CYPRUS LAND DEVELOPMENT CORPORATION

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016

CYPRUS LAND DEVELOPMENT CORPORATION

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016

C O N T E N T S

CYPRUS LAND DEVELOPMENT CORPORATION

BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS

Chairman:	Andreas Frangos (since 5/1/2017) Charalambos Petrides (until 31/12/2016)
Vice chairman**:**	Tasos Koukounis
Members:	Onisiforos Iordanou Andreas Constantinou Stelios Papastylianou Antonis Roussakis (until 17/7/2016 - reappointment 27/1/2017) Pantelis Livadiotis (since 18/7/2016) Michalakis Michail (since 18/7/2016) Panicos Argiridis (27/7/2016) Yiannakis Ioannou (until 17/7/2016) Marios Schizas (until 30/9/2016)
Deputy General Director:	Maria Kyriakidou
Auditors**:**	Auditor General of the Republic
Independent Auditors:	HMI & Partners Ltd Chartered Accountants & Registered Auditors 12 Menandrou Eliona Tower, 1st floor 1066 Nicosia Cyprus
Legal Counsel:	Kakkouras & Panayides LLC

CYPRUS LAND DEVELOPMENT CORPORATION

BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS (cont.)

Bankers:	Housing Finance Corporation
	Bank of Cyprus Public Company Ltd
	Cooperative Central Bank Ltd
	Hellenic Bank Public Company Ltd
Offices:	14 Athalassas Ave., 2011 Strovolos
	Tel.: 22427000, Fax: 22513143
	E-mail: koag@cytanet.com.cy
	Website: www.cldc.org.cy

CYPRUS LAND DEVELOPMENT CORPORATION

MANAGEMENT REPORT

The Board of Directors of Cyprus Land Development Corporation ("The Corporation") submits its annual report along with its audited financial statements for the year ended 31 December 2016.

MAIN ACTIVITIES

The Corporation's main activity according to its founding Law (42/80) is the separation of land into plots and the construction of residences and their provision to families with medium or low-income. The Corporation commenced its activities in 1981.

ASSESSMENT OF THE DEVELOPMENTS, POSITION AND PERFORMANCE OF THE OPERATIONS

The financial position of the Corporation as presented in its financial statements is considered satisfactory. Due to the Corporation facing difficulties with the promotion of sales, its Board of Directors decided to not proceed with the construction of new residential units.

MAIN RISKS AND UNCERTAINTIES

The Corporation is exposed to risks, the most significant of which are the credit risk, liquidity risk, market risk, legal risk, compliance risk, risk of loss of reputation, risk of fair value and capital management.

The Corporation monitors and manages the aforesaid risks with various mechanisms, as mentioned in note 26 of the Corporation's financial statements.

SHARE CAPITAL

There were no amendments to the Corporation's share capital during the year under review.

FINANCIAL RESULTS

The Corporation made an annual profit of €984.380 (2015 €1.399.567) which is transferred to the gain and loss account reserve.

BOARD OF DIRECTORS

Members of the Board of Directors are appointed by the Council of Ministers every two years and a half. The term of service of the current Board, including the Chairman, expires on January 17th, 2019.

INDEPENDENT AUDITORS

During the year the Independent Auditors of the Corporation, Messrs Baker Tilly Klitou & Partners Ltd, resigned and Messrs HMI & Partners Ltd were appointed in their replacement.

MANAGEMENT REPORT (cont.)

EVENTS AFTER THE BALANCE SHEET

There were no significant events after December 31st, 2016 affecting the financial statements.

For and on behalf of the Board of Directors,

Chairman,
Andreas Frangos

Nicosia, 24 April 2018

Independent Auditor's Report

To the Members of Cyprus Land Development Corporation

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Cyprus Land Development Corporation (the "Corporation"), as set out on pages 9 to 42, which comprise the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies and additional clarifications.

In our opinion, except for the possible effects of the matter described in the section titled Basis for Qualified Opinion hereunder, the accompanying financial statements give a true and fair view of the state of the Corporation's financial position as at 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and Cyprus Land Development Law.

Basis for Qualified Opinion

1.We have not received a confirmation letter regarding balances held with the Republic of Cyprus at 31 December 2016. The relevant amounts which have not been confirmed are related to long-term commitments of €66.117.316 (Note 19) as well as deferred administrative income from the implementation of ΣΣΧΑ of €4.995.983 (Note 20). The aforesaid payable amounts are related to the Housing Scheme for Low Income Families and Individuals ("ΣΣΧΑ"), for the implementation of which the Corporation was assigned to manage the construction of residences. There is no written contractual agreement regarding the aforementioned scheme as well as no convergence of opinions with the Republic of Cyprus. Therefore, we are unable to confirm the accuracy and credibility of the balance of the Corporation with the Republic.

2.The ready-made residential units include assets of €1.186.994 (Note 16) which according to International Financial Reporting Standards should be categorized as investment properties measured at fair value and not at the lowest amount between cost and net realisable value.

3.As mentioned in note 30 of the financial statements, there are currently issues at the complex "Nireas I" in Asomatos, Limassol. We have not received any calculations regarding potential future liabilities of the Corporation for the resolution of the aforesaid issues and consequently we are unable to know whether any provision should have been acknowledged in the financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the Code of Ethics issued by the International Ethics Board for Accountants (IESBA Code), and ethical responsibilities regarding the audit of financial statements in the Republic of Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independent Auditor’s Report (cont.)

To the Members of Cyprus Land Development Corporation

Other Information

The directors are responsible for other information. Other information are considered the information included in the management report and the additional information in the income statement but not the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with the audit of the financial statements, our responsibility is to read the other information and assess whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view according to International Standards on Auditing as adopted by the European Union and Cyprus Land Development Law, and for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Corporation’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible to supervise the disclosure of financial information by the Corporation.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and professional scepticism throughout the duration of the audit. Also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting

Independent Auditor's Report (cont.)

To the Members of Cyprus Land Development Corporation

Auditor's Responsibilities for the Audit of the Financial Statements (cont.)

from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves an honest and fair presentation.

Inter alia, we communicate with the directors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

In accordance with the additional requirements of the Auditors Law of 2017, we mention the following:

- In our opinion, the Management Report and the information enclosed thereto are consistent with the financial statements.
- In our opinion, and according to the understanding of the business and the environment of the Corporation acquired during the preparation of the financial statements, we did not find any material uncertainties in the Management Report.

Other Matter

The present report, including the opinion, was prepared for the Board of Directors of the Corporation in accordance with Article 69 of the Auditors Law of 2017 and the Auditor General of the Republic solely and for no other purpose. By providing this opinion, we do not accept or assume responsibility for any other purpose or to any other party who may rely on this report.

Comparative numbers

The financial statements of the Corporation for the year ended 31 December 2015 were audited by another auditor who expressed a modified opinion on the aforesaid financial statements on 9th February 2017.

Independent Auditor's Report (cont.)

To the Members of Cyprus Land Development Corporation

Michalis Hadjipantela
Chartered Accountant and Registered Auditor
for and on behalf of
HMI & Partners Ltd
Chartered Accountants and Registered Auditors

Nicosia, 24 April 2018

CYPRUS LAND DEVELOPMENT CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note.	**2016** €	2015 €
Turnover		**680.800**	**1.804.050**
Cost of sales		**(671.783)**	**(1.734.699)**
Gross profit	4	**9.017**	**69.351**
Impairment on the price of ready-made residential units	4	**(69.712)**	**(187.171)**
Expenses on completed projects and area differentiations	4	**(100.125)**	**(43.936)**
Gross profit after the provisions		**(160.820)**	**(161.756)**
Other income	5	**873.726**	**328.513**
Payment of administrative expenses for Low-income Individuals/Households Housing Scheme (ΣΣΧΑ)		**-**	**214.556**
		712.906	**381.313**
Administrative and operational expenses	6	**(2.171.068)**	**(1.358.938)**
Loss from operational activities		**(1.458.162)**	**(977.625)**
Interest income	8	**2.564.087**	**2.618.693**
Financing expenses	9	**(8.677)**	**(12.061)**
Net financing income		**2.555.410**	**2.606.632**
Profit before tax		**1.097.248**	**1.629.007**
Tax	25	**(112.868)**	**(229.440)**
Net profit for the year		**984.380**	**1.399.567**
Other comprehensive income			
Financial assets available for sale – Change in fair value	12	**(3.848)**	**(26.932)**
Actuarial cost of pension fund	21	**(516.063)**	**(238.903)**
Total income for the year		**464.469**	**1.133.732**

The notes on pages 13 to 39 constitute an integral part of the financial statements.

CYPRUS LAND DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2016

	Note	2016 €	2015 €
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1.326.211**	**825.765**
Investment properties	11	**1.063.843**	**1.619.096**
Financial assets available for sale	12	**53.865**	**57.713**
Long-term receivables	13	**69.443.887**	**74.498.851**
Total non-current assets		**71.887.806**	**77.301.425**
CURRENT ASSETS			
Land for development	14	**12.269.620**	**12.065.218**
Development Projects	15	**1.184.871**	**1.900.854**
Ready-made residential units	16	**4.951.946**	**3.523.770**
Debtors & Advance Payments	17	**5.146.877**	**4.519.124**
Cash at Banks	18	**18.002.208**	**14.423.190**
Total current assets		**41.555.522**	**36.432.156**
TOTAL ASSETS		**113.443.328**	**113.733.581**
EQUITY AND LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term liabilities	19	**66.117.316**	**66.891.439**
Deferred administrative income for the implementation of ΣΣΧΑ	20	**4.995.983**	**4.995.983**
Liabilities pursuant to the Pension & Contributions Plan	21	**8.093.157**	**7.427.900**
		79.206.456	**79.315.412**
CURRENT LIABILITIES			
Borrowings	22	**129.485**	**126.574**
Creditors & Expenses due	23	**1.504.305**	**2.095.014**
		1.633.790	**2.221.588**
TOTAL LIABILITIES		**80.840.246**	**81.537.000**
Share Capital and Reserves	24	**32.603.082**	**32.196.581**
TOTAL EQUITY AND LIABILITIES		**113.443.328**	**113.733.581**

The financial statements were approved by the Board of Directors on 24 April 2018.

…………………….	…………………….
Andreas Frangos	Maria Kyriakidou
Chairman of CLDC	Deputy General Director

The notes on pages 13 to 39 constitute an integral part of the financial statements.

CYPRUS LAND DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Equity	Accumulated profits	Fair value reserve of financial assets available for sale	Revaluation Reserve	Total
	€	**€**	**€**	**€**	**€**
Balance at 01/01/2015					
Profit for the year	**854.301**	**28.617.936**	**19.235**	**2.017.192**	**31.508.664**
Other comprehensive income	-	1.399.567	-	-	1.399.567
Transfer of the year's depreciation to the revalued amount	-	34.254	-	(34.254)	-
Financial assets available for sale-Change in fair value	-	-	(26.932)	-	(26.932)
Actuarial loss	-	(238.903)	-	-	(238.903)
Special Defence Contribution on deemed distribution of dividends	-	(445.815)	-	-	(445.815)
Balance 31/12/2015-01/01/2016	**854.301**	**29.367.039**	**(7.697)**	**1.982.938**	**32.196.581**
Profit for the year	-	984.380	-	-	984.380
Other comprehensive income					
Transfer of the year's depreciation to the revalued amount	-	34.254	-	(34.254)	-
Financial assets available for sale-Change in fair value			(3.845)		(3.845)
Actuarial loss	-	(516.063)	-	-	(516.063)
Other transactions					
Special Defence Contribution on deemed distribution of dividends		(57.971)	-	-	(57.971)
Balance at 31/12/2016	**854.301**	**29.811.639**	**(11.542)**	**1.948.684**	**32.603.082**

As provided by the Special Contribution for the Defence of the Republic Law, Corporations which do not allocate 70% of their profits after tax for the duration of two years after the end of the tax year related to the aforementioned profits, they shall be deemed as having distributed the said amount as dividends. Special contribution for the defence at 20% for the years 2012 and 2013 and at 17% for 2014 and thereafter (during the year 2011 the percentage was 15% up to 30 August 2011 and 17% until the end of the year) shall be payable on this deemed distribution of dividends to the extent that its owners (individuals or entities), by the end of the two year period after the end of the tax year related to the aforesaid profits are Cypriot tax residents. This amount of deemed distribution of dividends may be reduced by any actual attributable dividend distributed for the year related to the abovementioned profits. This special contribution for the defence is payable by the Corporation to the state.

The notes on pages 13 to 39 constitute an integral part of the financial statements.

CYPRUS LAND DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	2016	**2015**
	€	**€**
Cash flows from operating activities		
Surplus before tax	**1.097.248**	1.629.007
Adjustments for:		
Profit from the sale of fixed assets	**(11.510)**	(750)
Depreciation	**56.331**	63.698
Payable interest	**8.677**	12.061
Interest income	**(2.564.087)**	(2.618.693)
Provision of Retirement Benefits	**301.289**	282.282
Cash flows from operating activities prior to changes to the working capital	**(1.112.052)**	(632.395)
(Increase) on Land for Development	**(204.402)**	(331)
Decrease in ready-made residential units	**(1.428.176)**	1.580.020
(Increase)/Decrease in Development Projects	**715.983**	(125.040)
(Increase) of Debtors and Advance Payments	**(627.753)**	(1.273.699)
(Decrease) in Creditors and Expenses due	**(379.935)**	(300.465)
Increase/(Decrease) in long-term receivable accounts	**5.354.964**	2.326.658
Increase in Pension Fund	**14.436**	15.663
Cash Flows for operating activities	**2.333.065**	1.590.411
Tax paid	**(381.612)**	(535.302)
Pension payment	**(166.621)**	(226.947)
Net cash flows for operating activities	**1.784.832**	828.162
Cash flows from investing activities		
Purchase of fixed assets	**(1.523)**	-
Sale of property, plant and equipment	**11.510**	750
Interest Receipts	**2.564.087**	2.618.693
Net cash flows from investing activities	**2.574.074**	2.619.443
Cash flows from financing activities		
Debt payments	**(771.212)**	(576.909)
Payment of administrative expenses for ΣΣΧΑ	**-**	(214.556)
Paid interest	**(8.677)**	(12.061)
Net cash flow from financing activities	**(779.889)**	(803.526)
Net increase in cash and cash equivalents	**3.579.017**	2.644.079
Cash and cash equivalents at the beginning of the period	**14.423.190**	11.779.111
Cash and cash equivalents at the end of the period	**18.002.207**	14.423.190

The notes on pages 13 to 39 constitute an integral part of the financial statements.

1. ESTABLISMENT AND MAIN ACTIVITY

The Cyprus Land Development Corporation was founded pursuant to Law No.42/80 and constitutes a body of the Public Service sector. It is under the authority of the Ministry of Interior and it is administered by its Board of Directors which consists of nine members appointed by the Council of Ministers. The main activity of the Corporation is the segregation of plots and to construct residences purporting to accommodate low or middle-income individuals and families.

2. BASE FOR PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as these were adopted by the European Union.

According to article 27(I) of Cyprus Land Development Corporation Law 42/80 "The Corporation shall provide for appropriate books and accounts to be kept in relation to its operations, as well as annual statement of its accounts as if it were a Commercial Corporation".

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except the building presented at fair value.

(c) Adoption of new and amended Standards and Interpretations

During the current year, the Corporation adopted all of the following new and revised IFRS which relate to its activities and were implemented at the financial periods beginning on or after 1st January 2016. The aforesaid adoption has brought significant amendments to the financial statements of the Corporation.

By the date of approval of the present financial statements, new and/or revised accounting standards and interpretations were issued by the Board of International Accounting Standards which are yet to be implemented. Some of them were adopted by the European Union and others were not. The Board of Directors anticipates that the adoption of the aforesaid accounting reporting standards shall not have any significant effect on the financial statements of the Corporation.

Issued standards that have not been implemented

By the date of approval of these financial statements the following accounting standards were issued by the Board of International Accounting Standards but have yet to be implemented:

(i) Adopted by the European Union
New Standards

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

2. BASE FOR PREPARATION (cont.)

(c) Adoption of new and amended Standards and Interpretations (cont.)

(i) Adopted by the European Union (cont.)

- IFRS 15 – “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1st January 2018).

(ii) Not adopted by the European Union

New Standards

- IFRS 16 – “Leases” (effective for annual periods beginning on or after 1st January 2019).
- IFRS 17 – “Insurance Contracts” (effective for annual periods beginning on or after 1st January 2021).

Amendments

- Amendment to IFRS 2 - “Classification and measurement of share-based payment transactions” (effective for annual periods beginning on or after 1st January 2018).
- Clarifications to IFRS 15 – “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1st January 2018).
- IFRS 15 – “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1st January 2018).
- IAS 7: (Amendments) “Disclosure Initiative” (effective for annual periods beginning on or after 1st January 2017).
- IAS 12: (Amendments) “Recognition and measurement of deferred tax for unrealised losses” (effective for annual periods beginning on or after 1st January 2017).
- Annual Improvements to IFRS 2014-2016 Cycle (issued 8 December 2016) (effective for annual periods beginning on or after 1st January 2017).
- Annual Improvements to IFRS 2014-2016 Cycle (issued 8 December 2016) (effective for annual periods beginning on or after 1st January 2018).
- IAS 40: (Amendments) – “Investment Property” (effective for annual periods beginning on or after 1st January 2018).

New Interpretations

- IFRIC 22: “Foreign Currency Transactions and Advance Consideration” (effective for annual periods beginning on or after 1st January 2018).
- IFRIC 23: “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1st January 2019).

The Corporation anticipates that the adoption of the aforesaid standards and interpretations shall not have any significant effect on the financial statements.

(d) Critical accounting estimates and judgements

The preparation of the financial statements in accordance with the International Financial Reporting Standards requires the exercise of judgement by the Management, as well as the provision of estimates and assumptions which may affect the implementation of accounting policies and the relevant assets and liabilities, profits and expenses.

Estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

2. BASE FOR PREPARATION (cont.)

Critical accounting estimates and judgements (cont.)

Estimates and assumptions are evaluated on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about estimates, uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are the following:

Projects under development
The value of projects under development is estimated at cost price plus the relevant amounts for estimated profits minus the estimated costs. The value includes the cost of materials and labour used and an appropriate proportion of relevant indirect expenses based on the customary level of operations. The Corporation exercises judgment for the selection of valuation methods and makes assumptions mainly based on the data of each contract each date of the balance sheet.

Estimations for bad debts
The Corporation examines whether any indications exist regarding the possibility of collection of amounts due from commercial and other liabilities. The indications on which the estimation for bad debts is based upon are the repayment history and the financial situation of the debtor. In cases of such indications, the recoverable amount is calculated and a relevant estimation for bad debts is created. The estimated amount is acknowledged in the income statement. The revaluation of credit risk is ongoing and the methodology and assumptions of the estimation for bad debts are examined on a regular basis and adjusted accordingly.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted for the preparation of the present financial statements are set out hereunder. These policies have been consistently followed and the previous financial years presented in these financial statements, unless otherwise stated.

Revenue Recognition

The revenue of the Cyprus Land Development Corporation is acknowledged as follows:

Revenue from real estate development and marketing

Revenue from real estate development and marketing is acknowledged based on the proportionate percentage of completion of the project. Based on this method the revenue is acknowledged when the cost of the project is at an advanced stage. The revenue stated in the income statement of each year is calculated based on the cost of the project developed by the end of the year with the total estimated cost of each project. Estimated expenses from property sales are acknowledged in the income statement directly.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Investment property

Investment property, which mainly consist of premises, are acquired by the Corporation for long - term rental returns and/or for capital support and are not used by the same. Investment properties are presented at fair value, which is the free market value determined annually by internal valuers. Fair value adjustments are entered in the income statement.

An item of investment property is deleted at disposal or when it is permanently withdrawn from use and no future financial benefits are expected to result from the continued use of the asset. The gain or loss arising by the disposal of the property (calculated as the difference between the net proceeds of the disposal and the carrying amount of the asset) is included in the income statement of the period of its disposal.

Property, plant and equipment

Land and buildings are presented at fair value, based on estimates by internal independent valuers, minus subsequent depreciation for buildings. Revaluations are made at regular intervals so that the amounts presented in the statement of financial position do not differ significantly from the fair value at the reporting date. All other items related to property, plant and equipment are presented at historical cost minus depreciations.

Carrying value increases resulting from revaluation are credited to other comprehensive income and then to fair value reserves in equity. Decreases that offset previous increases of the same asset are charged against this reserve. All other reductions are charged against profit. Each year the difference between depreciations on the basis of the revalued fair value of the asset (the depreciation charged against profits) and the depreciation on initial cost of the asset is transferred from the fair value reserves to the accumulated profits.

Depreciations are calculated in accordance with the standard method in order to delete the cost or the revalued value of property, plant and equipment in the period of their expected beneficial use. Annual rates of depreciation are as follows:

Buildings	3%
Vehicles	20%
Equipment and furniture	10%
Computers	20%

Land is not depreciated.

The residual value and beneficial use are revaluated and adjusted at each reporting date if this is deemed appropriate.

In cases where the carrying value of the asset is greater than the calculated recoverable amount, it is directly reduced to the recoverable amount.

3.SIGNIFICANT ACCOUNTING POLICIES (cont.)

Costs for repairs and maintenance of property, plant and equipment are charged against profits in the year they arise. The cost of major renovations and other subsequent expenses are included in the value of the asset when it is probable that the future financial benefits to the Corporation shall be greater than the ones initially estimated according to the original performance of the asset. Major renovations are depreciated over the remaining beneficial use of the relevant asset.

Property, plant and equipment are deleted at disposal or when future financial benefits from the continued use of the asset are not expected to arise. The gain or loss arising on the sale or disposal of property, plant and equipment is determined by the difference between the sales receipts and the carrying value of the asset and is recognized in the income statement. In case of disposal of revalued assets, the amounts included in the fair value reserves are transferred to the accumulated profits.

Financial assets available for sale

The financial assets available for sale are non-derivatives, which are either classified in this category or not classified in any other category. They are included in non-current assets unless the Management intends to sell the investments within twelve months of the reporting date.

Purchases and sales under a standard delivery contract are recognized at the date of the transaction which is the date on which the Corporation commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus the cost of transaction for all financial assets that are not presented at fair value through profit or loss. The financial assets valued at fair value through profit or loss are initially recognized at fair value and transaction costs are charged to the income statement. The financial assets are written off when the right to cash flows from financial assets has expired or has been transferred and the Corporation has substantially transferred all ownership interest and benefits. Financial assets available for sale and financial assets that are measured at fair value through profit or loss are subsequently stated at fair value. Loans and receivables up to maturity are presented in amortized cost using the effective interest method.

The fair value of investments that are traded in an active market is based on the market capitalization value. If the market is not active for a financial asset as well as for unlisted shares, the Corporation shall determine the fair value using valuation methods. Valuation methods include the use of recent transactions made on a purely commercial basis, reference to similar titles and discounted cash flow methods to maximize the use of market data and minimize the use of internal data of the Corporation. For shares where the fair value cannot be reliably calculated, are recognized at cost minus any impairment in value.

Changes in the fair value of monetary items denominated in a foreign currency and classified as available for sale are analysed between exchange differences arising from a change in the amortized cost of the item and other changes in the carrying amount of the item. Exchange differences in monetary items are recognized in profit or loss while non-monetary items are recognized in other comprehensive income. Changes in the fair value of monetary and non-monetary items classified as available for sale are recognised in other comprehensive income.

3.SIGNIFICANT ACCOUNTING POLICIES (cont.)

Financial assets available for sale (cont.)

When securities classified as available-for-sale are sold or impaired in value, accrued adjustments to the fair value, which are recognised in other comprehensive income, are included in gains and losses on financial assets available for sale.

The interest in the available for sale securities calculated using the effective interest method is recognized in the income statement. Dividends from share titles available for sale are recognized in profit or loss when it is proven that the Corporation has a right to receipts.

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets has been impaired in value. In case of share titles classified as available for sale, a significant or prolonged reduction in the fair value of the share below its cost is taken as an indication of a potential impairment in value. If there is such evidence for available-for-sale financial assets, the cumulative loss which is determined as the difference between the cost of acquisition and the present fair value of the asset, minus any impairment loss on the asset previously recognized in the income statement, is transferred from equity and recognized in the income statement.

As far as concern shares available-for-sale, impairment losses recognized in the income statement are not reversed through profit and loss. Any increase in the fair value after impairment loss is recognized in other comprehensive income and accumulated under the revaluation reserve. In respect of securities available for sale, impairment loss is subsequently reversed through profit and loss if the increase in the fair value of the investment can be objectively connected with an event occurring after the recognition of the impairment loss.

Impairment in the value of non-current assets

Property, plant and equipment and other non-current assets, are assessed for impairment losses on their value when facts or changes in the circumstances indicate that the carrying value may not be recoverable. Impairment loss in value is recognized for the amount by which the carrying value of the asset exceeds the recoverable amount. The recoverable amount is the highest of the net realisable value of the asset and the value in use.

For the purposes of calculating the impairment, the assets are grouped at the lowest point where there are separately identifiable cash flows.

Loans

Loans are recognized in the initial grant amount after the deduction of financing costs. Loans are subsequently presented at amortized cost. Any difference between the receipts (after deduction of expenses) and the repayment value is recognized in the income statement during the loan period applying the effective interest method.

Long-term liabilities

Long-term liabilities represent amounts payable after twelve months from the balance sheet date.

3.SIGNIFICANT ACCOUNTING POLICIES (cont.)

Financial instruments

Financial assets and financial liabilities are recognized as soon as the Corporation becomes a party to a financial instrument.

(i) Trade receivables

Trade receivables are initially measured at fair value and subsequently measured at amortized cost using the effective interest method. Appropriate estimates of estimated non-recoverable amounts are recognized in the income statement when there is objective evidence that the asset has been impaired. The recognized estimate is calculated as the difference between the carrying value of the asset and the present value of the estimated future cash flows discounted at the effective interest rate prevailing at initial recognition.

(ii) Advanced payments by customers

Receipts related to real estate development contracts for which no income has been recognized, are presented as prepayments at the balance sheet date and are included among creditors. Receipts relating to real estate development contracts for which income has been recognized are presented as advanced payments by customers to the extent that they exceed the income recognized in the income statement at the balance sheet date.

(iii) Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents consist of cash at funds and bank deposits minus bank overdrafts.

(iv) Liabilities from commercial operations

The liabilities from trading activities are initially calculated at their fair value and subsequently calculated at the unamortized cost using the effective interest method.

Reserves from real estate development

The cost of reserves from real estate development and reserves from properties for sale consists of the cost of land and the cost of building construction. The cost of building construction includes materials, direct labour, depreciation of fixed assets and other indirect costs of building construction. The immovable property for utilisation includes the land for use and is presented at a cost price. The immovable property for utilisation is included in reserves at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Allocation of Administrative Expenses

Development projects under implementation in the course of the year are subject to rates fixed by the Board of Directors, based on direct development expenses for the year, in order to cover administrative costs.

Any uncovered amounts are charged to the profits and losses account of the year.

Payable interest coverage

Interest payable on a yearly basis is covered by the deployment of development projects with coverage rates set by the Board of Directors.

Any uncovered amounts are charged to the profits and losses account of the year.

Charges on development projects to create a reserve

The revenue from development projects under implementation is recognized according to the recoverable cost incurred during the year (sales) and it is calculated based on the proportional cost incurred from the estimated cost of the project.

Retirement Benefits of Employees

The Corporation operates a defined benefit pension and contribution plan.

The Pension Plan established on the basis of Cyprus Land Development Corporation Regulations of 1983 (Κ.Δ.Π. 273/83) (Pensions and Contributions to Employees of the Corporation). The Permanent Employees of the Corporation are entitled to the same defined benefits as civil servants according to the law.

The benefits of the beneficiaries are paid through the annual budget. The present value of liabilities and the cost of the current service are calculated by a professional actuary on the basis of Projected Unit Credit Method in accordance with the provisions of the Revised International Standard no. 19.

Comparative Amounts

In cases deemed necessary the comparative amounts are adjusted to match the changes in the current year's presentation.

3.SIGNIFICANT ACCOUNTING POLICIES (cont.)

Taxation

The tax expense represents the sum of the current payable tax and the deferred tax.

A full estimation is made for deferred tax, using the liability method, on all temporary differences that arise between the tax base of the assets and liabilities and the corresponding amounts in the financial statements. The tax rates charged at this stage are used to determine the deferred tax.

Debit balances of deferred tax are recognized to the extent that it is probable that future taxable profits shall be available against which temporary differences may be used.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets with current tax liabilities and when the deferred tax is related to the same tax authority.

Share Capital

Ordinary shares are classified as equity.

4. GROSS PROFIT

PROJECT	2016 SALES	2016 COST OF SALES	2016 GROSS PROFIT	2015 SALES	2015 COST OF SALES	2015 GROSS PROFIT
	€	€	€	€	€	€
READY-MADE RESIDENTIAL UNITS	**324.500**	**321.556**	**2.944**	**109.550**	**109.550**	**-**
PROJECTS UNDER DEVELOPMENT-RESIDENCES						
Residences “Nireas II”-Asomatos	-	-	-	248.650	249.257	(607)
Residences “Hermes”-Livadia	163.300	166.473	(3.173)	-	-	-
Kokkinotrimithia “Danae I, II, III”	87.400	77.871	9.529	-	-	-
Residences “Demetra”-Anafotia	-	-	-	129.700	129.966	(266)
Residences “Elpida”-Astromeritis	-	-	-	72.000	74.444	(2.444)
Residences “Odysseas”-Paliometoho	-	-	-	95.000	96.431	(1.431)
	250.700	**244.344**	**6.356**	**545.350**	**550.098**	**(4.748)**
PLOTS	-	-	-	-	-	-

PROJECT	2016 SALES	2016 COST OF SALES	2016 GROSS PROFIT	2015 SALES	2015 COST OF SALES	2015 GROSS PROFIT
	€	€	€	€	€	€
APARTMENTS						
Apt. Bldg. “Artemis II”-Agios Pavlos	105.600	105.883	(283)	171.050	177.865	(6.815)
Apt. Bldg. Mishaouli & Kavazoglou A	-	-	-	89.700	84.106	5.594
Apt. Bldg. “Nireas I”-Asomatos	-	-	-	96.800	106.318	(9.518)
Apt. Bldg. “Athena”-Empa	-	-	-	82.950	53.989	28.961
Apt. Bldg. “Alkiviadis”- Pallouriotissa	-	-	-	277.700	278.993	(1.293)
Apt. Bldg. Mishaouli & Kavazoglou B	-	-	-	216.500	151.459	65.041
Apt. Bldg. “Aiantas IV”-Agia Varvara	-	-	-	214.450	222.321	7.871
	105.600	**105.883**	**(283)**	**1.149.150**	**1.075.051**	**74.099**
GROSS PROFIT	**680.800**	**671.783**	**9.017**	**1.804.050**	**1.734.699**	**69.351**
Expenses on completed projects	-	95.441	(95.441)	-	50.702	(50.702)
Area Differentiations	-	4.684	(4.684)	6.766	-	6.766
Impairment of price of ready-made residential units		**69.712**	**(69.712)**	-	**187.171**	**(187.171)**
GROSS PROFIT AFTER THE PROVISIONS	**680.800**	**841.620**	**(160.820)**	**1.810.816**	**1.972.572**	**(161.756)**

5. OTHER INCOME

	2016	2015
	€	€
Tax Return	**215.146**	-
Urban Amnesty	**431**	-
Rent Receivables	**67.554**	86.273
Disposal and Management Rights of settlement "ZENON"	**320**	298
Other	**1.117**	24.055
Profit from sale of assets	**11.510**	750
Assignments of purchaser agreements	**1.700**	700
Rights /Resale costs of residential units	**-**	150
Recovery of bad debtors	**575.948**	216.287
	873.726	328.513

6. ADMINISTRATIVE & OPERATIONAL EXPENSES

	2016	2015
	€	€
Salaries, Benefits & Employee Contributions for Permanent Personnel	**999.538**	1.016.647
Health Insurance	**89.225**	82.589
Employees Welfare Fund	**23.593**	26.765
Staff Insurance	**3.397**	3.112
Charge for retirement benefits	**301.289**	282.282
Remuneration of Temporary Personnel	**58.195**	58.195
Contractual employment	**108.379**	108.379
Compensation of the Board of Directors	**11.402**	9.695
Legal expenses	**13.291**	1.938
Audit rights	**4.300**	6.900
Provision of other professional services	**3.200**	3.530
Travel expenses/Transport costs	**279**	274
Operational office expenses	**53.546**	61.282
Public Relations & Accommodation	**2.273**	1.530
Maintenance / Operation of Vehicles	**5.513**	8.082
Various Taxes & Fees	**37.620**	18.976
Income tax fines	**83.376**	934
Depreciation	**56.331**	63.698
Special Allowance for Bad Debtors	**760.746**	66.357
Provision for Liabilities from Legal Proceedings	**-**	-
	2.615.493	1.821.165
Return on employee salaries	**(443.097)**	(454.200)
Minus Coverage of Administrative Expenses for Development Projects	**(1.328)**	(8.027)
	2.171.068	1.358.938

7. OPERATING PROFIT

	2016	2015
	€	€
The Operating Profit of the year is presented after Deduction of the following expenses:		
Compensation of Members of the Board of Directors	**11.402**	9.695
Audit rights:		
External auditors – for the year	**4.300**	6.900
Depreciation	**56.331**	63.698

8. INTEREST INCOME

	2016	2015
	€	€
Deposit interest	**242.199**	257.263
Interest from Residential Plans	**2.321.888**	2.361.430
	2.564.087	2.618.693

9. FUNDING EXPENSES

	2016	2015
	€	€
Government Loans Interest	**8.677**	12.061
	8.677	12.061

10. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Furniture & Equipment	Computers	Vehicles	Total
	€	€	€	€	€
2015					
COST OR REVALUATION					
Balance at 1st January	1.360.288	204.229	225.731	145.884	1.936.132
Transfer to investment	(501.600)				(501.600)
Disposal	-	-	(5.794)	-	(5.794)
Balance at 31st December	858.688	204.229	219.937	145.884	1.428.738
DEPRECIATIONS					
Balance at 1st January	52.008	191.873	215.068	141.704	600.653
Disposal	-	-	(5.794)	-	(5.794)
Transfer to investment	(32.040)	-	-	-	(32.040)
Year's Depreciations	25.776	4.417	5.781	4.180	40.154
Balance at 31st December	45.744	196.290	215.055	145.884	602.973
NET VALUE 31.12.2015	812.944	7.939	4.882	-	825.765
2016					
COST OR REVALUATION					
Balance at 1st January	858.688	204.229	219.937	145.884	1.428.738
Transfer to investment	564.000				564.000
Additions			1.523		1.523
Disposal	-	(8.985)	(8.447)	(64.468)	(81.900)
Balance at 31st December	1.422.688	195.244	213.013	81.416	1.912.361
DEPRECIATIONS					
Balance at 1st January	45.744	196.290	215.055	145.884	602.973
Disposal	-	(8.985)	(8.447)	(64.468)	(81.900)
Transfer to investment	58.067	2.729	4.281	-	65.077
Year's Depreciations	103.811	190.034	210.889	81.416	586.150
NET VALUE 31.12.2016	1.318.877	5.210	2.124	-	1.326.211
NET VALUE 31.12.2015	812.944	7.939	4.882	-	825.765

11. INVESTMENT PROPERTIES

	2016	2015
	€	**€**
COST OR REVALUATION		
Balance at 1st January	**1.721.312**	1.219.712
Transfer from PPE	**-**	501.600
Transfer to PPE	**(564.000)**	-
Balance at 31ης December	**1.157.312**	1.721.312
DEPRECIATIONS		
Balance at 1st January	**102.216**	46.632
Transfer to/from PPE	**(32.328)**	32.040
Year's depreciations	**23.581**	23.544
Balance at 31ης December	**93.469**	102.216
NET VALUE 31.12.2016	**1.063.843**	**1.619.096**

12. FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available-for-sale consist of shares in Bank of Cyprus Public Company Ltd ("Bank of Cyprus"). Investments in securities of Bank of Cyprus resulted from the conversion of 47.5% of the uninsured deposits of the Corporation at Bank of Cyprus in shares of a nominal value of € 1 each. In the financial statements of 2013, the share price has been valued at 17 cents, resulting in an impairment of € 319,343. In the financial statements of 2014, the share price has been valued at 22 cents, resulting in a revaluation reserve of € 19,235. In the financial statements of 2015, the share price has been valued at 15 cents, resulting in a loss of € 26,932.

13. LONG-TERM RECEIVABLES

	2016	2015
	€	€
Settlement "ZENON"	**41.409**	39.846
Interest free loans to employees	**1.976**	3.980
Residential Plans Debtors	**69.400.502**	74.755.025
	69.443.887	74.798.851

14. LAND UNDER DEVELOPMENT

	2016	2015
	€	€
During the year the following expenses incurred for land under development:		
Balance at 1st January	**12.065.218**	12.064.887
Nicosia	**3.668**	33
Larnaca	**199.780**	298
Limassol	**914**	-
Paphos	**40**	-
	12.269.620	12.065.218

The cost of land under development includes costs related to the acquisition of planning permits, separation permits, costs for electromechanical studies and others.

15. DEVELOPMENT PROJECTS

RESIDENCES/APARTMENTS	**2016**	2015
	€	€
Residential Complex «Hermes» - Livadia	**-**	717.956
PLOTS		
Pelendri	**1.184.871**	1.182.898
	1.184.871	1.900.854

16. READY-MADE RESIDENTIAL UNITS

In residential plans which have been completed, the following residential units were available for disposal:

	2016	2015
	€	€
APARTMENTS		
Complex "Aiantas I"- Agia Varnava	**165.000**	165.000
Apt. Bldg. Complex "Nireas I" – Asomatos	**922.327**	256.017
Apt. Bldg. Complex "Nireas II" – Asomatos	**311.900**	311.900
Apt. Bldg. Complex Mishaouli & Kavazoglou A΄- Limassol	**743.337**	479.404
Residential Complex –Erimi	**-**	108.500
Complex "Athena" – Empa	**-**	102.000
Apt. Bldg. "Άrtemis II" – Paphos	**-**	105.600
Apt. Bldg. Complex Mishaouli & Kavazoglou B΄-	**709.780**	707.590
RESIDENCES		
Anagia III res. 4,002	**228.000**	-
Residential Complex "Thalia" Psimolofou	**94.995**	-
Residential Complex "Kiti II" Kiti	**92.000**	-
Residential Complex "Aiantas IV" – Agia Varvara	**196.850**	196.850
Residential Complex "Demetra" - Anafotia	**245.200**	245.200
Residential Complex "Danae" - Kokkinotrimithia	**162.070**	221.872
Residential Complex "Hermes" – Livadia	**456.650**	-
PLOTS		
Argaka	**40.387**	40.387
Pachna	**583.450**	583.450
	4.951.946	3.523.770

Apartments in the Mishaouli & Kavasoglou complex in Limassol, amounting to € 1,186,994, should be classified in accordance with the International Financial Reporting Standards as investment property and presented at their fair value and not at the lower amount between cost and net realizable value.

These apartments are rented to former tenants of the communal houses of Limassol Municipality based on the decision of the Council of Ministers No. 60.867 dated 30/09/2004.

17. DEBTORS AND ADVANCED PAYMENTS

	2016	2015
	€	€
Residential Plans Debtors	**11.960.697**	11.231.622
Allowance for bad debtors	**(7.136.001)**	(6.951.203)
	4.824.696	4.280.419
Debtors of settlement "ZENON"	**20.580**	22.115
Loans to employees	**2.004**	3.980
Advanced Payments	**36.603**	57.838
Return Tax	**93.370**	60.000
VAT	**169.624**	94.772
	5.146.877	4.519.124

18. CASH AT BANKS

	2016	2015
	€	€
Short-term deposits	**13.522.756**	10.265.649
Deposits with banks	**4.479.452**	4.157.541
	18.002.208	14.423.190

Short-term deposits refer to period bills with term that exceed three months. This amount also includes an amount of € 3,201,884 (2015: € 3,159,745) regarding the Pension and Contributions Fund.

19. NON-CURRENT LIABILITIES

	2016	2015
	€	€
“ZENON HOUSING”	**41.007**	242.547
Government Loans	**341.721**	471.206
Republic of Cyprus – Σ.Σ.Χ.Α	**65.734.588**	66.177.686
	66.117.316	66.891.439

20. DEFERRED ADMINISTRATIVE INCOME FOR THE IMPLEMENTATION OF ΣΣΧΑ

The Council of Ministers, in its decision no. 53.863, taken at its meeting held on 19th June 2001, approved the introduction of the Low-Income Individuals Housing Scheme (ΣΣΧΑ), the implementation of which was assigned to the Cyprus Land Development Corporation. The aforesaid decision included a provision for a percentage of 10% to be added in the calculation of sale prices to cover the administrative costs for the implementation of the project. The aforementioned percentage (10%) had not been recognized for the coverage of administrative expenses up to 31/12/2011 and therefore the accounts of previous years have been adjusted.

The balance at 31 December 2015 has not been confirmed by the Republic of Cyprus, that disputes the calculation of this amount, thus affecting the opinion of the auditors.

21. LIABILITY IMPOSED BY PENSION & CONTRIBUTIONS PLAN

	2016	2015
	€	€
Recognized liability	**8.093.157**	7.427.990

The most recent independent actuarial study (interim) was made on 31 December 2015 and was based on the following actuarial assumptions:

	2016	**2015**
-Redemption rate	1,60%	2,00%
-Inflation	2,00%	2,00%
Increase in Earnings (from 2017 onwards)	3,25% including the scale of promotions and surcharges	3,25% plus the scale of promotions and surcharges
Pension Increases (from 2017 onwards)	1,5% (1,0% for complementary pension)	1,5% (1,0% for Complementary pension)
-Increases on Basic Insurable Earnings	3,00%	3,00%
-Mortality Table	90% of EVK 2000	90% of EVK 2000

21. LIABILITY IMPOSED BY PENSION & CONTRIBUTIONS PLAN (cont.)

The amount appearing in the statement of financial position as at 31 December in respect of the recognized liability imposed by the employees' pension and contributions plan is as follows:

	2016	2015
	€	€
Present value of liability	**8.093.157**	7.427.900
Actual value of assets of the plan	**-**	-
Net liability	**8.093.157**	7.427.990
Unrecognized actuarial gain / (loss)	**-**	-
Net liability in the statement of financial position	**8.093.157**	7.427.990

The net liability of the Corporation includes the amount of members' contributions for pension transfer, which are deducted through the monthly salary.

At 31 December 2015 the liability as calculated by an independent actuary amounted to € 7.427.990. The actual value of cash held in Cash in Funds and Banks amounts to € 3,159,745. The said cash is not offset in the note because the regulations for the Pension Fund have not yet been approved by the Republic of Cyprus.

The amount charged to the statement of comprehensive income is analysed as follows:

	2016	2015
	€	€
Current service cost	**154.365**	107.889
Interest expense	**146.924**	174.393
Total expenditure in the statement of comprehensive income	**301.289**	282.282

21. LIABILITY IMPOSED BY PENSION & CONTRIBUTIONS PLAN (cont.)

Changes in net liability recognized in the statement of financial position and changes in the present value of liabilities during the year are analysed as follows:

Changes in net liability recognized in the statement of financial position

	2016	2015
	€	€
Net liability at the beginning of the year	**7.427.990**	7.118.089
Expenditure for submission in the Statement of Comprehensive Income	**301.289**	282.282
Expenditure for submission in the Statement of Recognised Income	**516.063**	238.903
Benefits Payments	**(190.577)**	(251.208)
Members' contributions	**38.392**	39.924
Net liability submitted at the end of the year	**8.093.157**	7.427.990

Change of Actuarial Liability during the year

	2016	2015
	€	€
Actuarial Liability at the beginning of the year	**7.427.990**	7.118.089
Interest expense	**146.924**	174.393
Current Service Cost	**154.365**	107.889
Members' contributions	**38.392**	39.924
Payments of benefits	**(190.577)**	(251.208)
Actuarial (Profit) / Loss - Demographic assumptions	**-**	162.584
Actuarial (Profit) / Loss - Financial assumptions	**516.063**	6.513
Actuarial (Profit) / Loss – Experience	**-**	69.806
Actuarial Liability at the end of the year	**8.093.157**	7.427.990

Statement of Recognized Income

	2016	2015
	€	€
Actuarial (Profit) / Loss - Demographic assumptions	**-**	(162.584)
Actuarial (Profit) / Loss - Financial assumptions	**(516.063)**	(6.513)
Actuarial (Profit) / Loss – Experience	**-**	(69.806)
	(516.063)	(238.903)

22. BORROWINGS

	2016	2015
	€	€
Government Loans	**129.485**	126.574
	129.485	126.574

23. CREDITORS AND PAYABLE EXPENSES

	2016	2015
	€	€
Creditors - Payments of contractors	**1.677**	1.677
Expenses due	**53.527**	53.547
Payable Interest	**15.085**	18.330
Reservations of contractors	**507.963**	655.709
Prepaid rents	**2.836**	8.731
Sale of “ZENON” settlement	**22.715**	24.098
Various Creditors	**(4.489)**	35.381
Provision for Liabilities from Legal Proceedings	**519.381**	519.381
Current tax liabilities	**380.054**	772.604
Compensation to the renters of “ZENON” Settlement	**5.556**	5.556
	1.504.305	2.095.014

24. EQUITY AND RESERVES

	2016	2015
	€	€
Equity	**854.301**	854.301
Accumulated Profits	**29.811.639**	29.367.039
Fair value reserve of financial assets available for sale	**(11.542)**	(7.697)
Revaluation Reserve	**1.948.684**	1.982.938
Total	**32.603.082**	32.196.581

(a) Accumulated Profits

	2016	2015
	€	€
(i)Surplus/deficit account		
Balance at 1st January	**21.092.987**	20.343.884
Surplus for the year	**984.380**	1.399.567
Transfer of depreciation of the year to the amount of revaluation	**34.254**	34.254
Deemed dividend distribution	**(57.971)**	(445.815)
Actuarial gains / losses	**(516.063)**	(238.903)
Balance at 31st December	**21.537.587**	21.092.987
(ii) Fixed Reserve	**6.240.699**	6.240.699
(iii) Current Reserve	**2.033.353**	2.033.353
	29.811.639	28.617.936

24. EQUITY AND RESERVES (cont.)

(b) Revaluations reserve

	2016	2015
	€	€
Balance at 1st January	**1.982.938**	2.017.192
Transfer of depreciation of the year to the amount of revaluation	**(34.254)**	(34.254)
Balance at 31st December	**1.948.684**	1.982.938

25. TAX

	2016	2015
	€	€
Corporate Tax	**54.760**	159.953
Defence of taxable accounts	**56.588**	67.546
Defence Contribution	**1.520**	1.941
	112.868	229.440

26. RISK MANAGEMENT

The Corporation is exposed to the following risks:
(i) Credit risk
(ii) Liquidity risk
(iii) Market risk
(iv) Legal risk
(v) Compliance risk
(vi) Risk of loss of reputation
(vii) Other risks
(viii) Fair value
(ix) Capital management

The Board of Directors has overall the responsibility to adopt and supervise the Corporation's risk management framework.

The Corporation's risk management policies are adopted to identify and analyse the risks faced by the Corporation and take appropriate responsive measures. The Corporation's exposure to credit risk is mainly affected by the individual characteristics of each client. The Corporation creates an allowance for bad debts which represents the estimate for losses incurred in relation to trade and other receivables. The credit risk evaluation is ongoing and the methodology and assumptions for calculation of bad debts are being reviewed at regular intervals and adjusted accordingly. The main elements of the aforesaid allowance relate to specific provisions regarding recognized risk limits and control mechanisms and the monitoring of such risks and compliance with such limits. Risk management principles and systems are often revised to reflect changes in market conditions and the Corporation's activities.

26. RISK MANAGEMENT (cont.)

(i) Credit Risk

Credit risk arises in instances where the failure of the parties to fulfil their obligations could reduce the amount of future cash inflows from financial assets. The Corporation follows procedures to ensure that sales of products and provision of services are made to customers with credible history and continuously monitor the chronological status of receivables. Bank balances are held in financial institutions with high creditworthiness and the Corporation follows procedures that limit its exposure to credit risk in relation to each financial institution.

Trade and other receivables

The Corporation's exposure to credit risk is mainly affected by the individual characteristics of each client. The Corporation creates an allowance for bad and doubtful debts which represents the estimate of losses incurred in relation to trade and other receivables. The credit risk evaluation is ongoing and the methodology and assumptions for calculating the allowance for bad debts are being reviewed at regular intervals and adjusted accordingly. The main elements of this allowance relate to specific provisions regarding recognized losses on trade receivables as described in note 18 of the Corporation's financial statements.

Exposure to Credit Risk

The carrying value of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk of the Corporation at the date of presentation of these financial statements was:

	Carrying Value	
	2016	2015
	€	€
Long Term Receivable Accounts	**69.443.887**	74.798.851
Debtors and prepayments	**5.146.877**	4.519.124
Cash at funds and banks	**18.002.208**	14.423.190
	92.592.972	93.741.165

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities do not coincide. When maturities do not coincide, the Corporation may be unable to fulfil its obligations when they arise. The Corporation follows procedures to manage such risks, such as monitoring cash flows on an ongoing basis, maintaining sufficient cash and other high liquidity assets and maintaining a number of credit facilities available.

26. RISK MANAGEMENT (cont.)

(iii) Market Risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates, stock prices and fuel prices, shall affect the income or value of the financial instruments held by the Corporation.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments fluctuates due to changes in market interest rates. Borrowing at floating rates exposes the Corporation to cash flow interest rate risk and may also affect its profitability. Borrowing at fixed interest rates exposes the Corporation to fair value interest rate risk. The management of the Corporation monitors interest rate fluctuations on a continuous basis and acts accordingly.

(iv) Legal Risk

The legal risk is the risk of financial loss, disruption of the Corporation's operations or any other undesirable situation resulting from the possibility of non-performance or breach of legal contracts and consequently legal actions. The risk is limited by the thorough scrutiny of all contractual and legal obligations and the use of sound legal advice on the contracts used by the Corporation to carry out its operations.

(v) Compliance Risk

The risk of compliance is the risk of financial loss, including loss due to fines and other penalties, resulting from non-compliance with state laws and regulations. This risk is greatly limited by the supervision exercised by the Compliance Officer, as well as by other safeguards applied by the Corporation.

(vi) Risk of loss of reputation

This risk arises from negative publicity related to the activities of the Corporation (either true or false) and may cause customer base decline, decrease in income, and lawsuits against the Corporation. The Corporation follows procedures purporting to minimize this risk.

(vii) Other Risks

The overall economic environment prevailing in Cyprus and internationally, the credit / financial crisis and current international developments may have a significant impact on the Corporation's activities. Concepts such as inflation, unemployment and the evolution of gross domestic product are directly linked with the economic performance of each country, and any amendment on them, as well as a change in the general economic environment, may cause chain reactions in all sectors, affecting the financial results and the fair values of the assets of the Corporation.

26. RISK MANAGEMENT (cont.)

(viii) Fair value

Fair value represents the amount at which an asset may be exchanged or an obligation may be repaid in the ordinary course of business. The fair value of the financial assets and liabilities of the Corporation at the date of the statement of financial position is shown in the corresponding notes to the financial statements of the Corporation when deemed necessary.

The fair value of the financial assets and liabilities of the Corporation is approximately the same as their carrying value as shown in the statement of financial position respectively.

(ix) Capital management

The Corporation manages its capital so that it is able to continue to act as a going concern and simultaneously have satisfactory results through proper debt to equity ratio. The overall strategy of the Corporation has not been amended since the previous year.

27. OPERATIONAL ENVIRONMENT

The Cypriot economy has been negatively affected by the crisis in the Cyprus banking sector combined with the inability of the Republic of Cyprus to borrow from international financial markets.

As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika") for financial support, which resulted in an agreement and a decision taken by Eurogroup on 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus through "Rescue with the same means." In 2013, the Cyprus economy recorded a further contraction with a decrease in Gross Domestic Product.

Following the positive results of the first and second quarterly evaluations of the economic program of Cyprus by the European Commission, the European Central Bank and the International Monetary Fund during 2013, the Eurogroup approved the disbursement of the planned instalments of financial assistance to Cyprus.

The uncertain financial situation in Cyprus, the limited availability of liquidity for lending, the restructuring of the banking sector using the same instruments in the cases of Laiki Bank and Bank of Cyprus, and the imposition of restrictive measures on banking transactions combined with the current situation in the banking sector system and the ongoing economic depression have affected the ability of the Corporation's commercial debtors to repay the amounts due to the Corporation and the Corporation's ability to sell existing reserves or to enter contracts for the development of new units.

27. OPERATIONAL ENVIRONMENT (cont.)

The economic conditions outlined above along with the effects of the Eurogroup decision on Cyprus on 25 March 2013 may have adverse effects on the debtors of the Corporation, real estate valuation and revenues.

The management of the Corporation has assessed:

(1) Whether any impairment provision is deemed necessary for financial assets at amortized cost by examining the financial position and prospects of those assets at the end of the reporting period. Impairments on trade receivables are determined using the "incurred loss model" required by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". This standard requires the recognition of impairment losses on receivables arising from events of the interest rate and does not allow the recognition of impairment losses that could arise from future events, regardless of the probability of such future events.

(2) If the net realizable value of the Corporation's reserves exceeds the acquisition cost. When the net realizable value is lower than the cost of acquisition, the difference is charged to the loss for the year.

(3) The Corporation's ability to continue as a going concern (Note 26)

The management of the Corporation is not in a position to predict all developments that could have an impact on the Cypriot economy and, consequently, what impact, if any, could have on the Corporation’s future financial performance, its cash flows and its financial position.

The management of the Corporation estimates that it takes all necessary measures to maintain the viability of the Corporation and expand its operations in the current business and economic environment.

28. GENERAL FACTS

(a) The Council of Ministers, in its Decision No. 77.351 dated 30/07/2014, decided to approve the basic principles governing two supplementary Schemes for the Protection of the Primary Residence. In a later decision with no. 80.009 and dated 28/12/2015, it decided to approve the new revised Scheme for the Protection of the Primary Residence and authorized the Minister of Interior, after the Scheme was approved by the European Commission, to notify the Insolvency Service and the Insolvency Directors, as the beneficiaries of the Scheme shall be referred to the Cyprus Land Development Corporation by the Insolvency Council.

(b) By its Decision No. 77.396 dated 22.08.2014, the Council of Ministers decided to approve the initial transfer of personnel of the Cyprus Land Development Corporation (CLDC), (14 employees) to the Ministry of the Interior, aiming its better utilization for the public benefit.

29. TRANSACTIONS WITH RELATED PARTIES

	2016	2015
Remuneration of the members of the Board of Directors	**€**	€
The remuneration of the members of the Board of Directors is as follows:		
Directors remuneration in non-executive capacity	**11.402**	12.309
	11.402	12.309

30. CONTINGENT LIABILITIES

Several lawsuits were brought against the Corporation for which, if successful, the Corporation shall be liable to pay an amount of approximately € 519.381, hence, an appropriate provision has been placed (note 23).

On 10 February 2015, the Auditor-General in his report referred to problems and malfunctions in the residential units of “Nireas I” complex in Asomatos, Limassol. There are no estimates for contingent liabilities on the matters reported in the Auditor-General's report as of the date of approval of the financial statements.

31. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period that are relevant to the understanding of the financial statements.

Independent Auditor's Report on pages 5-8

The financial statements were approved by the Board of Directors on January 10, 2018.