

**LANITIS GOLF PUBLIC CO LIMITED**  
**ANNUAL REPORT AND FINANCIAL**  
**STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2015**

# LANITIS GOLF PUBLIC CO LIMITED

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## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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# LANITIS GOLF PUBLIC CO LIMITED

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## BOARD OF DIRECTORS AND OTHER OFFICERS

|                              |   |
|------------------------------|---|
| <b>Board of Directors:</b>   | Platon E. Lanitis (Chairman)<br>Costas E. Lanitis<br>Marios E. Lanitis  |
| <b>Company Secretary:</b>    | P & D Secretarial Services Limited  |
| <b>Independent Auditors:</b> | Deloitte Limited<br>Certified Public Accountants and Registered Auditors<br>Maximos Plaza, Tower 1, 3rd Floor<br>213 Arch. Makariou III Avenue<br>3030 Limassol |
| <b>Registered office:</b>    | 10 Georgiou Gennadiou Street<br>Agathangelos Court<br>3041, Limassol  |
| <b>Bankers:</b>              | Bank of Cyprus Public Company Ltd<br>Eurobank EFG Cyprus Ltd  |
| <b>Registration number:</b>  | HE196800  |

# LANITIS GOLF PUBLIC CO LIMITED

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## REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

The Board of Directors of Lanitis Golf Public Co Limited (the "Company") presents to the members its Annual Report together with the audited financial statements of the Company for the year ended 31 December 2015.

### **Incorporation**

The Company Lanitis Golf Public Co. Limited was incorporated in Cyprus on 18 April 2007 as a limited liability company under the Cyprus Companies Law, Cap. 113. On 28 February 2014, the Company was converted from a private limited liability company to a public limited liability company under the Cyprus Companies Law, Cap.113 and is listed on the Emerging Companies Market of the Cyprus Stock Exchange ("CSE").

### **Principal activities**

The principal activities of the Company are the development of a special leisure and residential golf course project. The Company carried out no trading activities, pending the issuance of the building permit. The application of the town planning permit with terms and conditions, was approved on 14 November 2012.

### **Review of the development and current position of the Company and description of the major risks and uncertainties**

The Company is the owner of land of about 1.600 decares near the villages of Tserkezoi and Asomatos, in Limassol. The land is located next to the shopping center, My Mall Limassol, and the Fasouri Waterpark and is mainly covered by citrus plantations.

The Company aims to develop a fully integrated golf and real estate development project on the site of its existing citrus plantations. One of the main goals of the masterplan is to create a contemporary designed, integrated leisure and residential community project that includes luxurious villas and apartments, an 18-hole championship golf course, a golf club, spa and sports center and commercial and retail facilities, such as restaurants and shops.

The loss attributable to the shareholders for the year ended 31 December 2015, is €4.466.480 (2014: loss of €3.204.120) which is mainly due to changes in the fair value of the Company's investment property net of deferred tax for €4.211.277 (2014: €2.745.961). The Company, at present, has no revenues since the project is under development and there is no other type of revenue. The expenses are mainly operational expenses and relate to the maintenance of the immovable property. The consultancy fees, administration operation fees, financing and other expenses related to the development of the project, are capitalized in the Statement of Financial Position, under Investment Property. As a result of the losses during the period the net assets value of the business as at 31 December 2015, decreased to €57.154.435 from €61.620.915 which was as at 31 December 2014.

Additional details that relate to the operating environment of the Company as well as other risks and uncertainties are described in notes 19 and 24 of the financial statements.

On 15 January 2015, the Company obtained the approval from the CSE to trade its shares on the Emerging Companies Market. The trading of the shares commenced on 20 January 2015 and the CSE will undertake the observance of the above Registry in the Central Depository/ Registry of CSE.

### **Results**

The Company's results for the year are set out on page 7.

### **Significant events after the end of the financial year**

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

### **Expected future developments of the Company**

The Board of Directors does not expect major changes in the principal activities of the Company in the foreseeable future.

### **Existence of branches**

The Company does not maintain any branches.

### **Dividends**

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

# LANITIS GOLF PUBLIC CO LIMITED

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## REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

### **Share capital**

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

On 31 January 2014, the Company issued 11 ordinary shares of €1,71 each, fully paid in cash to new shareholders of the Company, as part of the requirements for dispersion of shareholders in order to convert a private company to public.

### **Board of Directors**

The members of the Company's Board of Directors as at 31 December 2015 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 2015.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

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

### **Operating Environment of the Company**

Any significant events that relate to the operating environment of the Company are described in note 19 to the financial statements.

### **Independent Auditors**

The independent auditors, Deloitte Limited, have expressed their willingness to continue in office and a resolution authorising the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,



Platon E. Lanitis  
Chairman

Limassol, 22 April 2016

# LANITIS GOLF PUBLIC CO LIMITED

## DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

In accordance with Article 140 (1) of the Laws and Regulations of the Cyprus Stock Exchange we, the members of the Board of Directors and the Company official responsible for the financial statements of Lanitis Golf Public Co Limited (the "Company") for the year ended 31 December 2015, on the basis of our knowledge, declare that:

(a) The financial statements of the Company which are presented on pages 7 to 26:

(i) Have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the Requirements of the Cyprus Companies Law, Cap.113, and

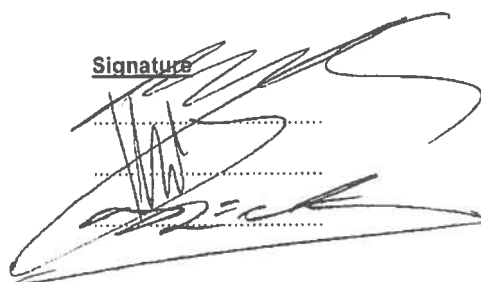
(ii) provide a true and fair view of the particulars of assets and liabilities, the financial position and profit or loss of the Company and the entities included in the financial statements as a whole and

b) The Board of Directors' report provides a fair view of the developments and the performance as well as the financial position of Lanitis Golf Public Co Limited, together with a description of the main risks and uncertainties which the Company faces.

### Members of the Board of Directors:

| <u>Name</u>       | <u>Position</u> |
|-------------------|-----------------|
| Platon E. Lanitis | Director        |
| Costas E. Lanitis | Director        |
| Marios E. Lanitis | Director        |

Signature



### Responsible for drafting the financial statements

| <u>Name</u>     | <u>Position</u>         |
|-----------------|-------------------------|
| Adonis Soteriou | Chief Financial Officer |

Signature



Limassol, 22 April 2016

## Independent auditor's report

### To the Members of Lanitis Golf Public Co Limited

#### Report on the financial statements

We have audited the financial statements of Lanitis Golf Public Co Limited (the "Company") on pages 7 to 26 which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Board of Directors' responsibility for the financial statements*

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

#### *Auditor's responsibility*

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

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

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

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Lanitis Golf Public Co Limited as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Board Members: Christis M. Christoforou (Chief Executive Officer), Eleftherios N. Philippou, Nicos S. Kynakides, Nicos D. Papakyriacou, Alhos Chrysanthou, Costas Georghadjis, Antonis Taliotis, Panos Papadopoulos, Pieris M. Markou, Nicos Charalambous, Nicos Spanoudis, Mana Paschalis, Alexis Agathocleous, Alkis Christodoulides, Christakis Ioannou, Panicos Papamichael, Christos Papamarkides, George Martides, Kerry Whyte, Andreas Georgiou, Christos Neocleous, Demetris Papapericleous, Andreas Andreou, Alecos Papalexandrou, George Pantelides, Panayiota Vayianou, Agis Agathocleous, Michael Christoforou (Chairman Emeritus).

Deloitte Limited is the Cyprus member firm of Deloitte Touche Tohmatsu Limited ("DTTL") a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see [www.deloitte.com/cy/about](http://www.deloitte.com/cy/about) for a detailed description of the legal structure of DTTL.

Deloitte Limited is a private company, registered in Cyprus (Reg. No. 162812). Offices: Nicosia, Limassol, Larnaca

Member of Deloitte Touche Tohmatsu Limited

## Independent auditor's report (continued)

To the Members of Lanitis Golf Public Co Limited

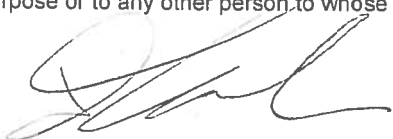
### Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

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

### Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Demetris Papapericleous  
Certified Public Accountant and Registered Auditor  
for and on behalf of  
**Deloitte Limited**  
Certified Public Accountants and Registered Auditors

Limassol, 22 April 2016



## LANITIS GOLF PUBLIC CO LIMITED

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

|  | Note | 2015<br>€                 | 2014<br>€                 |
|--|------|---------------------------|---------------------------|
| Other income   | 4    | 131.297                   | 81.162                    |
| Administration expenses  |      | (234.006)                 | (384.684)                 |
| Loss arising on changes in the fair value of investment property | 5    | <u>(4.812.888)</u>        | <u>(3.138.241)</u>        |
| <b>Operating loss</b>  | 6    | <b>(4.915.597)</b>        | <b>(3.441.763)</b>        |
| Finance income   | 8    | 194                       | -                         |
| Finance costs  | 8    | <u>(152.688)</u>          | <u>(154.637)</u>          |
| <b>Loss before tax</b>   |      | <b>(5.068.091)</b>        | <b>(3.596.400)</b>        |
| Taxation   | 9    | <u>601.611</u>            | <u>392.280</u>            |
| <b>Loss for the year</b>   |      | <b>(4.466.480)</b>        | <b>(3.204.120)</b>        |
| <b>Other comprehensive income</b>                                |      | <b>-</b>                  | <b>-</b>                  |
| <b>Total comprehensive loss for the year</b>                     |      | <b><u>(4.466.480)</u></b> | <b><u>(3.204.120)</u></b> |
| <b>Loss per share</b>  | 10   | <b><u>(178,66)</u></b>    | <b><u>(128,16)</u></b>    |

See accompanying notes on pages 11 to 26 to these financial statements.

# LANITIS GOLF PUBLIC CO LIMITED

## STATEMENT OF FINANCIAL POSITION 31 DECEMBER 2015

|                                     | Note | 2015<br>€         | 2014<br>€         |
|-------------------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>                       |      |                   |                   |
| <b>Non-current assets</b>           |      |                   |                   |
| Property, plant and equipment       | 11   | 1.551.478         | 1.490.448         |
| Investment property                 | 12   | 63.702.743        | 68.515.631        |
| Intangible assets                   | 13   | 254               | 507               |
|                                     |      | <u>65.254.475</u> | <u>70.006.586</u> |
| <b>Current assets</b>               |      |                   |                   |
| Receivables                         | 14   | 40.310            | 88.004            |
| Cash and bank balances              |      | 22.622            | 8.068             |
|                                     |      | <u>62.932</u>     | <u>96.072</u>     |
| <b>TOTAL ASSETS</b>                 |      | <u>65.317.407</u> | <u>70.102.658</u> |
| <b>EQUITY AND LIABILITIES</b>       |      |                   |                   |
| <b>Equity and reserves</b>          |      |                   |                   |
| Share capital                       | 15   | 4.275.019         | 4.275.019         |
| Share premium                       |      | 19.113.436        | 19.113.436        |
| Retained earnings                   |      | 33.765.980        | 38.232.460        |
| <b>Total equity</b>                 |      | <u>57.154.435</u> | <u>61.620.915</u> |
| <b>Non-current liabilities</b>      |      |                   |                   |
| Borrowings                          | 16   | 2.306.637         | 1.153.043         |
| Deferred tax liabilities            | 17   | 5.087.843         | 5.689.454         |
|                                     |      | <u>7.394.480</u>  | <u>6.842.497</u>  |
| <b>Current liabilities</b>          |      |                   |                   |
| Trade and other payables            | 18   | 768.492           | 637.980           |
| Borrowings                          | 16   | -                 | 1.001.266         |
|                                     |      | <u>768.492</u>    | <u>1.639.246</u>  |
| <b>Total liabilities</b>            |      | <u>8.162.972</u>  | <u>8.481.743</u>  |
| <b>TOTAL EQUITY AND LIABILITIES</b> |      | <u>65.317.407</u> | <u>70.102.658</u> |

On 22 April 2016 the Board of Directors of Lanitis Golf Public Co Limited authorised these financial statements for issue.

  
.....  
Platon E. Lanitis  
Director

  
.....  
Costas E. Lanitis  
Director

See accompanying notes on pages 11 to 26 to these financial statements.

## LANITIS GOLF PUBLIC CO LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

|                                    | Note | Share capital<br>€ | Share<br>premium<br>€ | Retained<br>earnings<br>€ | Total<br>€         |
|------------------------------------|------|--------------------|-----------------------|---------------------------|--------------------|
| <b>Balance at 1 January 2014</b>   |      | 4.275.000          | 19.113.436            | 41.436.580                | 64.825.016         |
| <b>Comprehensive income</b>        |      |                    |                       |                           |                    |
| Net loss for the year              |      | -                  | -                     | (3.204.120)               | (3.204.120)        |
| <b>Transactions with owners</b>    |      |                    |                       |                           |                    |
| Issue of share capital             | 15   | <u>19</u>          | <u>-</u>              | <u>-</u>                  | <u>19</u>          |
| <b>Balance at 31 December 2014</b> |      | <b>4.275.019</b>   | <b>19.113.436</b>     | <b>38.232.460</b>         | <b>61.620.915</b>  |
| <b>Comprehensive income</b>        |      |                    |                       |                           |                    |
| Net loss for the year              |      | <u>-</u>           | <u>-</u>              | <u>(4.466.480)</u>        | <u>(4.466.480)</u> |
| <b>Balance at 31 December 2015</b> |      | <b>4.275.019</b>   | <b>19.113.436</b>     | <b>33.765.980</b>         | <b>57.154.435</b>  |

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

See accompanying notes on pages 11 to 26 to these financial statements.

# LANITIS GOLF PUBLIC CO LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

|   | Note | 2015<br>€        | 2014<br>€        |
|---|------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>           |      |                  |                  |
| Loss before tax                                       |      | (5,068,091)      | (3,596,400)      |
| Adjustments for:                                      |      |                  |                  |
| Depreciation expense                                  | 11   | 527              | 847              |
| Amortisation of computer software                     | 13   | 253              | 253              |
| Impairment charge - investment property               | 12   | 4,812,888        | 3,138,241        |
| Interest expense                                      | 8    | 152,328          | 152,806          |
|   |      | <u>(102,095)</u> | <u>(304,253)</u> |
| <b>Changes in working capital:</b>                    |      |                  |                  |
| Decrease/(increase) in receivables                    |      | 49,025           | (49,803)         |
| Increase in trade and other payables                  |      | 130,512          | 52,705           |
| <b>Cash generated from/(used in) operations</b>       |      | <u>77,442</u>    | <u>(301,351)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>           |      |                  |                  |
| Payment for purchase of property, plant and equipment | 11   | (62,888)         | (143,517)        |
| <b>Net cash used in investing activities</b>          |      | <u>(62,888)</u>  | <u>(143,517)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>           |      |                  |                  |
| Proceeds from issue of share capital                  |      | -                | 19               |
| Proceeds from borrowings                              |      | -                | 15,165           |
| Proceeds from related companies                       |      | -                | 449,407          |
| <b>Net cash generated from financing activities</b>   |      | <u>-</u>         | <u>464,591</u>   |
| <b>Net increase in cash and cash equivalents</b>      |      | <u>14,554</u>    | <u>19,723</u>    |
| Cash and cash equivalents at beginning of the year    |      | 8,068            | (11,655)         |
| <b>Cash and cash equivalents at end of the year</b>   |      | <u>22,622</u>    | <u>8,068</u>     |

See accompanying notes on pages 11 to 26 to these financial statements.

# LANITIS GOLF PUBLIC CO LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 1. Incorporation and principal activities

#### Country of Incorporation

The Company Lanitis Golf Public Co Limited (the "Company") was incorporated in Cyprus on 18 April 2007 as a limited liability company under the Cyprus Companies Law, Cap. 113. On 28 February 2014, the Company was converted from a private limited liability company to a public limited liability company under the Cyprus Companies Law, Cap.113. Its registered office is at 10 Georgiou Gennadiou Street, Agathangelos Court, 3041, Limassol.

#### Principal activities

The principal activities of the Company are the development of a special leisure and residential golf course project. The Company carried out no trading activities, pending the issuance of the building permit. The application of the town planning permit with terms and conditions, was approved on 14 November 2012.

### 2. Significant accounting policies

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

#### Going concern basis

During the year ended 31 December 2015, the Company incurred losses of €4.466.480 (2014: loss of €3.204.120), which is mainly due to the changes in the fair value of the Company's investment property, net of deferred tax, for €4.211.217 (2014: €2.745.961). The Company's current liabilities exceeded its current assets by €705.560 (2014: in excess of €1.543.174). The Company is not currently carrying out any trading activities and is reliant on the financial support of its parent company, Lanitis Farm Limited, and its ultimate parent, Lanitis E.C. Holdings Ltd. The majority of the Company's current liabilities amounting to €710.590 (2014: €586.786) relate to financing balances with both of these entities. Both Lanitis Farm Limited and Lanitis E.C. Holdings Ltd have confirmed their intention to provide the Company all the necessary financial support to realize its assets and meet its obligations as they fall due.

#### Basis of preparation

The financial statements 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 financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, investment property, available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

#### Adoption of new and revised IFRSs

In the current year, the Company has adopted all of the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2015. The adoption of these Standards did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

# LANITIS GOLF PUBLIC CO LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. Significant accounting policies (continued)

#### Revenue recognition

Revenues of the Company are recognized on an accrual basis.

#### Finance income

Finance income includes interest income which is recognised based on an accrual basis.

#### Borrowing costs

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

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

#### Foreign currency translation

(1) **Functional and presentation currency**

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

(2) **Transactions and balances**

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

#### Tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# LANITIS GOLF PUBLIC CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. Significant accounting policies (continued)

#### Tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

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 Company intends to settle its current tax assets and liabilities on a net basis.

#### Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

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

|   |       |
|---|-------|
|   | %     |
| Computer software                         | 33,33 |
| Computer hardware                         | 20    |
| Furniture , fixtures and office equipment | 10    |
| Plant and machinery                       | 10    |

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

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.

#### Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

# LANITIS GOLF PUBLIC CO LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. Significant accounting policies (continued)

#### Computer software

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

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

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

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

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

#### Financial instruments

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

#### Cash and cash equivalents

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

#### Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs (see above).



# LANITIS GOLF PUBLIC CO LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. Significant accounting policies (continued)

#### Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

#### Non-current liabilities

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

#### Comparatives

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

### 3. Critical accounting estimates and judgements

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

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

- **Income taxes**

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

- **Fair value of investment property**

The fair value of investment property is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the investment property has been estimated based on the fair value of their individual assets.

- **Fair value of financial assets**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the financial assets available for sale has been estimated based on the fair value of these individual assets.

# LANITIS GOLF PUBLIC CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### • Impairment of intangible asset

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.

### 4. Other income

|  | 2015           | 2014          |
|--|----------------|---------------|
|  | €              | €             |
| Income from services rendered to related companies (Note 20.1) | <u>131.297</u> | <u>81.162</u> |
|  | <u>131.297</u> | <u>81.162</u> |

### 5. Loss arising on changes in fair value of investment property

|  | 2015             | 2014             |
|--|------------------|------------------|
|  | €                | €                |
| Loss on property revaluation (Note 12) | <u>4.812.888</u> | <u>3.138.241</u> |
|  | <u>4.812.888</u> | <u>3.138.241</u> |

### 6. Operating loss

|  | 2015             | 2014             |
|--|------------------|------------------|
|  | €                | €                |
| Operating loss is stated after charging the following items: |                  |                  |
| Amortisation of computer software (Note 13)                  | 253              | 253              |
| Depreciation of property, plant and equipment (Note 11)      | 527              | 846              |
| Staff costs (Note 7)   | 149.979          | 149.979          |
| Auditors' remuneration - current year                        | 5.500            | 5.500            |
| Auditors' remuneration - prior years                         | -                | 1.500            |
| Loss on property revaluation (Note 12)                       | <u>4.812.888</u> | <u>3.138.241</u> |

### 7. Staff costs

|                             | 2015           | 2014           |
|-----------------------------|----------------|----------------|
|                             | €              | €              |
| Wages and salaries          | 140.000        | 140.000        |
| Social insurance costs etc  | 7.179          | 7.179          |
| Social cohesion fund        | <u>2.800</u>   | <u>2.800</u>   |
|                             | <u>149.979</u> | <u>149.979</u> |
| Average number of employees | <u>1</u>       | <u>1</u>       |

# LANITIS GOLF PUBLIC CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 8. Finance Income/cost

|   | 2015             | 2014             |
|---|------------------|------------------|
|   | €                | €                |
| Foreign exchange gains                  | <u>194</u>       | -                |
| <b>Finance Income</b>                   | <u>194</u>       | -                |
| Net foreign exchange transaction losses | -                | (1.011)          |
| Interest expense                        | (152.088)        | (152.800)        |
| Sundry finance expenses                 | <u>(600)</u>     | <u>(826)</u>     |
| <b>Finance costs</b>                    | <u>(152.688)</u> | <u>(154.637)</u> |
| <b>Net finance costs</b>                | <u>(152.494)</u> | <u>(154.637)</u> |

### 9. Tax

#### 9.1 Tax recognised in profit or loss

|                                 | 2015             | 2014             |
|---------------------------------|------------------|------------------|
|                                 | €                | €                |
| Deferred tax - credit (Note 17) | <u>(601.611)</u> | <u>(392.280)</u> |
| <b>Credit for the year</b>      | <u>(601.611)</u> | <u>(392.280)</u> |

The total charge for the year can be reconciled to the accounting results as follows:

|  | 2015               | 2014               |
|--|--------------------|--------------------|
|  | €                  | €                  |
| Loss before tax  | <u>(5.068.091)</u> | <u>(3.596.400)</u> |
| Tax calculated at the applicable tax rates             | (633.511)          | (449.550)          |
| Tax effect of expenses not deductible for tax purposes | 610.309            | 406.252            |
| Tax effect of allowances and income not subject to tax | (4.620)            | (2.858)            |
| Tax effect of tax loss for the year                    | 27.822             | 46.156             |
| Deferred tax   | <u>(601.611)</u>   | <u>(392.280)</u>   |
| <b>Tax charge</b>                                      | <u>(601.611)</u>   | <u>(392.280)</u>   |

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30% (2013:15%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax year 2013 and 17% for 2014 and thereafter.

Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years

### 10. Loss per share

|   | 2015               | 2014               |
|---|--------------------|--------------------|
| <b>Loss attributable to shareholders (€)</b>                        | <u>(4.466.480)</u> | <u>(3.204.120)</u> |
| Weighted average number of ordinary shares in issue during the year | <u>2.500.011</u>   | <u>2.500.011</u>   |
| <b>Loss per share</b>   | <u>(178,66)</u>    | <u>(128,16)</u>    |

# LANITIS GOLF PUBLIC CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 11. Property, plant and equipment

|                                    | Plant and<br>machinery | Furniture,<br>fixtures and<br>office<br>equipment | Golf<br>Development<br>expenses | Total            |
|------------------------------------|------------------------|---|---------------------------------|------------------|
|                                    | €                      | €   | €                               | €                |
| <b>Cost</b>                        |                        |   |                                 |                  |
| Balance at 1 January 2014          | -                      | 1.970   | 1.346.128                       | 1.348.098        |
| Additions                          | 5.276                  | -   | 138.241                         | 143.517          |
| <b>Balance at 31 December 2014</b> | <b>5.276</b>           | <b>1.970</b>                                      | <b>1.484.369</b>                | <b>1.491.615</b> |
| Additions                          | -                      | -   | 62.888                          | 62.888           |
| Disposals                          | -                      | (1.970)   | -                               | (1.970)          |
| <b>Balance at 31 December 2015</b> | <b>5.276</b>           | <b>-</b>  | <b>1.547.257</b>                | <b>1.552.533</b> |
| <b>Depreciation</b>                |                        |   |                                 |                  |
| Balance at 1 January 2014          | -                      | 320   | -                               | 320              |
| Charge for the year                | 528                    | 319   | -                               | 847              |
| <b>Balance at 31 December 2014</b> | <b>528</b>             | <b>639</b>  | <b>-</b>                        | <b>1.167</b>     |
| Charge for the year                | 527                    | -   | -                               | 527              |
| On disposals                       | -                      | (639)   | -                               | (639)            |
| <b>Balance at 31 December 2015</b> | <b>1.055</b>           | <b>-</b>  | <b>-</b>                        | <b>1.055</b>     |
| <b>Net book amount</b>             |                        |   |                                 |                  |
| <b>Balance at 31 December 2015</b> | <b>4.221</b>           | <b>-</b>  | <b>1.547.257</b>                | <b>1.551.478</b> |
| <b>Balance at 31 December 2014</b> | <b>4.748</b>           | <b>1.331</b>                                      | <b>1.484.369</b>                | <b>1.490.448</b> |

The golf development expenses represent mainly consultancy, professional and other fees relating to the project referred to in note 12.

### 12. Investment property

|                               | 2015              | 2014              |
|-------------------------------|-------------------|-------------------|
|                               | €                 | €                 |
| Balance at 1 January          | 68.515.631        | 71.653.872        |
| Loss on property revaluation  | (4.812.888)       | (3.138.241)       |
| <b>Balance at 31 December</b> | <b>63.702.743</b> | <b>68.515.631</b> |

The fair value of the Company's investment property as at 31 December 2015 has been arrived at on the basis of an assessment performed by the management. The management has reviewed certain recent valuations carried out by independent valuers not connected with the Company who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. One valuation, which conforms to International Valuation Standards, was arrived at by reference to the cash method (Discounted Cashflow), on the basis that potential real estate development entrepreneur will acquire the whole project with the purpose of developing, selling and gaining profits. The second valuation was arrived at by reference to market evidence of transaction prices for similar properties. Considering the above valuations as well as other factors, the management of the Company recognized an impairment in the value of the investment property of €4.812.888 for the year.

The land owned by the Company was temporarily categorised as investment property and when the final decision will be taken as to the part of the land to be used for development and the part to be separated in building plots, it will be transferred to the relevant categories according to their use.

# LANITIS GOLF PUBLIC CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 13. Intangible assets

|                                    | Computer<br>software<br>€ |
|------------------------------------|---------------------------|
| <b>Cost</b>                        |                           |
| Balance at 1 January 2014          | <u>3.303</u>              |
| <b>Balance at 31 December 2014</b> | <u>3.303</u>              |
| <b>Balance at 31 December 2015</b> | <u>3.303</u>              |
| <b>Amortisation</b>                |                           |
| Balance at 1 January 2014          | 2.543                     |
| Charge for the year                | <u>253</u>                |
| <b>Balance at 31 December 2014</b> | <u>2.796</u>              |
| Amortisation for the year (Note 6) | <u>253</u>                |
| <b>Balance at 31 December 2015</b> | <u>3.049</u>              |
| <b>Net book amount</b>             |                           |
| <b>Balance at 31 December 2015</b> | <u>254</u>                |
| <b>Balance at 31 December 2014</b> | <u>507</u>                |

### 14. Receivables

|  | 2015<br>€     | 2014<br>€     |
|--|---------------|---------------|
| Receivables from related companies (Note 20.2) | 10.526        | 36.222        |
| Deposits and prepayments                       | 672           | 255           |
| Refundable VAT                                 | <u>29.112</u> | <u>51.527</u> |
|  | <u>40.310</u> | <u>88.004</u> |

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 24 of the financial statements.

### 15. Share capital

|                               | 2015<br>Number of<br>shares | 2015<br>€        | 2014<br>Number of<br>shares | 2014<br>€        |
|-------------------------------|-----------------------------|------------------|-----------------------------|------------------|
| <b>Authorised</b>             |                             |                  |                             |                  |
| Ordinary shares of €1,71 each | <u>3.000.000</u>            | <u>5.130.000</u> | 3.000.000                   | 5.130.000        |
| <b>Issued and fully paid</b>  |                             |                  |                             |                  |
| Balance at 1 January          | 2.500.011                   | 4.275.019        | 2.500.000                   | 4.275.000        |
| Issue of shares               | <u>-</u>                    | <u>-</u>         | <u>11</u>                   | <u>19</u>        |
| <b>Balance at 31 December</b> | <u>2.500.011</u>            | <u>4.275.019</u> | <u>2.500.011</u>            | <u>4.275.019</u> |

# LANITIS GOLF PUBLIC CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 16. Borrowings

|                                      | 2015<br>€        | 2014<br>€        |
|--------------------------------------|------------------|------------------|
| <b>Current borrowings</b>            |                  |                  |
| Bank loans                           | -                | 1.001.266        |
|                                      | <u>-</u>         | <u>1.001.266</u> |
| <b>Non-current borrowings</b>        |                  |                  |
| Bank loans                           | 1.083.466        | -                |
| Loan from parent company (Note 20.4) | 1.223.171        | 1.153.043        |
|                                      | <u>2.306.637</u> | <u>1.153.043</u> |
| <b>Total</b>                         | <u>2.306.637</u> | <u>2.154.309</u> |
| <br>Maturity of borrowings:          |                  |                  |
|                                      | 2015<br>€        | 2014<br>€        |
| Within one year                      | -                | 1.001.266        |
| Between one and five years           | 2.306.637        | 1.153.043        |
|                                      | <u>2.306.637</u> | <u>2.154.309</u> |

On 30 December 2015, the ultimate parent company, Lanitis E.C. Holdings Ltd, together with its subsidiaries, Lanitis Farm Ltd and Lanitis Golf Public Co Ltd, signed an agreement with their key lender to restructure their credit facilities.

The total credit facilities of Lanitis E.C. Holdings Ltd, Lanitis Farm Ltd and Lanitis Golf Public Co Ltd (together the "Obligors") of an amount of €165,8 million are restructured in accordance to two loan agreements. The first loan agreement, the senior term facility, covers credit facilities of an amount of €100 million and the second loan agreement, the subordinated term facility, covers credit facilities of an amount of €65,8 million

The main source of repayment of both of these loans will be the sale of assets of the Lanitis E.C. Holdings Ltd Group, including real estate assets of the Obligors.

Repayment schedule of senior term facility of €100 million:

- a. Until August 2018 €30 million;
- b. Until December 2020 €40 million;
- c. Until December 2022 €30 million plus all the interest accrued up to that date.

Repayment schedule of subordinated term facility of €65,8 million:

- a. Until December 2023 €10 million;
- b. Until December 2024 €20 million;
- c. Until December 2025 €36 million. From 31 December 2025, the repayment of the accrued interest will be made through the 50% of the proceeds from the sale of assets of the Obligors and the Group and will have no pre-determined repayment date.

The above credit facilities are secured through corporate guarantees, pledges and mortgages of assets and floating charges over the net assets of the Obligors.

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

|            | 2015  | 2014  |
|------------|-------|-------|
| Bank loans | 6,75% | 6,75% |

# LANITIS GOLF PUBLIC CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 17. Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 9). The applicable corporation tax rate in the case of tax losses is 12,5%.

The movement on the deferred taxation account is as follows:

#### Deferred tax liability

|   | Fair value<br>gains on<br>investment<br>property<br>€ |
|---|---|
| Balance at 1 January 2014   | 6.081.734   |
| Charged /credited to:   |   |
| Deferred Tax change due to impairment on investment property (Note 9) | <u>(392.280)</u>                                      |
| <b>Balance at 31 December 2014</b>                                    | <b>5.689.454</b>                                      |
| Charged/(credited) to:  |   |
| Statement of profit or loss and other comprehensive income (Note 9)   | <u>(601.611)</u>                                      |
| <b>Balance at 31 December 2015</b>                                    | <b><u>5.087.843</u></b>                               |

### 18. Trade and other payables

|  | 2015<br>€             | 2014<br>€             |
|--|-----------------------|-----------------------|
| Social insurance and other taxes                             | 10.514                | 10.518                |
| Shareholders' current accounts - credit balances (Note 20.5) | 142.652               | 137.379               |
| Other payables   | 35.500                | 34.094                |
| Accruals   | 11.888                | 6.582                 |
| Payables to related companies (Note 20.3)                    | <u>567.938</u>        | <u>449.407</u>        |
|  | <b><u>768.492</u></b> | <b><u>637.980</u></b> |

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

# LANITIS GOLF PUBLIC CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 19. Operating Environment of the Company

During the last years, the Cyprus economy has been adversely affected by the crisis in the Cyprus banking system and the inability of the Republic of Cyprus to secure financing from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), for financial support of € 10 billion, which resulted into an agreement and the Eurogroup decision of 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus through "bail in", safeguarding deposits below €100.000.

Since March 2013, Troika performed several reviews of the Cyprus' economic program with very positive outcomes which resulted in the disbursement of all scheduled tranches of financial assistance to Cyprus.

Despite the adverse external economic environment in several European and international economies, the Cyprus economy shows signs of stabilization, evident by the upgrade of the credit rating and the future prospects of the Republic of Cyprus by all major international credit rating agencies. This assisted largely the efforts of the Republic of Cyprus to raise significant capital from international financial markets in the past few months. In addition, the Cypriot banks have been recapitalized and have reorganized their operations, leading to the full abolishment of all restrictive measures on deposits and transactions imposed during 2013.

However, the uncertain economic conditions in Cyprus, the unavailability of financing and the high percentage of non performing bank loans in combination with the high unemployment rates, could potentially affect:

- The ability of the Company to obtain new borrowings or refinance its existing borrowings at terms and conditions similar to those applied to earlier transactions
- The ability of the Company to develop its immovable property
- The fair value of the Company's real estate assets
- The cash flow forecasts of the Company's management in relation to the realization of the Company's real estates assets.

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

On the basis of the evaluation performed, the Company's management has concluded that no further provisions or impairment charges are necessary other than those already recognised in the financial statements. The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the smooth conduct of its operations in the current business and economic environment.

### 20. Related party transactions

The Company is controlled by Lanitis Farm Ltd, incorporated in Cyprus, which owns 100% of the Company's shares. The ultimate shareholder of the Company is Lanitis E.C. Holdings Limited.

The following transactions were carried out with related parties:

#### 20.1 Related parties transactions

| <u>Name</u>                   | <u>Nature of transactions</u> | 2015             | 2014             |
|-------------------------------|-------------------------------|------------------|------------------|
|                               |                               | Income/(expense) | Income/(expense) |
|                               |                               | €                | €                |
| Cybarco Limited               | Management fees               | 131.297          | 60.000           |
| Cybarco Limited               | Other Income                  | -                | 15.121           |
| Cybarco Development Limited   | Other Income                  | -                | 6.041            |
| Lanitis E.C. Holdings Limited | Management fees               | -                | (100.859)        |
| Lanitis Farm Limited          | Interest Expense              | (70.128)         | (69.885)         |
|                               |                               | <u>61.169</u>    | <u>(89.582)</u>  |



# LANITIS GOLF PUBLIC CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 20. Related party transactions (continued)

#### 20.2 Receivables from related parties (Note 14)

| Name                        | Nature of transactions | 2015          | 2014          |
|-----------------------------|------------------------|---------------|---------------|
|                             |                        | €             | €             |
| Cybarco Development Limited | Trade                  | 6.041         | 6.041         |
| Cybarco Limited             | Trade                  | 4.485         | 30.181        |
|                             |                        | <u>10.526</u> | <u>36.222</u> |

#### 20.3 Payables to related parties (Note 18)

| Name                          | Nature of transactions | 2015           | 2014           |
|-------------------------------|------------------------|----------------|----------------|
|                               |                        | €              | €              |
| Lanitis E.C. Holdings Limited | Trade                  | 567.938        | 449.407        |
|                               |                        | <u>567.938</u> | <u>449.407</u> |

#### 20.4 Shareholders' loan account (Note 16)

|                      | 2015             | 2014             |
|----------------------|------------------|------------------|
|                      | €                | €                |
| Lanitis Farm Limited | 1.223.171        | 1.153.043        |
|                      | <u>1.223.171</u> | <u>1.153.043</u> |

The loan from parent company bears interest at the rate of 7,5% annually. As per the loan agreement, a quarterly installment €50.000 will be payable, starting from 31 March 2016 and until the repayment of the loan.

#### 20.5 Shareholders' current accounts - credit balances (Note 18)

|                      | 2015           | 2014           |
|----------------------|----------------|----------------|
|                      | €              | €              |
| Lanitis Farm Limited | 142.652        | 137.379        |
|                      | <u>142.652</u> | <u>137.379</u> |

The shareholders' current accounts are interest free, and have no specified repayment date.

### 21. Participation of directors in the company's share capital

The percentage of share capital of the Company held directly or indirectly by each member of the Board of Directors, their spouses and their minor children, as at 31/12/2014 and 31/12/2015 were as follows:

|                   | 31 December | 31 December |
|-------------------|-------------|-------------|
|                   | 2015        | 2014        |
|                   | %           | %           |
| Platon E. Lanitis | 99,99       | 99,99       |

### 22. Shareholders holding more than 5% of share capital

The shareholders holding more than 5% of the share capital of the Company as at 31/12/2014 and 31/12/2015 were as follows:

|                      | 31 December | 31 December |
|----------------------|-------------|-------------|
|                      | 2015        | 2014        |
|                      | %           | %           |
| Lanitis Farm Limited | 99,99       | 99,99       |

### 23. Significant agreements with management

At the end of the year, no significant agreements existed between the Company and its management.

# LANITIS GOLF PUBLIC CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 24. Financial risk management

#### Financial risk factors

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

#### 24.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

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

|                                  | 2015<br>€          | 2014<br>€          |
|----------------------------------|--------------------|--------------------|
| <b>Variable rate instruments</b> |                    |                    |
| Financial liabilities            | <u>(2.306.637)</u> | <u>(2.154.309)</u> |
|                                  | <u>(2.306.637)</u> | <u>(2.154.309)</u> |

#### 24.2 Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has no trading activities and trading transactions with counterparties. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

#### 24.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and is reliant on the financial support of its parent company.

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

| 31 December 2015            | Carrying amounts<br>€   | Contractual cash flows<br>€ | 3 months or less<br>€ | 3-12 months<br>€      | 1-2 years<br>€          | 2-5 years<br>€        | More than 5 years<br>€ |
|-----------------------------|-------------------------|-----------------------------|-----------------------|-----------------------|-------------------------|-----------------------|------------------------|
| Bank loans                  | 1.083.466               | 1.083.466                   | -                     | -                     | 1.083.466               | -                     | -                      |
| Trade and other payables    | 35.500                  | 35.500                      | 35.500                | -                     | -                       | -                     | -                      |
| Payables to related parties | 710.590                 | 710.590                     | 710.590               | -                     | -                       | -                     | -                      |
| Loan from parent company    | <u>1.223.171</u>        | <u>1.649.159</u>            | <u>50.000</u>         | <u>150.000</u>        | <u>400.000</u>          | <u>600.000</u>        | <u>449.159</u>         |
|                             | <u><b>3.052.727</b></u> | <u><b>3.478.715</b></u>     | <u><b>796.090</b></u> | <u><b>150.000</b></u> | <u><b>1.483.466</b></u> | <u><b>600.000</b></u> | <u><b>449.159</b></u>  |

# LANITIS GOLF PUBLIC CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 24. Financial risk management (continued)

#### Liquidity risk (continued)

| 31 December 2014            | Carrying amounts | Contractual cash flows | 3 months or less | 3-12 months | 1-2 years      | 2-5 years      | More than 5 years |
|-----------------------------|------------------|------------------------|------------------|-------------|----------------|----------------|-------------------|
|                             | €                | €                      | €                | €           | €              | €              | €                 |
| Bank loans                  | 1.001.266        | 1.001.266              | 1.001.266        | -           | -              | -              | -                 |
| Trade and other payables    | 34.094           | 34.094                 | 34.094           | -           | -              | -              | -                 |
| Payables to related parties | 586.786          | 586.786                | 586.786          | -           | -              | -              | -                 |
| Loan from parent company    | 1.153.043        | 1.523.755              | -                | -           | 400.000        | 600.000        | 523.755           |
|                             | <b>2.775.189</b> | <b>3.145.901</b>       | <b>1.622.146</b> | <b>-</b>    | <b>400.000</b> | <b>600.000</b> | <b>523.755</b>    |

### 23.4 Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

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

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

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

| 31 December 2015        | Level 1  | Level 2  | Level 3           | Total             |
|-------------------------|----------|----------|-------------------|-------------------|
|                         | €        | €        | €                 | €                 |
| <b>Financial assets</b> |          |          |                   |                   |
| Land                    | -        | -        | 63.702.743        | 63.702.743        |
| <b>Total</b>            | <b>-</b> | <b>-</b> | <b>63.702.743</b> | <b>63.702.743</b> |

| 31 December 2014        | Level 1  | Level 2  | Level 3           | Total             |
|-------------------------|----------|----------|-------------------|-------------------|
|                         | €        | €        | €                 | €                 |
| <b>Financial assets</b> |          |          |                   |                   |
| Land                    | -        | -        | 68.515.631        | 68.515.631        |
| <b>Total</b>            | <b>-</b> | <b>-</b> | <b>68.515.631</b> | <b>68.515.631</b> |

### 25. Contingent liabilities

As disclosed in note 16, the Company together with its parent company, Lanitis Farm Limited, and its ultimate parent company, Lanitis E.C. Holdings Limited are joint obligors to the credit facilities that these entities hold with a certain bank. As per agreements, these credit facilities are secured through corporate guarantees, pledges and mortgages of assets and floating charges over the net assets of the obligors.

The Company had no further contingent liabilities as at 31 December 2015.

## **LANITIS GOLF PUBLIC CO LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **26. Commitments**

The Company had no capital or other commitments as at 31 December 2015.

#### **27. Significant events after the end of the financial year**

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

**Independent auditor's report on pages 5 and 6**