Aqua Sol Hotels Public Company Limited
(formerly Aqua Sol Hotels Limited)

Report and consolidated financial statements
31 December 2006

Contents

Aqua Sol Hotels Public Company Limited
(formerly Aqua Sol Hotels Limited)

Managing Director's Statement

Dear Shareholders,

The financial results of the Group for the year 2006 present an improvement and are characterized as satisfactory, in the light of the continuing negative climate and general conditions which prevailed in the Cyprus and Greek tourist market, as well as in the European tourist market in general.

The above factors continued to affect negatively the marketability of the hotels, exercised pressure on prices and lead us to changes in the type of contracts entered with tour operators. During 2006 we have continued to take measures to reorganize the operations and organization of the Group. The measures taken by the Group include the retention of its profitable units, the termination of operations of loss making units and policies to contain costs in the light of anticipated income with the view to maximise the shareholders' long-term return.

Proposed Dividend

The Board of Directors has postponed the decision to propose a dividend for the year ended 31 December 2006.

Financial Results

1. Group's turnover decreased to C£26.276.155 (€45.444.611) in 2006 as compared to C£30.413.448 (€52.600.058) in 2005 recording a reduction of 13,6%. The decrease was mainly due to reducing demand for commitment contracts, most of which have been replaced by allotment contracts, as a result of the negative conditions affecting the hotel industry, as well as to the decrease in the number of the units operated by the Group.

2. Operating profit for 2006 amounts to C£1.189.522 (€2.057.278) as compared to an operating profit of C£172.760 (€298.789) in 2005. This deviation was mainly caused by the decrease in Group's turnover as explained in paragraph 1 above as well as by the fluctuation of impairment of goodwill, certain operating expenses and other income as explained below.

   Other income decreased to C£193.915 (€335.376) in 2006 as compared to C£370.284 (€640.406) in 2005 recording a decrease of 47,6%. This reduction was mainly due to a non-recurring profit from land development recognised in 2005.

   Other gains increased to C£1.503.579 (€2.600.440) in 2006 as compared to C£891.505 (€1.541.858) in 2005, recording an increase of 68,7%, mainly due to the increase in fair value gain on investment property.

Managing Director's Statement (continued)

The major fluctuations in operating expenses were as follows:

- Staff cost decreased to C£9.937.466 (€17.186.848) in 2006 as compared to C£10.974.457 (€18.980.324) in 2005 recording a decrease of 9,4%, mainly due to the decrease in turnover and to the decrease in the number of the units operated by the Group.

- Rent expense increased to C£4.267.172 (€7.380.073) in 2006 as compared to C£3.970.432 (€6.866.863) in 2005, recording an increase of 7,5%. This fluctuation was mainly the result of arrangements for early termination of lease contracts and increases of rentals.

- Goodwill impairment has been reduced to C£NIL in 2006 as compared to C£2.515.993 (€4.351.409) in 2005. The debit amount in 2005 resulted from the impairment of goodwill arising from the acquisition of subsidiaries in previous years and is non-recurring.

- The remaining operating expenses have decreased to C£12.579.489 (€21.756.228) in 2006 as compared to C£14.041.595 (€24.284.937) in 2005, recording a decrease of 10,4%. This decrease was mainly driven by the decrease in turnover and by the decrease in the number of the units operated by the Group.

3. Taxation decreased to C£720.193 (€1.245.573) including deferred tax charge of C£468.854 (€810.883) in 2006 as compared to C£840.093 (€1.452.940) including deferred tax charge of C£540.078 (€934.065) in 2005 or by a percentage of 14,3%.

Investing Activities

In the context of its strategy for the retention of its profitable units, dispensation of its non profitable units and for the strengthening of its fixed assets base, the Group proceeded in 2006 to the exercise of the option for the purchase of land upon which it constructed and operated part of the tourist village Panthea in Ayia Napa and to the signing of an agreement for the future acquisition of Nike Hotels Ltd, owner of the tourist village Callisto in Ayia Napa. In addition, during 2006 the Group proceeded to the disposal of the loss making unit Vrissiana Hotel in Protaras.

Aqua Sol Hotels Public Company Limited
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Managing Director's Statement (continued)

Strategy and Prospects for 2007

In 2006 we have continued our efforts to achieve our objective, which is the profitability of the Group, by offering upgraded standard of services in our hotel units, by continuing our co-operation with existing tour operators, by developing co-operation with new tour operators, by adopting policies to contain costs in the light of anticipated income and by retaining our profitable units while at the same time reducing the number of our loss making units.

The prospects of the Group for the year 2007 depend largely on the number and profile of tourist arrivals. Although it's difficult to make estimates for the year 2007, the management is adopting policies to contain costs in the light of anticipated income. The Group will continue to take measures in order to maximise the shareholders' long-term return by strengthening of the Group's fixed assets base including the retention of its profitable units and the termination of the loss making units aiming to safeguard the Group's financial interests. In this context, the Group has proceeded in April 2007 to the exercise of the option for the purchase of land upon which it constructed and operated the tourist villages ELENI and AKTEON in Paphos. In addition, the Group proceeded to an agreement for the cancellation of the rent contracts relating to the THALASSAKI tourist village resulting to a refund of the rent prepaid by the Group. In addition, the Group disposed the loss making units TS Resorts Hotel Apartments in Protaras. We believe that the Group has the appropriate knowledge and infrastructure to face successfully all challenges of the market.

Taking this opportunity, we would like to thank all the shareholders of the Company for the trust and support shown to our Group, Aqua Sol Hotels Public Company Limited, as well as my colleagues in the Board of Directors, the management team and all employees for their continuing efforts in favour of the Group.

Yiannis E Panayi
Managing Director

Aqua Sol Hotels Public Company Limited
(formerly Aqua Sol Hotels Limited)

Board of Directors and other officers

Board of Directors

Yiannis E Panayi (Managing Director)
Demetris Marinou
Peter Michael Dugre
Agapios Agapiou
Georgios Miliotis
Michalis Tsoukkas
Nicos Patsias (appointed 26 June 2006)

Company Secretary

CYPROSERVUS CO LIMITED
284 Arch. Makarios III Avenue
Fortuna Court, Block B
3rd Floor
Flat 32
CY-3105 Limassol
Cyprus

Registered office

26 Nissi Avenue
CY-5343 Ayia Napa
Cyprus

Lawyers

Chrysses Demetriades & Co
284 Arch. Makarios III Avenue
Fortuna Court, Block B
3rd Floor
Flat 32
CY-3105 Limassol
Cyprus

Independent Auditors

PricewaterhouseCoopers Limited
City House
4 Artemidos Avenue
CY-6030 Larnaca
P O Box 40450
CY-6304 Larnaca
Cyprus

Aqua Sol Hotels Public Company Limited
(formerly Aqua Sol Hotels Limited)

Declaration of the members of the Board of Directors and the Group officials responsible for the drafting of the consolidated financial statements

In accordance with section 140(1) of the Cyprus Securities and Stock Exchange Law, we the members of the Board of Directors and the company officials responsible for the drafting of the consolidated financial statements of Aqua Sol Hotels Public Company Limited (formerly Aqua Sol Hotels Limited) for the year ended 31 December 2006, based on our knowledge, which is the product of careful and conscientious work, declare that the particulars which are specified in the consolidated financial statements are true and complete.

Members of the Board of Directors

Name and surname	Signature
Yiannis E Panayi (Managing Director)	
Demetris Marinou	
Peter Michael Dugre	
Agapios Agapiou	
Georgios Miliotis	
Michalis Tsoukkas	
Nicos Patsias	

Responsible for drafting the consolidated financial statements

Name and surname	Capacity	Signature
Tassos Anastasiades	Chief Financial Officer	

Ayia Napa
19 April 2007

Aqua Sol Hotels Public Company Limited
(formerly Aqua Sol Hotels Limited)

Report of the Board of Directors

1 The Board of Directors presents its report together with the audited consolidated financial statements of the Group for the year ended at 31 December 2006.

Principal activities

2 The principal activities of the Group, which are unchanged from last year, are the management and operation of freehold and leasehold tourist properties as well as the development of land. During the year the Group did not engage in land development activities.

Change of name

3 On 26 June 2006 the Company changed its name from “Aqua Sol Hotels Limited” to “Aqua Sol Hotels Public Company Limited” further to the resolution of an Extraordinary General Meeting.

Review of developments, position and performance of the Group’s business

4 Operating profit for the year amounted to C£1.189.522 as compared to C£172.760 in the previous year. This deviation was mainly caused by the fluctuation of certain operating expenses and other income as well as by the decrease in Group’s turnover due to reducing demand for commitment contracts, most of which have been replaced by allotment contracts, as a result of the negative conditions affecting the hotel industry, as well as due to the decrease in the number of the units operated by the Group. Furthermore, in 2005 there was an impairment of goodwill arising on acquisition of the subsidiaries of £2.515.993 due to the application of the new and revised accounting standards IFRS3, IAS36 and IAS38. The results are different from the announcement of the indicative results by C£134.868, mainly due to fair value gains on investment properties and an increase in the deferred tax provision.

5 The Board of Directors does not expect any significant changes in the activities of the Group in the foreseeable future.

Principal risks and uncertainties

6 The activities of the Group are influenced by various risks and uncertainties which are inherent in the tourist industry which include but are not limited to the international and national economic conditions, to increased competition in the local and global market, to the impact of wars, terrorist attacks, diseases and other geopolitical factors. The main financial risks and uncertainties faced by the Group are presented in Note 3 of the consolidated financial statements.

Report of the Board of Directors (continued)

Future developments

7 The Group has a sound infrastructure to face the challenges of the marketplace, which are expected to be intense. The prospects of the Group for 2007 depend largely on the number and profile of tourist arrivals. More details on the foreseeable developments and prospects of the Group are given in the Managing Directors' Statement on pages 1 to 3 of the Annual Report.

Results

8 The Group's results for the year are set out on page 13. The net loss for the year is carried forward.

Dividends

9 The Board of Directors does not recommend the payment of a dividend for the year ended 31 December 2006.

Share capital

10 There were no changes in the share capital of the Company.

Board of Directors

11 The members of the Board of Directors at 31 December 2006 and at the date of this report are shown on page 4. All of them were members of the Board throughout the year 2006 except for Mr Nicos Patsias who was appointed as Director on 26 June 2006.

12 In accordance with the provisions of the Company's Articles of Association, Messrs Nicos Patsias, Michalis Tsoukkas and Georgios Miliotis retire and, being eligible, offer themselves for re-election. The Managing Director Mr Yiannis E Panayi, is not subject to retirement by rotation.

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

Events after the balance sheet date

14 As stated in note 40 of the consolidated financial statements, the following material events occurred after the end of the financial year:

(i) On 21 February 2007 the Group signed an agreement with the related company Thalassaki Tourist Village Limited, the owner of "Thalassaki Tourist Village", for the cancellation of the lease agreements relating to the above tourist unit. According to the agreement the Group will receive the amount of C£2.500.000 as a refund for the unamortized amount of rent prepaid as well as a compensation for the cancellation of the lease agreements. The lease agreements were expiring in 2021 and the unamortized prepaid rent which was included in the consolidated financial statements as at 31 December 2006 amounted to C£1.846.056.

(ii) On 3 March 2007 the Group signed an agreement for the sub-sub-lease of the tourist units "Iliada Beach Hotel", "Antigoni Hotel" and "Flora Hotel Apartments" until 31 December 2013 for an annual rental of C£350.000. The Group leased the above units until 31 December 2013 and the unamortized prepaid rent included in the consolidated financial statements as at 31 December 2006 amounted to C£2.404.851.

(iii) On 5 April 2007 the Board of Directors decided to dispose the tourist unit "TS Resorts Hotel Apartments" for the amount of C£4.250.000. The property was included in the Group's assets as at 31 December 2006 at the carrying amount of £3.450.000.

(iv) On 11 April 2007 the Group has exercised the option to purchase plots of land upon which it constructed two tourist villages, "Akteon Tourist Village" and "Eleni Tourist Village" as described in note 14 (d) of the consolidated financial statements, for the total amount of C£10.729.021.

Aqua Sol Hotels Public Company Limited
(formerly Aqua Sol Hotels Limited)

Report of the Board of Directors (continued)

Directors' interests in the share capital of the Company

15 The percentages in the Company's share capital that are beneficially held by members of the Board of Directors, their wives and their minor children as well as companies in which they hold directly or indirectly at least 20% at 31 December 2006 and 30 days before the date of the notice for the General Meeting:

	30 days before the date of the notice for the General Meeting %	31 December 2006 %
Yiannis E Panayi (1)	44,95	44,95
Demetris Marinou	0,004	0,004
Georgios Miliotis	0,07	0,07
Michalis Tsoukkas (2)	4,51	4,51
Agapios Agapiou (3)	8,68	7,95

(1) The percentage arises from a direct holding of 5,89% and an indirect holding of 39,06%.
(2) The percentage arises from a direct holding of 0,22% and an indirect holding of 4,29% through a company controlled by Mr Michalis Tsoukkas.
(3) The percentage arises from indirect holdings through companies controlled by Mr Agapios Agapiou.

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

16 The shareholders who held more than 5% of the Company's issued share capital 30 days before the date of the notice for the General Meeting are as follows:

	30 days before the date of the notice for the General Meeting %
Yiannis E Panayi (1)	44,95
Agapios Agapiou (2)	8,68
Nike Hotels Limited (3)	9,46
Polyphimos Hotels Limited (3)	12,68
Diomedes Hotels Limited (3)	6,98
Blue Sea Overseas Investments Limited	19,99

(1) The percentage arises from a direct holding of 5,89% and an indirect holding of 39,06%.
(2) The percentage arises from an indirect holding through companies controlled by Mr Agapios Agapiou.
(3) The holdings of these companies are also included in Mr Yiannis E Panayi's percentage holdings.

Report of the Board of Directors (continued)

Branches

17 The Group operates through branches in Cyprus and Greece. In Cyprus the Group operates hotel units in the regions of unoccupied Famagusta, Paphos and Larnaca. In Greece the Group operates one hotel unit in Crete and one in Rhodes.

Contracts with Directors and connected persons

18 Other than the balances and transactions referred to in Note 38 of the consolidated financial statements, on 31 December 2006 there was no other significant contract with the Company or its subsidiaries, in which a Director or connected persons had a material interest, as defined in the Cyprus Stock Exchange laws and regulations.

Code on Corporate Governance

19 The Company has not yet adopted the Code on Corporate Governance of the Cyprus Stock Exchange. The Board of Directors will re-examine this matter in the future.

Auditors

20 The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Yiannis E Panayi
Managing Director

Ayia Napa
19 April 2007

PRICEWATERHOUSECOOPERS

2005 Cyprus Export Award for Services

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Independent Auditors' Report to the Members of Aqua Sol Hotels Public Company Limited (formerly Aqua Sol Hotels Limited)

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Aqua Sol Hotels Public Company Limited (formerly Aqua Sol Hotels Limited) (the "Company") on pages 13 to 63, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal Requirements

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 6 to 10 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 156 of the Companies Law, Cap. 113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

PricewaterhouseCoopers Limited
Chartered Accountants

Larnaca, 19 April 2007

Aqua Sol Hotels Public Company Limited
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Consolidated income statement
for the year ended 31 December 2006

	Note	2006 C£	2005 C£	Supplementary information (Note 39) 2006 €	2005 €
Revenue		**26.276.155**	30.413.448	**45.444.611**	52.600.058
Other income	6	**193.915**	370.284	**335.376**	640.406
Other gains – net	7	**1.503.579**	891.505	**2.600.440**	1.541.858
Staff costs	8	**(9.937.466)**	(10.974.457)	**(17.186.848)**	(18.980.324)
Depreciation and amortisation	14/15	**(2.194.972)**	(2.130.862)	**(3.796.204)**	(3.685.326)
Impairment of goodwill	17	**-**	(2.515.993)	**-**	(4.351.409)
Rent expense	37	**(4.267.172)**	(3.970.432)	**(7.380.073)**	(6.866.863)
Stocks and consumables used		**(3.282.480)**	(3.551.661)	**(5.677.049)**	(6.142.597)
Cleaning expenses		**(808.564)**	(868.038)	**(1.398.411)**	(1.501.272)
Electricity, fuel, water and sewerage		**(2.654.885)**	(2.722.171)	**(4.591.624)**	(4.707.994)
Repairs and maintenance		**(733.756)**	(862.173)	**(1.269.031)**	(1.491.129)
Taxes and licenses		**(238.729)**	(559.195)	**(412.882)**	(967.128)
Advertising and promotion expenses		**(230.411)**	(395.449)	**(398.496)**	(683.929)
Other expenses		**(2.435.692)**	(2.952.046)	**(4.212.531)**	(5.105.562)
Operating profit	9	**1.189.522**	172.760	**2.057.278**	298.789
Finance costs	10	**(1.625.950)**	(1.636.494)	**(2.812.082)**	(2.830.316)
Share of loss of joint venture	38(h)	**-**	(250.000)	**-**	(432.375)
Share of profit of associate	18	**79.350**	70.078	**137.238**	121.200
Loss before tax		**(357.078)**	(1.643.656)	**(617.566)**	(2.842.702)
Tax	11	**(720.193)**	(840.093)	**(1.245.573)**	(1.452.940)
Loss for the year		**(1.077.271)**	(2.483.749)	**(1.863.139)**	(4.295.642)
Loss per share (cent)					
Basic and fully diluted	12	**(0,4)**	(1,0)	**(0,7)**	(1,7)

The notes on pages 17 to 63 are an integral part of these consolidated financial statements.

Aqua Sol Hotels Public Company Limited
(formerly Aqua Sol Hotels Limited)

Consolidated balance sheet
at 31 December 2006

	Note	2006	2005	Supplementary information (Note 39) 2006	2005
Assets		**C£**	C£	**€**	€
Non-current assets					
Property, plant and equipment	14	**90.987.531**	96.521.915	**157.362.934**	166.934.652
Intangible asset	15	**1.293.963**	1.355.000	**2.237.911**	2.343.472
Investment property	16	**1.228.290**	670.319	**2.124.328**	1.159.317
Goodwill	17	**237.865**	237.865	**411.387**	411.387
Investment in associate	18	**576.982**	497.632	**997.890**	860.655
Rent prepaid	21	**14.161.971**	16.693.654	**24.493.129**	28.871.675
Available-for-sale financial assets	22	**25.408**	54.858	**43.944**	94.877
Receivables	23	**19.962.621**	7.824.115	**34.525.353**	13.531.807
Deferred expenses	24	**1.103.616**	-	**1.908.706**	-
Deferred tax assets	31	**102.625**	97.074	**177.490**	167.889
		129.680.872	123.952.432	**224.283.072**	214.375.731
Current assets					
Inventories and work in progress	25	**3.364.147**	3.519.316	**5.818.291**	6.086.657
Trade and other receivables	26	**9.585.608**	8.588.007	**16.578.308**	14.852.959
Rent prepaid	21	**2.551.236**	2.968.121	**4.412.363**	5.133.365
Taxation refundable		**111.924**	499.342	**193.572**	863.612
Cash and cash equivalents	27	**6.343.303**	6.285.219	**10.970.744**	10.870.286
		21.956.218	21.860.005	**37.973.278**	37.806.879
Total assets		**151.637.090**	145.812.437	**262.256.350**	252.182.610
Equity and liabilities					
Capital and reserves					
Share capital	28	**51.600.000**	51.600.000	**89.242.200**	89.242.200
Share premium	28	**11.783.534**	11.783.534	**20.379.622**	20.379.622
Other reserves	29	**16.025.976**	17.301.460	**27.716.919**	29.922.876
Retained earnings		**15.833.906**	15.620.346	**27.384.745**	27.015.388
		95.243.416	96.305.340	**164.723.486**	166.560.086
Non-current liabilities					
Borrowings	30	**28.685.784**	20.050.216	**49.612.064**	34.676.849
Deferred tax liabilities	31	**7.305.094**	6.981.719	**12.634.155**	12.074.882
Provision for staff termination benefits	33	**63.955**	63.510	**110.610**	109.841
		36.054.833	27.095.445	**62.356.834**	46.861.572
Current liabilities					
Advances from tour operators	32	**103.968**	375.540	**179.816**	649.496
Trade and other payables	35	**6.294.181**	7.319.001	**10.885.789**	12.658.212
Current tax liabilities		-	2.858	-	4.943
Borrowings	30	**13.469.974**	14.243.535	**23.296.318**	24.634.194
Deferred income	34	**470.718**	470.718	**814.107**	814.107
		20.338.841	22.411.652	**35.176.030**	38.760.952
Total liabilities		**56.393.674**	49.507.097	**97.532.864**	85.622.524
Total equity and liabilities		**151.637.090**	145.812.437	**262.256.350**	252.182.610

On 19 April 2007 the Board of Directors of Aqua Sol Hotels Public Company Limited (formerly Aqua Sol Hotels Limited) authorised these consolidated financial statements for issue.

………………………………………. ……………………………………….

Yiannis E Panayi, Managing Director Demetris Marinou, Director

The notes on pages 17 to 63 are an integral part of these consolidated financial statements.

Aqua Sol Hotels Public Company Limited (formerly Aqua Sol Hotels Limited)

Consolidated statement of changes in equity for the year ended 31 December 2006

	Note	Share capital	Share premium (2)	Other reserves (2)	Retained earnings (1)	Total
		C£	C£	C£	C£	C£
Balance at 1 January 2005		51.600.000	11.783.534	18.267.227	17.462.423	99.113.184
Transfer due to disposal of revalued property	29	-	-	(694.154)	694.154	-
Available-for-sale financial assets:						
Fair value gains	22/29	-	-	22.897	-	22.897
Defence on deemed dividend distribution (1)	13	-	-	-	(291.517)	(291.517)
Exchange differences on translation of the financial statements of foreign subsidiaries	29	-	-	(35.059)	-	(35.059)
Depreciation transfer	29	-	-	(241.868)	241.868	-
Deferred tax adjustment	29/31	-	-	(17.583)	(2.833)	(20.416)
Net (expense)/income recognised directly in equity		-	-	(965.767)	641.672	(324.095)
Loss for the year		-	-	-	(2.483.749)	(2.483.749)
Total recognised expense for 2005		-	-	(965.767)	(1.842.077)	(2.807.844)
Balance at 31 December 2005/ 1 January 2006		51.600.000	11.783.534	17.301.460	15.620.346	96.305.340
Transfer due to disposal of revalued property	29	-	-	(1.222.645)	1.222.645	-
Available-for-sale financial assets:						
Fair value gains	22/29	-	-	3.551	-	3.551
Transfer to net profit due to disposal	29	-	-	14.206	-	14.206
Defence on deemed dividend distribution (1)	13	-	-	-	(167.144)	(167.144)
Exchange differences on translation of the financial statements of foreign subsidiaries	29	-	-	(8.217)	-	(8.217)
Depreciation transfer	29	-	-	(235.330)	235.330	-
Deferred tax adjustment	29/31	-	-	172.951	-	172.951
Net (expense)/income recognised directly in equity		-	-	(1.275.484)	1.290.831	15.347
Loss for the year		-	-	-	(1.077.271)	(1.077.271)
Total recognised expense for 2006		-	-	(1.275.484)	213.560	(1.061.924)
Balance at 31 December 2006		51.600.000	11.783.534	16.025.976	15.833.906	95.243.416

(1) As from 1 January 2003, 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 15% will be payable on such deemed dividend to the extent that the shareholders (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 shareholders.

(2) The share premium and other reserves are not available for distribution in the form of dividends.

The notes on pages 17 to 63 are an integral part of these consolidated financial statements.

Aqua Sol Hotels Public Company Limited (formerly Aqua Sol Hotels Limited)

Consolidated cash flow statement for the year ended 31 December 2006

	Note	2006 C£	2005 C£	Supplementary information (Note 39) 2006 €	2005 €
Cash flows from operating activities					
Loss before tax		**(357.078)**	(1.643.656)	**(617.566)**	(2.842.703)
Adjustments for:					
Depreciation of property, plant and equipment	14/15	**2.194.972**	2.130.862	**3.796.204**	3.685.326
Impairment of goodwill	17	**-**	2.515.993	**-**	4.351.410
Fair value gains on investment property	7	**557.971**	-	**965.011**	-
Share of profit of associate	18	**(79.350)**	(70.078)	**(137.236)**	(121.200)
Share of loss of joint venture	38(h)	**-**	250.000	**-**	432.375
Amortisation of prepaid rent	21	**2.948.568**	1.875.642	**5.099.549**	3.243.923
Amortisation of government grant	9	**-**	(10.689)	**-**	(18.487)
Provision for staff termination benefits	33	**-**	11.054	**-**	19.118
(Profit)/loss on disposal/write off of property, plant and equipment	9	**(145.124)**	110.654	**(250.992)**	191.376
Loss on disposal of available-for-sale financial assets	22	**12.807**	-	**22.148**	-
Dividend income	7	**(1.964)**	(1.987)	**(3.397)**	(3.437)
Interest income	7	**(956.450)**	(889.518)	**(1.654.180)**	(1.538.421)
Interest expense	10	**1.738.745**	1.779.409	**3.007.160**	3.077.488
Exchange difference on foreign currency loans		**(112.795)**	(214.502)	**(195.078)**	(370.981)
		4.684.359	5.843.184	**8.101.601**	10.105.787
Changes in working capital:					
Inventories and work in progress		**155.170**	765.764	**268.367**	1.324.389
Trade and other receivables		**(955.560)**	(110.323)	**(1.492.172)**	(190.804)
Trade and other payables		**(1.191.517)**	(238.290)	**(2.221.200)**	(412.123)
Advances from tour operators		**(271.572)**	375.540	**(469.680)**	649.497
Cash generated from operations		**2.420.879**	6.635.875	**4.186.916**	11.476.746
Tax refunded/(paid)		**133.221**	(55.511)	**230.406**	(96.006)
Net cash from operating activities		**2.554.100**	6.580.364	**4.417.322**	11.380.740
Cash flows from investing activities					
Purchases of property, plant and equipment	14	**(3.051.779)**	(374.836)	**(18.110.570)**	(648.279)
Purchase of intangible assets	15	**-**	(1.355.000)	**-**	(2.343.473)
Net loans to related companies	38 (e)	**950.474**	(4.815.399)	**1.643.845**	(8.328.233)
Proceeds from sale of property, plant and equipment	14	**7.690.080**	-	**22.473.404**	-
Proceeds from sale of available – for-sale financial assets		**34.400**	-	**59.495**	-
Advances for future acquisition	38 (d)	**(12.500.000)**	-	**(21.618.750)**	-
Interest received		**367.470**	357.677	**635.539**	618.602
Dividend received		**1.964**	1.987	**3.397**	3.437
Deposits maturing more than three months		**1.299.331**	(147.871)	**2.247.193**	(255.743)
Net cash used in investing activities		**(5.208.060)**	(6.333.442)	**(12.666.447)**	(10.953.689)
Cash flows from financing activities					
Proceeds from borrowings		**16.905.414**	480.152	**32.897.022**	830.423
Repayments of borrowings		**(12.947.159)**	(4.362.451)	**(22.392.112)**	(7.544.859)
Interest paid		**(927.591)**	(1.743.083)	**(1.604.269)**	(3.014.662)
Advances to associate and joint venture		**(42.040)**	(10.557)	**(72.709)**	(18.259)
Net cash from/(used) in financing activities		**2.988.624**	(5.635.939)	**8.827.932**	(9.747.357)
Net increase/(decrease) in cash and bank overdrafts		**334.664**	(5.389.017)	**578.807**	(9.320.306)
Exchange differences		**(35.581)**	(8.771)	**(61.543)**	(15.168)
Cash and bank overdrafts at beginning of year		**(4.367.499)**	1.030.289	**(7.553.589)**	1.781.885
Cash and bank overdrafts at end of year	27	**(4.068.416)**	(4.367.499)	**(7.036.325)**	(7.553.589)

The notes on pages 17 to 63 are an integral part of these consolidated financial statements.

Aqua Sol Hotels Public Company Limited
(formerly Aqua Sol Hotels Limited)

Notes to the consolidated financial statements

1 General information

Country of incorporation

The Company was incorporated in Cyprus on 25 September 1992 as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113. On 12 July 2000 the Company was converted into a public company and on 26 October 2000, its securities were listed on the Cyprus Stock Exchange, in accordance with the provisions of the Cyprus Stock Exchange Laws and Regulations.

During an Extraordinary General Meeting held on 26 June 2006, the Company changed its name from "Aqua Sol Hotels Limited" to "Aqua Sol Hotels Public Company Limited".

The registered office of the Company is at 26 Nissi Avenue, Ayia Napa, Cyprus.

Principal activities

The principal activities of the Group, which are unchanged from last year, are the management and operation of freehold and leasehold tourist properties as well as the development of land. During the year the Group did not engage in land development activities.

2 Summary of significant accounting policies

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

Basis of preparation

The consolidated financial statements of Aqua Sol Hotels Public Company Limited (formerly Aqua Sol Hotels Limited) have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements comply with both these reporting frameworks because at the time of their preparation all applicable IFRSs issued by the IASB have been adopted by the EU through the endorsement procedure established by the European Commission. In addition, the consolidated financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113 and with the provisions of the Cyprus Stock Exchange Laws and Regulations. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, investment property and available-for-sale financial assets.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies.

2 Summary of significant accounting policies (continued)

Basis of preparation (continued)

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Adoption of new and revised IFRS

In the current year the Group adopted all new and revised IFRS that are relevant to its operations and are effective for accounting periods beginning on 1 January 2006.

This adoption did not result in substantial changes to the Group's accounting policies.

As at the date of approval of these consolidated financial statements, the following accounting standards have been issued but are not yet effective:

Applicable to the Group as from 1 January 2007:

- IFRIC Interpretation 7 "Applying the Restatement Approach under IAS29 Financial Reporting in Hyperinflationary Economies" (applicable for periods commencing on or after 1 March 2006).
- IFRIC Interpretation 8 "Scope of IFRS 2" (applicable for periods commencing on 1 May 2006).
- IFRS 7 "Financial Instruments: Disclosures" and IAS1 (Amendment) "Presentation of financial statements".
- IFRIC Interpretation 9 "Reassessment of Embedded Derivatives" (applicable for periods commencing 1 June 2006).
- IFRIC Interpretation 10 "Interim Financial Reporting & Impairment" (applicable for periods commencing on 1 November 2006).

Applicable to the Group as from 1 January 2008:

- IFRIC Interpretation 11 "IFRS 2 – Group and Treasury Share Transactions" (applicable for accounting periods commencing on 1 March 2009).
- IFRIC Interpretation 12 "Service Concession Arrangements".

Applicable to the Group as from 1 January 2009:

- IFRS 8 "Operating segments".

The Board of Directors is examining the impact of the above standards and interpretations on the consolidated financial statements but does not anticipate a significant impact on the consolidated financial statements of the Group in future periods.

2 Summary of significant accounting policies (continued)

Basis of consolidation

(a) Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than 50% of the voting rights or otherwise has power to govern the financial and operating policies are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill, see accounting policy on “Goodwill”. All group companies apply uniform accounting policies in the preparation of their individual financial statements. Intercompany transactions and balances between group companies are eliminated and are excluded from the consolidated financial statements. The subsidiaries of the Group are shown in Note 20.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are initially recognised at cost and are accounted for by the equity method of accounting. The Group’s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group’s share of its associates’ post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary, to ensure consistency with the accounting policies adopted by the Group.

(c) Joint Ventures

Joint Ventures are entities which are controlled jointly by the Group and other third parties. Investments in joint ventures are accounted for under the equity method of accounting as explained in sub-paragraph (b) above.

2 Summary of significant accounting policies (continued)

Revenue recognition

Revenue comprises the fair value for the sale of services, net of value added tax, rebates and discounts. Revenues earned by the Group are recognised on the following bases:

(a) Sales of services

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

(b) Revenue from sale of properties

Revenue from sale of properties is presented net of discounts and VAT (where applicable). Revenue from sale of properties is recognised in accordance with the International Accounting Standard (IAS 18), "Revenue recognition" when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the property.
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Group.
- Costs incurred or to be incurred in respect of the transaction can be measured reliably.

(c) Interest income

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

(d) Rental income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant rental agreements.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

2 Summary of significant accounting policies (continued)

Employee benefits

The Group and the employees contribute to the Government Social Insurance Fund based on employees' salaries. In addition, the Group contributes to The Hotel Industry Employees Provident Fund, which operates a defined contribution scheme the assets of which are held in a separate trustee-administered fund. The scheme is funded by payments from employees entitled to join the fund and by the Group. The Group's contributions are expensed as incurred and are included in staff costs. The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Group, are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Cyprus Pounds (C£), which is the Group's functional and presentation currency.

(b) Transactions and balances

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

(c) Group companies

Income statements and cash flows of foreign entities are translated into the Group's reporting currency at the average exchange rates for the year and their balance sheets are translated at the exchange rates ruling at the end of the financial year. Exchange differences arising from the translation of the net investment in foreign entities are taken to foreign exchange reserves in shareholders' equity. When a foreign entity is sold, such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

Tax

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

2 Summary of significant accounting policies (continued)

Tax (continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Property, plant and equipment

Land and buildings comprising mainly hotels, tourist apartments and tourist villages are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Revaluations are carried out in regular intervals, not exceeding five years, such that the carrying amount does not differ materially from that which would be determined using fair value at the consolidated balance sheet date.

Increases in the carrying amount arising on revaluation of land and buildings are credited to fair value reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity. All other decreases are charged to the consolidated income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the consolidated income statement and depreciation based on the asset's original cost is transferred from fair value reserves to retained earnings.

Leasehold buildings relate to buildings constructed on land owned by third parties and to buildings leased from third parties under finance leases. The cost of buildings which were constructed on land owned by third parties is depreciated over the period of the lease on a straight line basis. Upon the expiration of the leases these buildings will be returned to the owners of the land. The accounting treatment of buildings leased from third parties under finance leases is explained in the accounting policy "Leases-Group as lessee".

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

2 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight - line method to allocate their cost or revalued amounts to their residual values, over their estimated useful life. The annual depreciation rates are as follows:

	%
Freehold buildings	1
Leasehold buildings	Period of the lease
Plant, machinery and furniture	10
Computers	20
Motor vehicles	20
Linen, cutlery and glassware	15 – 33 1/3

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the consolidated income statement of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of item can be measured reliably.

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

Leases - Group as lessee

(a) Finance leases

Leases of property, plant and equipment where the Group maintains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

2 Summary of significant accounting policies (continued)

Leases - Group as lessee (continued)

(b) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease. Lease premiums paid in advance in relation to operating leases are also amortised on a straight line basis over the period of the lease.

Buildings constructed on leased land where the Group assumes substantially all the risks and rewards of ownership are classified as property, plant and equipment. The cost of these leases is amortised on a straight line basis over the shorter of the period of the lease or the useful lives of the assets.

(c) Sale and leaseback

If a sale and leaseback transaction results in a finance lease, any excess or deficit of sales proceeds over the carrying amount is not immediately recognised as income or expense by the seller – lessee. Instead such income or expense is deferred and amortised on a straight line bases over the lease term.

If a sale and leaseback transaction results in an operating lease any profit or loss is recognised immediately in the consolidated income statement.

Leases – Group as lessor

(a) Finance leases

Leases of property, plant and equipment where substantially all the risks and rewards of ownership are transferred to the lessee are recognised as a receivable and are presented on the consolidated balance sheet at the present value of the lease payments. Profits from finance leases are presented in the consolidated balance sheet as deferred profits from finance leases and are recognised in the consolidated income statement when the economic benefits of the transaction will flow to the Group.

The finance element of finance leases is credited to the consolidated income statement over the period of the lease so as to produce a constant periodic rate of return on the balance due at the end of each period.

(b) Operating leases

Long-term leases of land where there is no right to transfer the legal title at the end of the lease period, are classified as operating leases and are presented in the consolidated balance sheet as a receivable at the value of the lease income due. Operating lease income is recognised in the consolidated income statement on a straight line basis over the period of the lease. The corresponding investment is presented as an investment property.

2 Summary of significant accounting policies (continued)

Investment property

Investment property, principally comprising land, is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recorded in the consolidated income statement and are included in "other gains – net".

Intangible asset

The intangible asset represents the amounts paid for the assignment of a land lease agreement and it is shown at cost less amortisation less any accumulated impairment loss. The intangible asset is amortised on a straight line basis over the period of its estimated useful economic life.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an undertaking include the carrying amount of goodwill relating to the undertaking sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Impairment of assets

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

Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date.

2 Summary of significant accounting policies (continued)

Investments (continued)

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with a documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date. During the year the Group did not hold any investments in this category.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Regular way purchases and sales of investments are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

Investments (continued)

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

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

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

Inventories and work in progress

Inventories of food, beverages and cleaning materials are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Provision is made, where necessary, for defective, obsolete or slow moving stocks. Development work in progress is stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated income statement.

Share capital

Ordinary shares are classified as equity.

2 Summary of significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Borrowings

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the consolidated balance sheet date.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits with banks maturing within three months and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Advances from tour operators

Revenue received from tour operators for hotel and other accommodation which relates to future periods is treated as advances and is included as part of current liabilities. Such revenue is credited to the consolidated income statement of the year to which it relates.

Government grants

Government grants relating to the purchase of property, plant and equipment are included in non current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected useful lives of the related assets, acquired through government grants.

Segment reporting

Geographical segments include products or services within a particular economic environment and are subject to risks and returns that are different from those segments operating in other economic environments. Business segments include products or services that are subject to risks and returns that are different from those of other business segments.

Comparatives

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

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to market price risk, interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

(i) Market price risk

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

(ii) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets, except as shown in Note 23. The Group is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

(iii) 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 balance sheet date. The Group has significant concentrations of credit risk as described in Note 23. The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institutions.

(iv) Liquidity risk

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

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(v) Currency risk

Currency risk is the risk that the value of financial instruments will 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's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, Japanese Yen and Swiss Franc. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The foreign exchange difference credited to the consolidated income statement which relates to financing activities is profit C£112.795 (2005: profit C£214.502).

(b) Fair value estimation

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

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

4 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amount of cash-generating units has been determined based on estimated fair values less costs to sell. The fair value less costs to sell has been estimated based on valuations by independent valuers as shown in Note 17.

(ii) 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 Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

No significant differences are anticipated in the tax liabilities as a result of uncertain tax matters except from uncertain tax matters which relate to the Greek subsidiaries, the impact of which cannot be quantified.

(iii) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

(b) Critical judgements in applying the Group's accounting policies

(i) Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the assumptions made regarding the duration that, and the extent to which, the fair value is less than cost, do not materialise in 2007, the Group would not suffer significant losses.

4 Critical accounting estimates and judgements (continued)

(b) Critical judgements in applying the Group's accounting policies

(ii) Financial asset arising from agreement for the future acquisition of Nike Hotels Limited

On 22 December 2006, the Company signed an agreement with Mr Yiannis E Panayi and ASP & K Paschali Limited (a company controlled by him), for the future acquisition of Nike Hotels Limited.

The deadline for the completion of the agreement was set at 31 December 2009 subject to the fulfilment of the acquisition terms. The acquisition terms are summarised in Note 38 (d).

Since the above agreement has not yet been completed, the Company does not exercise control on Nike Hotels Limited or/and on its assets, and as a result the results and assets of this company are not included in the consolidated financial statements. The advances paid for this future acquisition are shown as a financial asset in non-current receivables on which effective interest of 6% is accounted for.

5 Segmental analysis

Primary analysis – Geographical segments

Year ended 31 December 2006

	Cyprus C£	Greece C£	**Total C£**
Turnover	23.890.962	2.385.193	**26.276.155**
Operating profit	1.178.083	11.439	**1.189.522**
Finance costs			**(1.625.950)**
Share of profit of associated company			**79.350**
Loss before tax			**(357.078)**
Tax			**(720.193)**
Loss for the year			**(1.077.271)**
Segment assets	136.000.058	14.845.501	**150.845.559**
Investment in associated company	576.982	-	**576.982**
Unallocated assets			**214.549**
Total assets			**151.637.090**
Segment liabilities	40.816.235	8.272.345	**49.088.580**
Unallocated liabilities			**7.305.094**
Total liabilities			**56.393.674**
Capital expenditure (Note 14)	2.913.686	7.557.878	**10.471.564**
Depreciation (Note 14/15)	1.899.098	295.874	**2.194.972**
Impairment of trade receivables (Note 9)	103.944	-	**103.944**

5 Segmental analysis (continued)

Primary analysis – Geographical segments

Year ended 31 December 2005

	Cyprus C£	Greece C£	**Total C£**
Turnover	28.283.779	2.129.669	**30.413.448**
Operating profit	1.618.935	(1.446.175)	**172.760**
Finance costs			**(1.636.494)**
Share of profit of associated company			**70.078**
Share of loss of joint venture			**(250.000)**
Loss before tax			**(1.643.656)**
Tax			**(840.093)**
Loss for the year			**(2.483.749)**
Segment assets	132.754.435	11.963.954	**144.718.389**
Investments in associated company	497.632	-	**497.632**
Unallocated assets			**596.416**
Total assets			**145.812.437**
Segment liabilities	36.698.591	5.823.929	**42.522.520**
Unallocated liabilities			**6.984.577**
Total liabilities			**49.507.097**
Capital expenditure (Notes 14/15)	1.647.559	82.277	**1.729.836**
Depreciation (Note 14)	1.855.588	275.274	**2.130.862**
Impairment of goodwill (Note 17)	1.025.673	1.490.320	**2.515.993**
Impairment of trade receivables (Note 9)	297.782	-	**297.782**

The Group is organised into two main geographical segments:

Cyprus: Cyprus is the country of incorporation of the parent company. In Cyprus the Group operates 29 freehold or leasehold tourist properties.

Greece: In Greece the Group operates one freehold tourist property and one leasehold property.

Segment assets consist primarily of property, plant and equipment, goodwill, rent prepayments, inventories, receivables and prepayments, available-for-sale financial assets, cash at bank and in hand and do not include taxation refundable and deferred tax assets.

Segment liabilities consist of operating liabilities and do not include current and deferred taxation.

Capital expenditure includes purchases of property, plant and equipment (including finance leases) and intangible assets.

5 Segmental analysis (continued)

Secondary analysis – Business segments

The Group's activities are mainly the operation of freehold and leasehold tourist properties and as a result no analysis of business segments is presented.

6 Other income

	2006	2005
	C£	C£
Rent receivable	**168.354**	205.160
Profit from land development	**-**	118.045
Other income	**25.561**	47.079
	193.915	370.284

7 Other gains – net

	2006	2005
	C£	C£
Investment property:		
Fair value gains (Note 16)	**557.971**	-
Loss on disposal of available-for-sale financial assets (Note 22)	**(12.807)**	-
Interest income:		
Bank balances	**272.646**	357.677
Loan to related companies (Note 38 (e))	**588.980**	419.947
Finance leases (Note 38 (c))	**-**	111.894
Tax refundable	**94.825**	-
	956.451	889.518
Dividend income	**1.964**	1.987
	1.503.579	891.505

8 Staff costs

	2006	2005
	C£	C£
Wages and salaries	**8.965.497**	9.904.439
Social insurances and other funds	**830.702**	914.920
Provident Fund contributions	**141.267**	155.098
	9.937.466	10.974.457

8 Staff costs (continued)

The Group contributes to The Hotel Industry Employees' Provident Fund in Cyprus for those hotel employees that are entitled to the scheme. This is a defined contribution scheme whereby employees are entitled to payment of certain benefits upon retirement or prior termination of service.

9 Operating profit

The following items have been included in arriving at the operating profit:

	2006 **C£**	2005 C£
(Profit)/loss on disposal of property, plant and equipment (Note 14)	**(145.124)**	100.000
Loss on write off of property, plant and equipment	**-**	10.654
Auditor's remuneration	**45.000**	57.000
Government grant amortisation	**-**	(10.452)
Provision for impairment of receivables (Note 26)	**103.944**	297.782

10 Finance costs

	2006 **C£**	2005 C£
Interest expense:		
Bank borrowings	**1.707.058**	1.743.083
Overdue taxation	**2.576**	-
Other creditors	**29.111**	36.326
	1.738.745	1.779.409
Net foreign exchange transaction gains	**(112.795)**	(142.915)
	1.625.950	1.636.494

11 Tax

	2006 **C£**	2005 C£
Current tax:		
Corporation tax	**-**	126.082
Defence contribution	**86.528**	71.237
Deferred tax (Note 31)	**468.854**	540.078
Prior year tax	**97.559**	970
Capital gains tax	**67.252**	101.726
	720.193	840.093

11 Tax (continued)

The tax on the Group's results before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profit of the consolidated companies as follows:

	2006	2005
	C£	C£
Loss before tax	**(357.078)**	(1.643.656)
Tax calculated at the applicable tax rates	**(45.496)**	(270.187)
Tax effect of expenses not deductible for tax purposes	**554.027**	573.765
Tax effect of allowances and income not subject to tax	**(39.677)**	(179.299)
Tax effect of unutilised tax losses	**-**	534.010
Special contribution for defence	**86.528**	71.237
Tax from prior years	**97.559**	970
Capital gains tax	**67.252**	101.726
Additional tax	**-**	7.871
Tax charge	**720.193**	840.093

From 1 January 2003 onwards the Group companies which are registered in Cyprus are subject to corporation tax on taxable profits at the rate of 10%.

Group subsidiaries which are registered in Greece are subject to corporation tax at the rate of 35% on all their taxable profits.

Under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax thus having an effective tax rate burden of approximately 15%. In certain cases dividends received from abroad may be subject to defence contribution at the rate of 15%.

12 Loss per share

	2006	2005
Net loss (C£)	**(1.077.271)**	(2.483.749)
Weighted average number of ordinary shares in issue during the year	**258 000 000**	258 000 000
Loss per share (cents)	**(0,4)**	(1,0)

13 Dividend per share

The Board of Directors does not recommend the payment of a dividend for the year ended at 31 December 2006.

13 Dividend per share (continued)

From 1 January 2003 dividends paid to individuals who are tax residents in Cyprus are subject to a deduction of special contribution for defence at the rate of 15%. On 31 December 2006 the Company regognised a liability for the payment of special contribution for defence at 15% on deemed distribution of dividend, as defined according to the Special Contribution for Defence Law of the Republic. The amount of special contribution for defence on the deemed distribution of dividend of C£167.144 (2005 : C£291.517) has been charged in retained earnings.

14 Property, plant and equipment

	Land and buildings C£	Machinery, equipment and furniture C£	Linen, cutlery and glassware C£	Vehicles C£	Total £
At 1 January 2005					
Cost or valuation	94.713.296	8.475.971	734.021	320.507	104.243.795
Accumulated depreciation	(1.292.549)	(2.968.604)	-	(231.190)	(4.492.343)
Net book amount	93.420.747	5.507.367	734.021	89.317	99.751.452
Year ended 31 December 2005					
Opening net book amount	93.420.747	5.507.367	734.021	89.317	99.751.452
Additions	96.840	118.755	147.589	11.652	374.836
Disposal	(1.118.262)	(40.319)	-	-	(1.158.581)
Write offs	-	(8.956)	(1.698)	-	(10.654)
Depreciation charge	(977.750)	(912.773)	(194.343)	(45.996)	(2.130.862)
Exchange differences	(288.080)	(16.196)	-	-	(304.276)
Closing net book amount	91.133.495	4.647.878	685.569	54.973	96.521.915
At 31 December 2005					
Cost or valuation	93.394.250	8.447.604	879.912	332.160	103.053.926
Accumulated depreciation	(2.260.755)	(3.799.726)	(194.343)	(277.187)	(6.532.011)
Net book amount	91.133.495	4.647.878	685.569	54.973	96.521.915
Year ended 31 December 2006					
Opening net book amount	91.133.495	4.647.878	685.569	54.973	**96.521.915**
Additions	10.099.216	249.071	93.277	30.000	**10.471.564**
Disposal	(13.747.467)	(217.587)	-	-	**(13.965.054)**
Depreciation charge	(973.650)	(869.697)	(254.849)	(35.739)	**(2.133.935)**
Exchange differences	90.612	2.429	-	-	**93.041**
Closing net book amount	86.602.206	3.812.094	523.997	49.234	**90.987.531**
At 31 December 2006					
Cost or valuation	89.513.298	8.181.412	973.189	362.160	**99.030.059**
Accumulated depreciation	(2.911.092)	(4.369.318)	(449.192)	(312.926)	**(8.042.528)**
Net book amount	86.602.206	3.812.094	523.997	49.234	**90.987.531**

14 Property, plant and equipment (continued)

In the consolidated cash flow statement proceeds from sale of property, plant and equipment include:

	2006	2005
	C£	C£
Net book value	**7.544.956**	1.158.581
Profit/(loss) on sale of property, plant and equipment (Note 9)	**145.124**	(100.000)
Proceeds from sale of property, plant and equipment	**7.690.080**	1.058.581

During the year the Group sold and leased back under a finance lease the hotel "Sun Palace" in Rhodes. As a result of this transaction the amounts of C£7.419.785 and C£6.420.098 have been included in additions and disposals for the year respectively. The consolidated cash flow statement includes only the cash flows arising from this transaction, which are shown under financing activities.

Leasehold properties

Property, plant and equipment include the following leasehold properties:

(a) During the year 2004 the Group entered into an agreement with the related company Nike Hotels Limited for extending the lease and/or the right to use apartments in a tourist village until 2054 (Note 38 (b)). Part of these apartments were leased to the joint venture Parasol Vacation Limited (Note 38(c)).

(b) Part of a tourist complex has been constructed on leasehold land. The period of the lease is 99 years beginning from the year 1996 with renewal options for another two periods of 33 years. The Group had the option to purchase the freehold of the land between the seventh and tenth year of the lease for C£923.000, which represents the market value of the land as at the date of the signing of the contract plus an annual increase of 7%. This option has been exercised in June 2006 for the amount of C£1.814.379 and the property became freehold.

(c) During 2001, the Group entered into agreements for the lease of two tourist properties for C£12.100.000, for a period of 99 years with the option to purchase them at the end of the lease period for C£100 each.

(d) During 2001, the Group leased two plots of land upon which it constructed two tourist villages. The lease period of each plot is for 33 years with a renewal option for another 33 years. The Group has the option to purchase the freehold of the two pieces of land between the first and the sixth year of the lease for C£5.574.000 for the first one and C£2.226.000 for the second one plus a 4% increase for the first year and an annual increase of 7% for each year thereafter. The Group exercised this option in April 2007 (Note 40 (iv)).

14 Property, plant and equipment (continued)

Leasehold properties (continued)

(e) During 2006, the Group leased its Rhodes hotel unit following a sale and leaseback arrangement for 15 years. The Group has the option to purchase back this unit between the third and fifteenth year at an amount equal to the discounted future payments for the lease of the property. At the end of the lease period the price for the repurchase of the property amounts to €2.900.000.

Leasehold properties are included in the category "land and buildings".

The net book value of leasehold assets, where the Group is the lessee, is analysed as follows:

	2006	2005
	C£	C£
Land and buildings		
Capitalised leases/improvement of leasehold properties	**46.599.900**	42.679.206
Accumulated depreciation	**(1.268.192)**	(777.444)
Net book amount	**45.331.708**	41.901.761

Revaluation

The land and buildings of the Group were last revalued on 31 December 2004 by independent values on the basis of open market values.

The revaluation surplus net of applicable deferred taxation was credited to the fair value reserve in shareholders' equity.

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2006	2005
	C£	C£
Cost	**66.015.926**	68.881.746
Accumulated depreciation	**(3.561.087)**	(3.444.459)
Net book amount	**62.454.839**	65.437.287

Bank borrowings are secured on land and buildings for the amounts of C£23.600.000 and €24.876.000 (C£14.383.348) (2005:C£26.530.000 and €26.284.000 (C£15.073.694)) (Note 30).

Land and buildings of C£1.375.000 (2005 : C£1.375.000) which are included in property, plant and equipment have not yet been registered on the name of the Group.

15 Intangible asset

	C£
Year ended 31 December 2005	
Opening net book amount	-
Additions	1.355.000
Amortisation charge	-
Closing net book amount	1.355.000
At 31 December 2005	
Cost	1.355.000
Accumulated amortisation	-
Net book amount	1.355.000
Year ended 31 December 2006	
Opening net book amount	**1.355.000**
Amortisation charge	**(61.037)**
Closing net book amount	**1.293.963**
At 31 December 2006	
Cost	**1.355.000**
Accumulated amortisation	**(61.037)**
Net book amount	**1.293.963**

The intangible asset represents a lease contract for land, which was acquired from the related company Dhefcalion Hotels Limited (Note 38 (j)).

16 Investment property

	2006	2005
	C£	C£
At beginning of year	**670.319**	670.319
Fair value gains (Note 7)	**557.971**	-
At end of year	**1.228.290**	670.319

Investment property represents land leased to the joint venture Parasol Vacaction Limited on a long-term basis.

Investment property is revalued annually at fair value, which represents open market value, determined by external independent valuers.

17 Goodwill

	2006	2005
	C£	C£
Opening net book amount	**237.865**	2.930.668
Impairment charge	**-**	(2.515.993)
Reduction in the cost of investment	**-**	(142.946)
Exchange differences	**-**	(33.864)
Closing net book amount	**237.865**	237.865

Impairment test for goodwill

Goodwill is allocated on cash generating units.

The recoverable amount of a cash generated unit is determined based on estimate of its fair value less selling costs. This estimate is based on valuations by external independent valuers taking into account the estimated open market value of the hotel units/properties.

On 1 January 2006 the amount of goodwill in the Group's consolidated financial statements represents the net book value of goodwill for the acquisition of Aegisthos Hotels Limited.

The land owned by this company, which is classified in inventories and work in progress, has been valued by two independent valuers. The average valuation was C£3.400.000, which exceeds the net book value of this property. As a result there was no impairment charge on the amount of goodwill included for this unit. The assumptions used by the independent valuers were as follows:

- Value of plot – 23.100 sq. m. x £147.186 (average)

18 Investment in associate

	2006	2005
	C£	C£
At beginning of the year	**497.632**	427.554
Share of profit after tax	**79.350**	70.078
At end of year	**576.982**	497.632

The associated company is Leonidas Hotels Limited which is registered in Cyprus. The issued share capital of the associated company is 20 000 shares of C£1 each, 50% of which is owned by the Group. There were no changes in the interest in the associated undertaking in 2005 and 2006. Its principal activity is the leasing of its own land to Aqua Sol Hotels Public Company Limited. Upon this land Aqua Sol Hotels Public Company Limited has erected and operates a tourist property.

18 Investment in associate (continued)

The Group's share to the associated company, which is not listed in the Cyprus Stock Exchange is:

Name	Assets C£	Liabilities C£	Revenues C£	Profit C£	Interest held %
Leonidas Hotels Limited:					
2005	1.577.406	583.328	71.457	140.155	50
2006	1.678.153	535.173	71.460	158.701	50

19 Interest in joint venture

On 4 June 2004, the Group entered into an agreement with Paradise Resorts (Cyprus) Limited for the formation of Parasol Vacation Limited. The Group participates in the joint venture with a 50% share. Parasol Vacation Limited was incorporated in Cyprus with issued share capital of 1 000 shares of C£1 each, is not listed in the Cyprus Stock Exchange and its activities are the marketing, promotion and sale of apartments on a time sharing basis. Parasol Vacation Limited did not operate during the year. The shareholders are re-examining their co-operation on this venture.

The following figures represent the 50% share of the Group in Parasol Vacation Limited:

	2006 **C£**	2005 C£
Assets		
Non-current	**151.347**	169.478
Current	**1.513.729**	1.509.963
	1.665.076	1.679.441
Liabilities		
Current	**2.096.918**	2.013.263
Net liabilities	**(431.842)**	(333.822)
Net loss for the year	**(60.934)**	(181.847)

It is noted that the above figures were recognised in the consolidated income statement and consolidated balance sheet of the Group to the extent of the investment made in the share capital of the joint venture and to the extent of the loan advanced to the joint venture (Note 38 (h)).

20 Subsidiary companies

All subsidiaries are wholly owned and are the following:

Name	**Principal activity**	**Country of incorporation/ operation**
Anelmia Hotels Limited	Operation of tourist properties	Cyprus
Aqua Sol Touristikai Ependyseis S.A.	Holding company of the Greek subsidiaries	Greece
Elounta Marmin Xenodohiakai kai Touristikai Epichiriseis S.A.	Operation of owned hotel Elounda Marmin Aqua Sol Resort in Crete	Greece
Touristikai Ependyseis Nison S.A.	Operation of leased hotel Sun Palace in Rhodes under a finance lease	Greece
Aegisthos Hotels Limited	Property owner	Cyprus
Adrasteia Hotels Limited	Lease of its freehold tourist village to the parent and to the joint venture	Cyprus

The companies “Elounta Marmin Xenodohiakai kai Touristikai Epichiriseis S.A.” and “Touristikai Ependyseis Nison S.A.” are wholly-owned indirectly through the subsidiary company “Aqua Sol Touristikai Ependyseis A.E.”.

21 Rent prepaid

	2006 **C£**	2005 C£
At 1 January	**19.661.775**	22.089.664
Cancellations	**(120.827)**	(552.247)
Charge for the year (Note 37)	**(2.827.741)**	(1.875.642)
At 31 December	**16.713.207**	19.661.775

The total lease expense is charged to the consolidated income statement on a straight-line basis over the period of the lease.

Cancellations relate to prepaid operating leases which were cancelled during the year.

21 Rent prepaid (continued)

Rent prepaid is presented in the consolidated balance sheet as follows:

	2006 C£	2005 C£
Current assets		
Within 1 year	**2.551.236**	2.968.121
Non current assets		
Between 1 and 5 years	**5.203.219**	6.297.764
Over 5 years	**8.958.752**	10.395.890
	14.161.971	16.693.654
Total	**16.713.207**	19.661.775

22 Available-for-sale financial assets

	2006 C£	2005 C£
Beginning of year	**54.858**	31.961
Disposal	**(33.001)**	-
Revaluation surplus transferred to equity (Note 29)	**3.551**	22.897
End of year	**25.408**	54.858

Available-for-sale financial assets, consist primarily of marketable equity securities, and are fair valued annually at the close of business on 31 December. For investments traded in active markets, fair value is determined by reference to the Stock Exchange quoted bid prices.

The following are included in the consolidated income statement in relation to the available-for-sale financial assets:

	2006 C£	2005 C£
Loss on disposal of available-for-sale financial assets (Note 7)	**12.807**	-

23 Non-current receivables

	2006 C£	2005 C£
Receivable from related company (Note 38 (e))	**7.462.621**	7.824.115
Financial asset arising from agreement for the future acquisition of Nike Hotels Limited (Note 38 (d))	**12.500.000**	-
	19.962.621	7.824.115

23 Non-current receivables (continued)

The current receivables relating to the above items are shown in Note 26. All non-current receivables are due within five years from the balance sheet date.

The effective interest rate of the non-current receivables were 6% (2005 : 6%).

The fair values of the non-current receivables does not differ significantly from their carrying amounts at the balance sheet date.

24 Deferred expenses

	2006	2005
	C£	C£
At the beginning of the year	**-**	-
Additions	**1.116.016**	-
Amortisation	**(12.400)**	-
At the end of the year	**1.103.616**	-

Deferred expenses relate to the surplus of the net book value over the proceeds from a sale and finance lease-back transaction, and are recognised in the consolidated income statement on a straight line basis over the period of the lease.

25 Inventory and work in progress

	2006	2005
	C£	C£
Hotel inventory:		
Food, beverage and cleaning materials	**283.430**	288.599
Land under development and work in progress:		
Land	**3.062.656**	3.212.656
Construction cost	**18.061**	18.061
	3.080.717	3.230.717
Total inventory and work in progress	**3.364.147**	3.519.316

Part of the land under development is mortgaged in favour of related parties for an amount of C£1.700.000 (Note 38 (n)).

26 Trade and other receivables

	2006 C£	2005 C£
Trade receivables	**5.107.789**	4.396.041
Less: provision for impairment of receivables	**(541.791)**	(593.228)
Trade receivables - net	**4.565.998**	3.802.813
Prepayments	**558.980**	223.758
Amount due from associated company (Note 38 (f))	**29.663**	34.965
Other receivables	**223.486**	366.333
Receivables from joint venture (Note 38 (g))	**3.507.481**	3.460.138
Receivable from related company (Note 38 (e))	**700.000**	700.000
	9.585.607	8.588.007

The fair value of trade and other receivables which are due within one year approximates their carrying amount at the consolidated balance sheet date.

During the year the Group transferred to an invoice discounting creditor, trade receivables amounting to C£1.400.000, with recourse. The related liability is presented as invoice discounting creditor in Note 30.

The Group's historical experience in collection of receivable falls within the recorded allowances, considering the uncertainties that exist in the international economy and in the Cyprus tourist industry. The Group has recorded a loss for the impairment of the trade receivables during the year ended 31 December 2006 amounting to C£103.944 (2005:C£297.782), which is included in the consolidated income statement. An amount of C£155.381 has been written off within the year out of the provision for impairment. Management believes that no additional credit risk, beyond amounts provided for collection losses, is inherent in the Group's receivables from customers.

27 Cash and cash equivalents

	2006 C£	2005 C£
Cash at bank and in hand	**4.294.442**	2.937.027
Short term bank deposits	**2.048.861**	3.348.192
	6.343.303	6.285.219

The effective interest rate on short term bank deposits was 4,00 - 4,50% (2005: 4,65-5,50%) and these deposits have an average maturity of 12 months.

Short term bank deposits amounting to C£1.800.000 are pledged as security for Group's bank borrowings (Note 30).

27 Cash and cash equivalents (continued)

For the purposes of the consolidated cash flow statement, cash and bank overdrafts include the following:

	2006	2005
	C£	C£
Cash at bank and in hand	**6.343.303**	6.285.219
Less: deposits maturing more than 3 months	**(2.048.861)**	(3.348.192)
	4.294.442	2.937.027
Bank overdrafts (Note 30)	**(7.377.353)**	(6.319.121)
Invoice discounting creditor (Note 30)	**(985.505)**	(985.405)
	(4.068.416)	(4.367.499)

28 Share capital and share premium

	Number of shares	Share capital C£	Share premium C£	**Total C£**
At 31 December 2005 and 31 December 2006	258 000 000	51.600.000	11.783.534	**63.383.534**

The authorized share capital of the Company amounts to C£100.000.000 divided in 500 000 000 shares (2005 : 500 000 000) with a nominal value of 20 cents each. All issued shares are fully paid.

29 Other reserves

	Note	Foreign exchange reserve C£	Land and buildings revaluation C£	Available-for-sale financial assets C£	**Total C£**
Balance at 1 January 2005		79.013	18.243.021	(54.807)	**18.267.227**
Transfer due to disposal of revalued property		-	(694.154)	-	**(694.154)**
Adjustment for deferred tax	31	-	(17.583)	-	**(17.583)**
Available-for-sale financial assets:					
Fair value gains	22	-	-	22.897	**22.897**
Depreciation transfer – gross		-	(268.742)	-	**(268.742)**
Depreciation transfer - tax		-	26.874	-	**26.874**
Exchange differences on the translation of the financial statements of foreign subsidiaries		(35.059)	-	-	**(35.059)**
Balance at 31 December 2005/ 1 January 2006		43.954	17.289.416	(31.910)	**17.301.460**
Transfer due to disposal of revalued property		-	(1.222.645)	-	**(1.222.645)**
Adjustment for deferred tax	31	-	172.951	-	**172.951**
Available-for-sale financial assets:					
Fair value gains	22	-	-	3.551	**3.551**
Transfer due to disposal		-	-	14.206	**14.206**
Depreciation transfer – gross		-	(261.478)	-	**(261.478)**
Depreciation transfer - tax		-	26.148	-	**26.148**
Exchange differences on the translation of the financial statements of foreign subsidiaries		(8.217)	-	-	**8.217**
Balance at 31 December 2006		35.737	16.004.392	(14.153)	**16.025.976**

30 Borrowings

	2006 C£	2005 C£
Current		
Bank overdrafts (Note 27)	**7.377.353**	6.319.121
Invoice discounting creditor (Note 27)	**985.505**	985.405
Bank borrowings	**4.482.916**	6.825.996
Finance lease liabilities	**528.051**	-
Other borrowings	**96.149**	113.013
	13.469.974	14.243.535
Non-current		
Bank borrowings	**21.930.872**	20.050.216
Finance lease liabilities	**6.754.912**	-
	28.685.784	20.050.216
Total borrowings	**42.155.758**	34.293.751

30 Borrowings (continued)

	2006	2005
	C£	C£
Maturity of non-current borrowings (excluding finance lease liabilities):		
Between 1 and 2 years	**4.525.024**	4.204.952
Between 2 and 5 years	**10.050.605**	11.131.978
Over 5 years	**7.355.243**	4.713.286
	21.930.872	20.050.216
Finance lease liabilities – minimum lease payments		
Not later than 1 year	**561.491**	-
Later than 1 year and not later than 5 years	**2.886.464**	-
Later than 5 years	**6.014.321**	-
	9.462.276	-
Future finance charges of finance leases	**(2.179.313)**	-
Present value of finance lease liabilities	**7.282.963**	-
The present value of finance lease liabilities expires as follows:		
Not later than 1 year	**528.051**	-
Later than 1 year and not later than 5 years	**2.112.205**	-
Later than 5 years	**4.642.707**	-
	7.282.963	-

The bank loans are repayable by instalments by March 2022.

The bank loans and overdrafts are secured as follows:

a) By mortgage on part of the Group’s leasehold and freehold land and buildings (Note 14) and related companies (Note 38 (m)) for the amount of C£24.100.000 (2005: £26.530.000) and €26.284.000 (C£15.073.694) (2005 : €26.284.000 (C£15.073.694)).

b) By unlimited personal guarantees of the Group’s Managing Director Mr Yiannis E Panayi (note 38 (m)).

c) By corporate guarantees provided by the related companies Polyphimos Hotels Limited for the amount of C£11.000.000 (2005 : C£8.400.000), Nike Hotels Limited for the amount of C£8.400.000 (2005 : £8.400.000), Pilades Hotels Limited for the amount of C£800.000 (2005 : C£1.200.000) and Panas Hotels Limited for the amount of C£4.000.000 (2005 : C£NIL) (Note 38 (m)).

d) By assignment of fire and earthquake insurance policies of the Group’s hotels.

e) By an assignment of commitment contracts between Aqua Sol Hotels Public Company Limited (formerly Aqua Sol Hotels Limited) and the tour operators My Travel Group Plc and Scandinavian Leisure Group for accommodation in a number of tourist properties up to an amount of C£10.760.000 (Note 38 (m)).

f) By pledging 4 000 000 fully paid ordinary shares of the Company, registered in the name of the related company Hekate Hotels Limited (Note 38 (m)).

g) By a fixed charge over the equipment of the tourist village Panthea Tourist Village and for a total of C£300.000 (2005: C£300.000) and by fixed charges over the equipment of Panas Tourist Village and Pilades Tourist Village for the amount of C£300.000 each (Note 38 (m)).

30 Borrowings (continued)

h) By a floating charge for the amount of C£3.650.000 (2005 : C£2.400.000) over the total assets of the Group.
i) By a floating charge for the amount of C£750.000 (2005 : C£NIL) over the assets of the related company Panas Hotels Limited (Note 38 (m)).
j) By an assignment of collection rights of a stand-by credit letter issued in favour of the company Hekate Hotels Limited by My Travel Group Plc (Note 38 (m)).
k) By pledging of a fixed deposit account for the amount of C£1.800.000 (2005 : C£NIL) (Note 27).
l) By assignment of the benefits arising from the agreement of the acquisition of Nike Hotels Limited.
(m) By assignment of the benefits arising from the lease agreement between Panas Hotels Limited and the Group for the amount up to £1.000.000 and €7.000.000 (Note 38 (m)).

The invoice discounting creditor is secured by a floating charge for the amount of C£1.400.000 over the total assets of the Group.

Lease liabilities are effectively by secured as the rights to the leased asset revert to the lessor in the event of default.

The weighted average effective interest rates at the consolidated balance sheet date were as follows:

	2006	2005
	%	%
Bank borrowings	**4,8**	4,0
Bank overdrafts	**5,5**	6,0
Finance lease liabilities	**5,8**	-

The Group's bank borrowings and bank overdrafts are arranged at floating rates. For borrowings at floating rates the interest rate reprises on a monthly basis exposing the Group to cash flow interest rate risk.

The carrying amounts of the short-term bank overdrafts, bank borrowings, finance lease liabilities and invoice discounting creditor approximate their fair value.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2006	2005
	C£	C£
Cyprus pound – functional and presentation currency	**9.559.007**	8.626.961
Euro	**27.659.069**	19.637.001
Japanese Yen	**805.188**	1.049.720
Swiss Franc	**4.132.494**	4.980.069
	42.155.758	34.293.751

31 Deferred tax assets and liabilities

The movement of the deferred tax account is as follows:

	2006	2005
	C£	C£
At 1 January	**6.884.645**	6.377.626
Income statement charge (Note 11)	**468.854**	540.078
Tax debited to retained earnings	**-**	2.833
Tax (credited)/charged to fair value reserves (Note 29)	**(172.951)**	17.583
Exchange differences	**21.921**	(53.475)
At 31 December	**7.702.469**	6.884.645

The movement of deferred tax assets and liabilities during the year is analysed in more detail as follows:

Deferred tax liabilities

	Rent prepaid	Accelerated tax depreciation	Revaluation of land and buildings	**Total**
	C£	C£	C£	**C£**
At 1 January 2005	111.528	481.956	6.409.111	**7.002.595**
Charged/(credited) to income statement	31.161	174.059	(179.152)	**28.068**
Charged to retained earnings	-	-	2.833	**2.833**
Charged fair value reserves	-	-	17.583	**17.583**
Exchange differences	-	(5.985)	(61.375)	**(67.360)**
At 31 December 2005/1 January 2006	142.689	650.030	6.189.000	**6.981.719**
Charged/(credited) to income statement	-	110.539	363.315	**473.854**
Credited to fair value reserves	-	-	(172.951)	**(172.951)**
Exchange differences	-	2.624	19.848	**22.472**
At 31 December 2006	142.689	763.193	6.399.212	**7.305.094**

31 Deferred tax assets and liabilities (continued)

Deferred tax assets

	Provision for bad debts C£	Tax losses C£	**Total C£**
At 1 January 2005	(86.988)	(537.981)	**(624.969)**
Charged/(credited) to income statement	(12.018)	526.028	**514.010**
Exchange differences	1.932	11.953	**13.885**
At 31 December 2005/1 January 2006	(97.074)	-	**(97.074)**
Credited to income statement	(5.000)	-	**(5.000)**
Exchange differences	(551)	-	**(551)**
At 31 December 2006	(102.625)	-	**(102.625)**

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

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2006 C£	2005 C£
Deferred tax liabilities	**7.305.094**	6.981.719
Deferred tax assets	**(102.625)**	(97.074)
	7.202.469	6.884.645

The amounts shown in the consolidated balance sheet include the following:

	2006 C£	2005 C£
Deferred tax liabilities to be settled after more than 12 months	**7.305.094**	6.981.719
Deferred tax assets to be recovered after more than 12 months	**(102.625)**	(97.074)

32 Advances from tour operators

	2006 C£	2005 C£
Within one year	**103.968**	375.540

The advances represent amounts received from tour operators for accommodation services.

33 Provision for staff compensation

Under Greek labour legislation, employees that are dismissed or reach normal retirement age are entitled to an allowance based on years of service. The provision for staff compensation benefits of C£63.955 (2005: C£63.510) relates to the subsidiaries in Greece.

34 Deferred income

	2006	2005
	C£	C£
Deferred profit from finance leases	**470.718**	470.718

The deferred profit from finance leases represents the profit from finance leases which have not been recognised in the consolidated income statement, because the economic benefits did not flow to the Group.

35 Trade and other payables

	2006	2005
	C£	C£
Trade creditors	**3.046.724**	3.727.492
Social insurance and other taxes	**500.609**	439.168
Accrued expenses	**1.633.089**	2.332.464
Other creditors	**578.580**	160.463
Amounts due to Directors (Note 38 (k))	**16.968**	16.830
Rent received in advance	**351.067**	351.067
Defence on deemed dividend distribution	**167.144**	291.517
	6.294.181	7.319.001

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

36 Contingent liabilities

At 31 December 2006 there were pending claims against the Group in respect of its ordinary activities for amounts which are not significant to the Group. The Directors believe that adequate defences exist against these claims and that no significant losses will be suffered by the Group from these claims. Accordingly, no provision has been made in the consolidated financial statements in respect of these claims.

37 Operating leases

Where the Group is the lessee

The Group leases hotels and other tourist units under non-cancellable operating leases. The Group also leases furniture and equipment under non-cancellable operating leases.

The rent expense charged in the consolidated income statement is as follows:

	2006	2005
	C£	C£
Amortisation of rent prepaid (Note 21)	**2.827.741**	1.875.642
Other operating leases	**1.439.431**	2.094.790
	4.267.172	3.970.432

The future aggregate minimum lease payments under non-cancellable operating leases (except from rent prepaid as mentioned in Note 21), are as follows:

	2006	2005
	C£	C£
Not more than 1 year	**1.096.807**	1.659.596
Between 1 and 5 years	**4.104.333**	5.942.976
Later than 5 years	**24.947.650**	26.690.719
	30.148.790	34.293.291

Where the Group is the lessor

The Group grants space to third parties in its hotel units. The operating lease income credited in the consolidated income statement is shown in Note 6.

The future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

	2006	2005
	C£	C£
Not more than 1 year	**24.175**	22.350
Between 1 and 5 years	**105.825**	101.125
Later than 5 years	**41.504**	67.779
	171.504	191.254

The non cancelable operating leases relate mainly to income from leasing of space of the hotel units mentioned in Note 40.

38 Related party transactions

Mr Yiannis E Panayi, Director of the Company owns directly or indirectly 44,95 % of the Company's shares. Blue Sea Overseas Investments Limited, which is registered in UK and fully owned by My Travel Group Plc, owns 19,99% of the Company's shares. Another 13,28% of the Company's shares is owned by other Directors (13,26%) and management (0,02% of the Company and the remaining 21,78% of the shares are widely held.

The following transactions were carried out with related parties which are companies with a significant interest in the Group and companies which the major shareholders of the Company have a significant interest.

(a) Sale of services

	2006	2005
	C£	C£
Sale of accommodation services:		
My Travel Group Plc	**5.809.973**	8.596.695
Other services	**22.400**	18.400

The sale of accommodation services were made on commercial terms and conditions.

Other services relate to administrative services offered to related companies controlled by the Director Mr Yiannis E. Panayi.

(b) Leases of tourist properties from related companies

(i) On 29 December 1999 the Company entered into agreements with related companies to lease a number of tourist properties for a period between 4 to 20 years. The total cost for these leases was C£22.138.350, C£20.308.750 of which was satisfied through the issue of shares and the balance through cash payments over the period of the lease. On the same date the Company entered into agreements with related companies for the lease of furniture and equipment of the mentioned tourist properties for a period between 4 to 20 years.

(ii) During 2001 the Company entered into agreements with related companies for the lease of four tourist properties for a period between 13 to 15 years. The total cost for these leases of C£8.730.000, was settled in cash.

(iii) During 2004 the Company entered into an agreement with a related company for extending the lease and/or right to use apartments in a tourist village to 50 years, for an amount of C£2.462.390. This amount was initially payable in three instalments in July 2004 (C£809.072), 2005 (C£809.072) and 2006 (C£844.246). The amount was fully repaid during the year 2004.

38 Related party transactions (continued)

(b) Leases of tourist properties from related companies (continued)

Amounts paid through the issue of shares and in cash, which relate to operating leases, are presented in the consolidated balance sheet as rent prepaid, and are charged to the consolidated income statement over the period of the lease (Note 21).

Amounts which relate to finance leases are included in property, plant and equipment (Note 14).

Rent paid to related companies has been charged to the consolidated income statement as follows:

	2006	2005
	C£	C£
Amortisation of rent prepaid	**2.047.360**	2.617.919
Other operating leases	**217.792**	205.858
	2.265.152	2.823.777

(c) Leases of tourist properties to related companies

Pursuant to an agreement dated 4 June 2004 signed with Paradise Resorts (Cyprus) Limited for the creation of the joint venture Parasol Vacation Limited, the Group has leased to Parasol Vacation Limited for a period of 50 years the following apartments:

- 30 apartments of the tourist village Aqua Sol Village.
- 25 apartments of the tourist village Callisto Tourist Village.

In connection with the above transaction the following amounts were recognised in the consolidated income statement:

	2006	2005
	£	£
Interest income on finance leases	**-**	111.894

Lease income has been allocated to land and buildings on the basis of their fair values. Lease income allocated to the land element of the apartments leased, has been accounted for as an operating lease.

Profit from finance leases represents the profit calculated based on the amounts allocated to the buildings element of the leased apartments. During the year ended 31 December 2006 no income has been recognised as Parasol Vacation Limited did not pay the instalments due.

38 Related party transactions (continued)

(d) Financial asset arising from agreement for the future acquisition of Nike Hotels Limited

	2006	2005
	C£	C£
Non-current receivables (Note 23)	**12.500.000**	-

On 22 December 2006, the Company signed an agreement for the future acquisition of Nike Hotels Limited. The shareholders of Nike Hotels Limited are Mr Yiannis E Panayi and ASP & K Paschali Limited, a company controlled by him. Nike Hotels Limited is the owner of "Callisto Tourist Village" which is leased by the Company under long-term lease agreements.

The agreement consists of the basic agreement and a supplementary agreement, the main terms of which are summarised below:

- The purchase consideration was set at C£17.000.000 based on the estimated fair values of the net assets of Nike Hotels Limited as at the date of the agreements, based on the unaudited management accounts of this company.
- The sellers undertook the responsibility to settle any liabilities of Nike Hotels Limited which may not be included in the unaudited management accounts, and to obtain the sellers prior consent for any changes over the property of Nike Hotels Limited and/or for undertaking financial liabilities.
- There is a deadline for completing the deal by 31 December 2009, by which date the sellers will need to provide audited financial statements which are acceptable by the Company, and to arrange for the transfer of certain assets, liabilities and contracts outside Nike Hotels Limited. In addition the sellers will allow the buyer to carry out a due diligence.
- Any differences in the liabilities of Nike Hotels Limited as at the closing date will result to an adjustment of the purchase consideration.
- The payment of the consideration has been agreed to be made in two instalments. Amounts of C£12.500.000 have been paid upon signing of the agreement. The balance is to be paid up to 31 December 2009, upon completion of the deal.
- The Company has the right to set-off against the final instalment any other balances due to the Company by the sellers or their related parties.
- If the terms of the agreement are not fulfilled and if the results of the due diligence are not in line with the accounts of Nike Hotels Limited, the Company has the right to exit the agreement and the sellers have the obligations to refund the amounts advanced together with interest of 6%. In the case where the agreement is fulfilled, no interest will be charged.

38 Related party transactions (continued)

(d) Financial asset arising from agreement for the future acquisition of Nike Hotels Limited (continued)

Given that there are substantial acts to be made in order to complete the acquisition and that the Group does not exercise control over Nike Hotels Limited, the amounts paid under the above agreement have been classified as a financial asset on which effective interest of 6% is accounted for.

- By promissory notes issued by the shareholders of Nike Hotels Limited, Mr Yiannis E Panayi and ASP & K Paschali Limited for an amount of C£12.500.000, and
- By a pledge over the shares of Nike Hotels Limited.

(e) Loans to related companies

	2006	2005
	C£	C£
Loan to Polyphimos Hotels Limited:		
At beginning of year	**8.524.115**	3.288.769
Net advances	**(950.474)**	4.815.399
Interest charged (Note 7)	**588.980**	419.947
At end of year	**8.162.621**	8.524.115
Short-term loan to related company (Note 26)	**700.000**	700.000
Long-term loan to related company (Note 23)	**7.462.621**	7.824.115
	8.162.621	8.524.115

The amounts shown above include:

(i) A loan having a balance at 31 December 2006 of £2.471.273 (2005:£4.154.083) excluding interest. The loan bears interest at 6% per annum and is secured by a pledge on 17 090 000 shares of Aqua Sol Hotels Public Company Limited, by a mortgage on immovable property for an amount of C£2.000.000 and by personal guarantees of Mr Yiannis E. Panayi. The repayment terms of the loan balances are as follows:

Year	**C£**
2007	700.000
2008	700.000
2009	2.900.000

(ii) The related companies had originally signed commitment contracts with tour operators which have been subsequently assigned to the Company. Pursuant to the provision of the assignment agreements dated on 29 December 1999, the related companies undertaken the obligation to reimburse Aqua Sol Hotels Public Company Limited any deductions made by the tour operators. The deductions made by the tour operators up to 31 December 2006 were £4.393.174 (2005: £3.660.838) excluding interest. These amounts have been assigned from the various related companies to the related company Polyphimos Hotels Limited. These amounts are secured by a mortgage on immovable property for the amount of £4.000.000, bear interest at 6% per annum and have no specific repayment terms.

38 Related party transactions (continued)

(e) Loans to related companies (continued)

(iii) Accumulated interest charged on the above balances amounting to £1.298.174 (2005:£709.194). Interest relating to the loan will be repaid by the year 2009, together with the last installment, whereas interest relating to the balances arising from the deductions from the tour operators, will be repaid with the settlement of these amounts.

(f) Amounts due from associated company

	2006	2005
	C£	C£
At beginning of the year	**34.965**	34.250
Amount advanced during the year	**(5.302)**	715
At end of year (Note 26)	**29.663**	34.965

The above amount was provided to the associated company Leonidas Hotels Limited interest free, without securities and is receivable on demand.

(g) Receivables from joint venture

	2006	2005
	C£	C£
Parasol Vacation Limited (Note 26)	**3.507.481**	3.460.138

The above amounts relate to finance and operating leases of tourist apartments to Parasol Vacation Limited. The amounts relating to the finance lease receivables are analysed as follows:

	2006	2005
	C£	C£
Current assets		
Gross receivable from finance leases:		
Up to 1 year	**3.045.419**	3.045.419
Unearned finance income	**(146.211)**	(146.211)
Net investment in finance leases	**2.899.208**	2.899.208

38 Related party transactions (continued)

(h) Loan to joint venture

	2006 **C£**	2005 C£
Parasol Vacation Limited:		
At beginning of the year	**-**	250.000
Share of loss after tax (restricted to the cost of investment)	**-**	(250.000)
At end of the year	**-**	-

The loan was granted to Parasol Vacation Limited based on the share subscription agreement for the joint venture, bears no interest is unsecured and has no specific repayment terms. The Group's share of loss of the joint venture was recognized under the equity method to the extent of the total investment of the Group (Note 19).

(i) Year end balances arising from trading transactions

The following amounts are included in trade debtors:

	2006 **C£**	2005 C£
Receivable from:		
My Travel Group Plc	**1.429.814**	529.848

(j) Assignment of lease agreement by a related company

During the year 2005 the Group acquired a lease agreement from the related company Dhefcalion Hotels Limited for the amount of C£1.300.000. The value of the lease agreement was estimated based on valuations from independent valuers. Based on the terms of the agreement both parties agreed to pay jointly the capital gains tax arising from this transaction, which was estimated at C£110.000. As a result the total cost of this transaction amounted to C£1.355.000.

(k) Amounts due to Directors

	2006 **C£**	2005 C£
Payable to (Note 35):		
Yiannis E Panayi	**16.968**	16.830

The above amount is not secured, does not bear interest and is payable on demand.

38 Related party transactions (continued)

(l) Directors' remuneration

The total remuneration of the Directors was as follows:

	2006 C£	2005 C£
Fees	**11.250**	12.000
Emoluments in an executive capacity	**101.610**	100.367
	112.860	112.367

(m) Bank loans and overdrafts guaranteed by the Directors and their related companies (Note 30)

The Group's bank loans and overdrafts are secured by related parties as follows:

(i) By unlimited personal guarantee of the Group's Managing Director Mr Yiannis E Panayi.

(ii) By mortgage on land and/or buildings of other related companies for the amount of C£500.000 and €1.408.000 (2005 : C£6.130.000 and €1.408.000).

(iii) By corporate guarantees provided by the related companies Polyphimos Hotels Limited for the amount of C£11.000.000 (2005 : C£8.400.000), Nike Hotels Limited for the amount of C£8.400.000 (2005 : £8.400.000), Pilades Hotels Limited for the amount of C£800.000 (2005 : C£1.200.000) and Panas Hotels Limited for the amount of C£4.000.000 (2005 : C£NIL).

(iv) By a fixed charge over the equipment of the tourist village Panthea Tourist Village for C£300.000 (2005 : C£300.000), and by fixed charges over the equipment of the tourist villages Panas Tourist Village and Pilades Tourist Village for the amount of C£300.000 each.

(v) By pledging 4 000 000 fully paid ordinary shares of the Company, registered in the name of the related company Hekate Hotels Limited.

(vi) By a floating charge for the amount of C£750.000 (2005 : C£NIL) over the assets of the related company Panas Hotels Limited.

(vii) By an assignment of collection rights of a stand-by credit letter issued in favour of the company Hekate Hotels Limited by My Travel Group Plc.

(viii) By assignment of the benefits arising from the lease agreement between Panas Hotels Limited and the Group for the amount up to €7.000.000 and £1.000.000.

(ix) By an assignment of commitment contracts between Aqua Sol Hotels Public Company Limited (formerly Aqua Sol Hotels Limited) and the tour operators My Travel Group Plc and Scandinavian Leisure Group for accommodation in a number of tourist properties up to an amount of C£10.760.000.

38 Related party transactions (continued)

(n) Guarantees in favour of related parties

Part of the Group's land is mortgaged in favour of related parties of Mr Yiannis E Panayi for an amount of C£1.700.000 (Note 25).

39 Supplementary Information

The consolidated income statement for the year ended 31 December 2006 and 31 December 2005, the consolidated balance sheet at 31 December 2006 and 31 December 2005 and the consolidated cash flow statement for the year ended at 31 December 2006 and 31 December 2005 are also presented in Euros as supplementary information. The supplementary information in Euros is stated according to paragraph 57 of IAS 21 "The Effects of Changes in Foreign Exchange Rates" using the rate of exchange issued by the Central Bank of Cyprus at the date of the balance sheet of the current period only (i.e. C£1 = €1,7295 as at 31 December 2006) both for the current period as well as for the comparative figures of the previous financial period.

40 Post balance sheet events

The following material events occurred after the end of the financial year:

(i) On 21 February 2007 the Group signed an agreement with the related company Thalassaki Tourist Village Limited, the owner of "Thalassaki Tourist Village", for the cancellation of the lease agreements relating to the above unit. According to the agreement the Group will receive the amount of C£2.500.000 as a refund for the unamortized amount of rent prepaid as well as a compensation for the cancellation of the lease agreements. The lease agreements were expiring in 2020 and the unamortized prepaid rent which was included in the consolidated financial statements as at 31 December 2006 amounted to C£1.846.056.

(ii) On 3 March 2007 the Group signed an agreement for the sub-sub-lease of the tourist units "Iliada Beach Hotel", "Antigoni Hotel" and "Flora Hotel Apartments" until 31 December 2013 for an annual rental of C£350.000. The Group leases the above units until 31 December 2013 and the unamortized prepaid rent included in the consolidated financial statements as at 31 December 2006 amounted to C£2.404.851.

40 Post balance sheet events (continued)

(iii) On 5 April 2007 the Board of Directors decided to dispose the touristic unit "TS Resorts Hotel Apartments" for the amount of C£4.250.000. The property was included in the Group's assets as at 31 December 2006 at the carrying amount of £3.450.000.

(iv) On 11 April 2007 the Group has exercised the option to purchase the two plots of land as described in note 14 (d) of the consolidated financial statements upon which it constructed two tourist villages "Akteon Tourist Village" and "Eleni Tourist Village, for the total amount of C£10.729.021.

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