and other payables	17.957	17.957	17.957	-	-
Amounts due to Parent and related parties	1.296	1.296	1.296	-	-
Amounts due to Subsidiaries	105	105	105	-	-
	144.992	185.285	58.278	15.532	111.475

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

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38. RISK MANAGEMENT (continued)

Financial risk factors (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's 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 also 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's 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	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Fixed rate instruments				
Financial liabilities	(22.344)	(92.171)	(22.344)	(92.171)
Variable rate instruments				
Financial assets	21.196	35.821	10	10
Financial liabilities	(226.154)	(134.093)	(93.967)	(51.088)
	(227.302)	(190.443)	(116.301)	(143.249)

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2017 would have increased the loss for the year by approximately €3.122 thousand (2016: €2.683 thousand) for the Group and by approximately €2.064 thousand (2016: €1.645 thousand) for the Company. A similar decrease in interest rates will not result in a change in the results as the floating interest rate on the basis of loan contracts cannot fall below 0%. This implies that other factors, in particular exchange rates, remain stable.

Interest rates and repayment terms of bank overdrafts and borrowings are disclosed in notes 19 and 22, respectively.

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2017

38. RISK MANAGEMENT (continued)

Financial risk factors (continued)
(iii) Market risk (continued)

(b) 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's 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:

	2017		2016	
GROUP	United States Dollars €'000	Great Britain Pounds €'000	United States Dollars €'000	Great Britain Pounds €'000
Assets				
Trade and other receivables	112	-	732	91
Cash and cash equivalents	47	556	62	649
Liabilities				
Borrowings	-	-	(3.090)	-
Trade and other payables	(189)	(6)	(164)	(42)
Net risk exposure	(30)	550	(2.460)	698

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2017

38. RISK MANAGEMENT (continued)

Financial risk factors (continued)
(iii) Market risk (continued)

(b) Currency risk (continued)
The Company's exposure to foreign currency risk was as follows:

	2017		2016	
	United States Dollars	Great Britain Pounds	United States Dollars	Great Britain Pounds
COMPANY	€'000	€'000	€'000	€'000
Assets				
Trade and other receivables	6	-	6	91
Cash and cash equivalents	-	-	-	3
Liabilities				
Borrowings	-	-	(3.090)	-
Trade and other payables	-	(5)	-	-
Net risk exposure	6	(5)	(3.084)	3

Sensitivity analysis
Any fluctuation of Euro against the United States Dollar and UK Pounds during 2017 would have no significant effect on results or equity as the Group and Company's net exposure to these currencies is limited.

The strengthening of the Euro against the United States Dollar by 1% during 2016 would have increased the results by approximately €31 thousand for the Group and the Company, as well as the increase the equity by €31 thousand for the Group and the Company. The weakening of the Euro against the United States Dollar by 1%, would have resulted in an equal but opposite impact on the results and equity. This analysis assumes that all other variables, in particular interest rates, remain constant.

Capital management
The Group and 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 ratio. The board of directors takes into consideration current conditions and obligations. The Group's and the Company's overall strategy remains unchanged from last year.

38. RISK MANAGEMENT (continued)

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's 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 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.

Non- financial risk factors

The Group and the Company are exposed to the following non-financial risk factors:

(i) Tourist and shipping industry risk
(ii) Operational risk
(iii) Litigation risk
(iv) Reputational risk
(v) Compliance risk
(vi) Geopolitical risk.

(i) Tourist and shipping industry risk

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 Group is taking measures to reduce the seasonality effect making efforts to increase the operational period of the hotels and vessels beyond the summer season.

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, through its commitment contracts, is trying to reduce the above risks of the tourism industry.

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2017

38. RISK MANAGEMENT (continued)

(i) Tourist and shipping industry risk (continued)

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.

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.

(ii) Operational risk

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

(iii) 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 consequently 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 entered into by the Group and the Company to execute their operations.

(iv) Reputation risk

The risk of loss of reputation arising from adverse 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 have procedures in place to minimise this risk.

(v) Compliance risk

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

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2017

38. RISK MANAGEMENT (continued)

Non- financial risk factors (continued)

(vi) Geopolitical risk

Terrorism, migration crises, the influx of refugees to the South East Europe and austerity measures are, among others, factors that affect the economies in the Middle East and threaten to further worsen the relations between nationalities and religions, which may continue to worsen the crises in various parts of the region. Long-term ethnic divisions remains a key variable that contributes to increased safety risk. Terrorist and political attacks that occurred without any warning, as well as the fall in oil prices, along with other factors that cause pressure on various countries' economies, make it necessary for companies to be prepared for political violence, instability or other large scale crises that may develop in any part of the world, even in countries that have previously been considered safe or stable.

In addition, developments that may affect the future of the Eurozone, the exit of Great Britain from the European Union, and the impact of actions of local separatist movements may initiate developments and create situations that threaten the survival of healthy enterprises. The political scene, as well as the economic environment in Cyprus and Greece may have a serious impact on the tourism industry. The Group and the Company are carefully monitoring the geopolitical developments and take, to the extent possible, the necessary steps needed to protect their interests.

39. COMMITMENTS/CONTINGENT LIABILITIES

On 31 December 2017, the Group and the Company had the following commitments or contingent liabilities:

(i) Blocked cash amounting to €30 thousand (2016: €33 thousand) for the issue of bank guarantees in favor of various beneficiaries.

(ii) Blocked cash amounting to €45 thousand (2016: €46 thousand) for the issue of bank guarantees in favor of the Navy Retirement Fund ("NRF") located in Piraeus.

(iii) Blocked cash amounting to €485 thousand (2016: €502 thousand) for the issue of bank guarantees in favor of the Hellenic Register of Shipping in Piraeus.

(iv) Blocked cash amounting to €1.914 thousand (2016: €10.335 thousand) as guarantees for bank facilities of Group companies.

(v) Guarantees amounting to €1.270 thousand (2016: €1.436 thousand) for the issue of bank guarantees in favor of the NRF.

(vi) Guarantees amounting to €128 thousand (2016: €133 thousand) for the issue of bank guarantees in favor of the Hellenic Register of Shipping in Piraeus.

39. COMMITMENTS/CONTINGENT LIABILITIES (continued)

(vii) There are pending appeals of subsidiary companies of the Group at the Administrative Courts against decisions of the Municipality of Thira, the Ministry of Shipping and the relevant administrative bodies, that concern the imposition of fines on alleged pollution incident, antipollution costs that were supposed to be paid by the Greek Government and fees for non-recovery of the wreck. In case where the balance of €4,6 m. becomes payable, then, this will be covered by the insurers of the vessel. The remaining amounts have already been paid by the insurers, who will be entitled to a refund in the event of a positive outcome of the proceedings. So far, no judicial decision on the above mentioned objections.

(viii) In addition, against the above subsidiary companies, the Greek Government and the Municipality of Thira have pursued lawsuits seeking to receive the amount of €10 m. for moral damages to the Greek Government and the amount of €10m. to the Municipality of Thira. The Municipality of Thira, with a second lawsuit seeks from the Court to order the companies to undertake the salvage of the wreck or, otherwise, to pay to the Municipality of Thira costs for removing the wreck. The companies appealed against all the above judgments, which were heard on 22 September 2016 and issued preliminary rulings, ordering an expert opinion on the feasibility of lifting and the detection / development of pollution. The experts of the Court did not accept the commission of an expert opinion and the companies involved in the Group submitted a request for the assignment of the procedure to other experts. The Municipality of Thira has asked the Court to issue a final decision without a report by experts.

The hearings took place on 7 December 2017 and the decision of the Court is pending. In the case where the total amount of claims becomes payable, then, based on legal opinion and an appropriate assessment by Management, this is expected to be covered by the vessel's insurers.

(ix) The company New Wave Navigation S.A., owner of the cruise vessel Coral, issued in favor of the Navy Retirement Fund (NRF) a letter of bank guarantee amounting to US$ 1,3 m. in order to register the cruise vessel in the Greek Registry. This letter of guarantee submitted upon request of NRF and for the purpose of securing NRF in case where its requirements had not been met by the previous owner for unpaid insurance contributions. Although NRF was fully satisfied with respect to the debts of the previous owner, it asked for and obtained the forfeiture of the guarantee letter amounting approximately to US$1,3 m. Against the illegal forfeiture of the guarantee, New Wave Navigation S.A. filed an injunction at the First Instance Court of Piraeus, which partially prohibited the forfeiture of the guarantee for an amount of US$457 thousand and NRF received the amount of US$906 thousand. Then, New Wave Navigation S.A. filed a lawsuit against NRF asking, inter alia, a declaration that New Wave Navigation S.A. has no debt due to NRF with respect to the vessel Coral, to order the return of the amount received by NRF due to the partial forfeiture of bank guarantee and order NRF to compensate for the costs and moral damages suffered by New Wave Navigation S.A.

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

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39. COMMITMENTS/CONTINGENT LIABILITIES (continued)

The Court at first instance dismissed the claim due to lack of jurisdiction, however, the Court of Appeal upheld the claims of New Wave Navigation S.A. and recognised, inter alia, that NRF has to release the amount of US$457 thousand, the amount which has not yet been forfeited in favor of NRF and to repay the amount of US$906 thousand to New Wave Navigation S.A. which was illegally received. Against that decision, both NRF and New Wave Navigation S.A. lodged appeals at the Supreme Court, which were heard on 26 October 2015. New Wave Navigation S.A. specifically requested a correction of the decision to require repayment, rather than merely stating the right for such.

The Supreme Court decision of 29 July 2016 (a) accepts in its entirety the New Wave Appeal; (b) partially accepts the appeal of NAT in relation to the reference to the right of NAT to offset the claim with other amounts allegedly due by New Wave, and (c) refer the case to the Piraeus Court of Appeal for re-trial.

The hearing of the Piraeus Court of Appeal case was set on 16 March 2017. NAT did not present to the Court of Appeals any evidence that amounts are due by New Wave to NAT, which could be offset against New Wave's claim. On the other hand, New Wave presented evidence that New Wave has no debt to NAT. The Piraeus Court of Appeal issued a decision dated 21 December 2017, which rejects NAT's claims for set-off, as New Wave has no liability to NAT.

Therefore, with its decision, the Court of Appeal partially accepted New Wave's claim, and (a) ordered the return of the Letter of Guarantee for US $ 457,000 to New Wave, and (b) acknowledged that the NAT owed to New Wave the amount of US $ 906 thousand with interest, which runs from March 28, 2008 until the final repayment. NAT filed an appeal against the aforementioned decision of the Court of Appeal. According to a relevant legal opinion, the decision of the Court of Appeal cannot be enforced against the NAT until the end of the appeal.

39. COMMITMENTS/CONTINGENT LIABILITIES (continued)

(x) GROUP

Companies of Louis plc group have given:

- corporate guarantees amounting to €16,8 m. plus interest for loans of the Parent and its subsidiaries,
- collaterals amounting to €2,5 m. plus interest for loans of its main shareholder,
- collaterals amounting to € 12.3 m. plus interest for loans of the Parent,
- floating charges on specific assets of €6,6 m. plus interest on loans of the Company, the Parent and the main shareholder.
- Corporate guarantees and collateral amounting to € 21.6 million plus interest on loans to the joint venture.

COMPANY

The Company has given:

- corporate guarantees amounting to €31.9 m. plus interest for loans of the Parent and its subsidiaries,
- corporate guarantees amounting to €21.6 m. plus interest for loans to the joint venture.
- guarantees in the form of a pledge of 36.05 million shares of the subsidiary company and the joint venture company for loans to the Company and the investment in a joint venture.
- guarantees in the form of a pledge of 111.7 million shares of a subsidiary company for loans to the Group, the Company and the Parent Company.

(xi) On 31 December 2017, the commitments of the Group for capital expenditure relating to hotel renovations for which no provision has been made in the consolidated and separate financial statements of the Company, amounted to €350 thousand (2016: €900 thousand).

(xii) The NRF of Greece demanded retrospective payment of all contributions of Greek seafarers employed on cruise ships under Greek flag, although the law during the relevant period, provided that these cruise ships were exempted from this obligation. The matter was presented at the Administrative Court, which ruled in favor of the Group's subsidiary companies, ordering the cancellation of the NRF decision according to which insurance contributions has been charged. The NRF appealed against that decision, which was examined by the Administrative Court of Appeal and was dismissed. Then, NRF submitted an appeal to the Council of State (Supreme Court). Three out of four appeals have been already rejected and the same is expected for the last one as well, which went on trial on 16 October 2017.

LOUIS PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

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39. COMMITMENTS/CONTINGENT LIABILITIES (continued)

Meanwhile, following the adoption of the above decision of the Administrative Court of Appeal, NRF cancelled the previous payment requests and issued new ones, this time claiming that the insurance contribution calculations were performed according to the law. The amounts involved are similar to the amounts required by NRF with the previous requests and already cancelled payment requests, however, NRF claims that cruise ships did not comply with the law in order to qualify for exemption from the insurance contributions. The companies involved sought annulment of the new demands of NRF, which refuses to cancel them and, therefore, the case was reintroduced to the Administrative Court to rule on the matter. Some of the complaints concerning the new claims of NAT have been on trial but no decisions have been issued yet, while others have not been on trial yet or no date of discussion of the appeals has been set. The total amount required by NAT is approximately €14.7 million plus interest. The Board of Directors, taking into account relevant legal opinion, estimates that the probability of a substantial obligation is remote. The timing of the completion of the case cannot currently be estimated.

(xiii) The group of Louis Hotels, leases hotel units under operating leases. Most of the operating leases are for a period of 7 until 27 years with the option of lease renewal after its expiration. Operating lease rentals which cannot be cancelled, are payable as follows:

	2017 €'000	2016 €'000
Within 1 year	11.746	11.518
Between 1 and 5 years	47.106	47.511
More than 5 years	170.345	182.007
	229.197	241.036

40. GOING CONCERN

The Group incurred a loss of €11.561 thousand and the Company a loss of €4.984 thousand for the year ended on 31 December 2017, and as of that date, the current liabilities of the Group and the Company exceeded current assets by €6.779 thousand and €22.015 thousand respectively. Additionally, at that date, the Group and the Company presented negative own funds of € 20.197 thousand and € 26.278 thousand, respectively.

Even though the position of the Group and the Company remains negative, it has significantly improved as a result of the completion of the loan restructuring as described below.

The main principal activity of the Group is the hotel activity through Louis Hotels, which in 2017 showed a significant operating profit.

40. GOING CONCERN (continued)

During the year 2016, Celestyal showed operating profit which decreased during the year 2017 due to political developments and terrorist attacks in Turkey and Europe. These events have negatively affected cash flows of Celestyal Cruises, affecting its ability to serve both its borrowings and its current trading obligations.

The loss of control of Celestyal by the Group, as explained in note 12, has resulted in a reduction in the Group's exposure to risks, liabilities and fluctuations in the business of this operation. With the debt restructuring of Celestyal, Louis plc and Louis Hotels remain guarantors for specific borrowings of Celestyal amounting to €21,6 m.

As discussed in note 22 of the consolidated and separate financial statements, on 23 May 2017, after several months of negotiations between the Group, the Parent and the financing banks, an agreement was signed for the loan restructuring. The agreement provides for the amendmeand adjustment of certain borrowings of the Group, the Parent and specific subsidiary companies of the Parent, in order to be able to serve these obligations based on the available organic cash flows, mainly of Louis Hotels.

Among the various provisions of the expected restructuring, the following are included:

- Write offs of part of bank loans
- Conversion of bank overdrafts to fixed period loans,
- Conversion of part of loan obligations to long-term, which will have fixed interest rate and will be repaid in the future through the Group's cash flow,
- Modification of key terms of part of the loan obligations, such as reduction of interest rates, revisions of the repayment schedules and ways of repayment,
- Extension of the general schedule of repayment of loans up to 2032,
- Imposing specific financial indicators that need to be fulfilled (loan covenants).

Upon the completion of the debt restructuring, the current liabilities have significantly decreased resulting in a significant improvement in the current position of the Group and the Company. Specifically, for the year ended 31 December 2016, the current liabilities of the Group and the Company exceeded the total of current assets by €82.771 thousand and €73.127 thousand, respectively. At the end of the loan restructuring, and at 31 December 2017, the current liabilities of the Group and the Company exceeded the total current assets by €6.779 thousand and €22.015 thousand, respectively.

The Board of Directors is unable to predict with certainty all the developments that could have an impact on the activities of the Group and therefore any effect, if any, that they might have on the future financial performance, cash flows and financial position of the Group and the Company.

40. GOING CONCERN (continued)

However, based on all current information and indications, the Board of Directors believes that the Group and the Company are able to continue operating as a going concern for a period of at least twelve months from the date of approval of these consolidated and separate financial statements of the Company, taking into account:

- the current positive attitude of banks for the completion and implementation of the debt restructuring agreement,
- the projected cash flows for the years 2018 and 2019,
- the Board of Director's assessment in case the terms of the guarantees of €21.6 million from the Company and Louis Hotels regarding the borrowing of Celestyal are activated, the Group will be in a position to undertake and serve the specific contingent liability,
- the assessment of developments in the economic and geopolitical environment,
- the evaluation of the contingent liabilities of Group's subsidiary companies, which are pending and are not expected to have any material effect on the financial position, liquidity, cash flows or operating results of the Group and the Company in the foreseeable future,
- that the Board of Directors will continue to take all necessary measures to maintain the viability of the Group and the Company and to strengthen their work in their current business and economic environment.

43. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which would affect the consolidated and separate financial statements as at 31 December 2017.