



VASSILIKO CEMENT WORKS
PUBLIC COMPANY LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS **2007**





Annual Report and Financial Statements 2007

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Address by the Executive Chairman, Antonis Antoniou

for the year 2007



ANTONIS ANTONIOU
Executive Chairman

Dear Shareholders,

I would like to welcome you to the Company's 42nd Annual General Meeting. I am honoured, on behalf of the Board of Directors, to present to you the financial results of the Company for the year ended 31st December 2007.

Review of the year

The rate of growth of the Construction industry during 2007 continued its upward trend. As a result, the total cement consumption in Cyprus reached 1.790 thousand tones compared to 1.627 thousand tones during the previous year, registering a 10% increase.

The total Group clinker and cement sales in the local market increased to 1.353 thousand tones from 1.187 thousand tones in 2006. The exports decreased from 271 thousand tones in 2006 to 63 thousand tones in 2007 as priority was given to first satisfying the domestic demand.

Thus the total Group sales reached 1.416 thousand tones in 2007 in comparison to 1.458 thousand tones in 2006, registering a slight decrease of 2.9%.

The increase in energy costs, was for another consecutive year an important factor affecting the Group's bottom line. The production of cement is highly energy intensive and the direct energy cost is in excess of 36% of our total production costs. The international rise of the price of fuel and electricity had an adverse affect on our production costs. In order to mitigate these rising energy costs we have undertaken specific measures such as, self-generation of electricity at lower cost due to the high efficiency co-generation processes, the use of alternative - renewable fuels, and the promotion of new products friendlier to the environment that require less energy for their production. We remain committed to the implementation of our long-term energy strategy, and our efforts for achieving energy savings remain continuous.

Financial Results

The total Group revenues increased from £49.781.000 (€85.056.000) in 2006 to £53.173.000 (€90.851.000) in 2007, whilst operating profit (before re-evaluation of investment property during 2006 of £3.336.000) increased from £8.617.000 (€14.723.000) to £10.079.000 (€17.221.000). This was mainly driven by the increased sales in the domestic market, which in effect counteracted to some extent the negative impact of the increase in energy costs.

Finally, the net profit after taxation for the financial year that ended 31st December 2007 amounted to £9.890.000 (€16.898.000) compared to £10.670.000 (€18.231.000) in 2006.



Address by the Executive Chairman, Antonis Antoniou

for the year 2007

(continuation)

Dividend

The Board of Directors, having taken into account the results of the year, as well as the current year prospects, and the capital investment programme of the Group, decided to propose to the General Meeting the payment of an additional dividend of €2.446.000 (£1.431.000) for the financial year 2007, which corresponds to €0,034 (£0,02) cents per share. Together with the interim dividend paid in December 2007 of £806.000 (€1.377.000), which corresponds to £0,015 (€0,0256) per share, the total dividend to be paid from the 2007 profits amounts to £2.237.000 (€3.823.000) and corresponds to £0,035 (€0,059) per share. The total dividend paid from the 2006 retained profits also amounted to £0,035 (€0,059) per share and the total amount was £1.881.000 (€3.214.000). The difference in the two distributed totals is attributed to the increased amount of shares outstanding at the date of dividend payment.

The future through sustainable development

Vassiliko Cement Works, within the implementation of its strategic expansion plan, proceeds to substantial investments. These investments aim towards the technological modernisation of the cement industry in Cyprus, achieving simultaneously considerable energy savings and the enhancement of its environmental performance. We gain the capability to challenge competition whilst at the same time reinforce the exports orientation of the Company.

Within the framework of the construction of a modern production line, Vassiliko Cement Works is investing €135 million over the next 3 years. As part of realizing this programme, the Chinese company CBMI Construction Co. Ltd has been chosen as the main contractor for the supply and erection of the new Best Available Technology production facility. The agreement with CBMI is for €83,8 million and was signed at a ceremony on the 22nd of May in Nicosia in the presence of the Cyprus Minister of Transport and Public Works Mr. Nicos Nicolaides and his Excellency the Ambassador of China to Cyprus Mr. Zhao Yali.

The new clinker production line is scheduled to commence operations at the end of 2010. Not only will it extend the life of the cement industry in Cyprus for a further 50 years, but it will also generate multiple financial, quality and environmental benefits. We will achieve the reduction of energy consumption by as much as 30% per ton of cement, as well as enabling the ability to replace fuel with renewable energy sources by as much as 50% of our requirement. The state-of-the-art quality control systems which will be installed will help to further improve the quality of our end product. The environmental performance of the plant will definitely be enhanced with the effective reduction of all emissions. Of further importance is the reduction of the Green House Gases emissions and that of carbon dioxide by a further 15%.

We are proud for these latest of developments, which form a milestone to the long-term prospects of the Cyprus Cement Industry.



Address by the Executive Chairman, Antonis Antoniou

for the year 2007

(continuation)

Departing Directors

We would like to express our respect and thank warmly all the Directors who have retired from the Board during the past year, with specific mention to the previous Chairman Dr. Andreas Panayiotou, for the valuable services and contributions offered to the Company during their tenure.

Personnel

Finally, I would like to express my warmest thanks to the General Manager Mr. George Sideris, the Management and the personnel of the Company for their hard work and dedication they have shown. Our strength is in our people and our values lie in our team work.

Sincere appreciation is also expressed to the shareholders of the Group and to all our clients, for the trust which they bestow on us as well as for their continual support.

The main cornerstone of all our efforts remains the vision of sustainable development, and as such a balanced policy around the three main axis of economic, social and environmental wealth of the Group and its operation within the framework of complete transparency.

To this end, we will continue working with the same eagerness and devotion for the accomplishment of all the targets we have set. This is driven by our vision ***“to continuously strengthen our leadership position and through our dynamic development contribute to the progress of our own country”***.

ANTONIS ANTONIOU

Executive Chairman

Nicosia, 27 June 2007





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Officers, Professional Advisers and Bankers

Directors:	Antonis Antoniou	<i>(Executive Chairman)</i>
	Fabrizio Donega	<i>(Executive Vice-Chairman)</i>
	Stefos Chr. Kaloyeros	
	Fortunato Zaffaroni	
	Paolo Catani	
	Marios Eliades	
	George Galatariotis	
	Costas Galatariotis	
	Stavros Galatariotis	
	Costas Koutsos	
	Charalambos Panayiotou	

General Manager:	Georgios A. Sideris
Financial Manager:	Georgios S. Savva
Secretary:	Maria Mavridou

Independent Auditors:	KPMG
Legal Advisers:	Tassos Papadopoulos & Associates
Bankers:	Alpha Bank Ltd
	Bank Of Cyprus Public Company Ltd
	Commercial Bank Of Greece S.A.
	Hellenic Bank Public Company Ltd
	National Bank Of Greece (Cyprus) Ltd
	Marfin Popular Bank Public Company Ltd
	BNP Paribas
	COOP Vassilikos Pentaschinos

Registered Office:	1A, Kyriakos Matsis Avenue P.O. Box 22281, 1519 Lefkosia, Cyprus
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Registered Number:	1210
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Notice of Annual General Meeting

The 42nd annual general meeting of the shareholders of Vassiliko Cement Works Public Company Ltd will be held at the HILTON PARK HOTEL in Lefkosia, on 27 June 2008 at 4:00 p.m. to transact the following business:

- 1 Consider the annual report of the Board of Directors for the year 2007.**
- 2 Receive, consider and approve the annual financial statements and the report of the auditors for the year 2007.**
- 3 Approve the additional dividend for the year 2007.**
- 4 Elect new directors in the place of those who retire.**
- 5 Approve the remuneration report.**
- 6 Fix the remuneration of the directors for the year 2008.**
- 7 Re-appoint Messrs KPMG as the auditors of the Company and fix their remuneration for the year 2008.**
- 8 Transact any other business which, in accordance with the Company's Articles of Association, can be presented at the annual general meeting.**

By order of the Board

M. MAVRIDOU

Secretary

Lefkosia, 23 April 2008

A shareholder entitled to attend and vote at the above-mentioned general meeting is entitled to appoint a Proxy to attend and vote on his/her behalf. The relevant Instrument of Proxy must be drawn in accordance with article no. 70 of the Company's Articles of Association and must be deposited at the registered office of the Company (1A, Kyriakos Matsis Avenue, P.O. Box 22281, 1519 Lefkosia, Cyprus) at least 48 hours before the time set for the general meeting. The Proxy who will be appointed need not be a member of the Company.



Notice of Annual General Meeting

Explanatory Notes

The formal Notice of the 2008 AGM is set out above. The Notice asks Vassiliko Cements Works shareholders to approve a number of items of business. For your information, the explanatory notes below summarise the purpose of each Resolution to be voted on by Vassiliko Cement Works shareholders at this year's AGM.

• Resolution 1: To consider the Annual Report

The Chairman will present the Annual Report of the Board of Directors for the year ended 31 December 2007 to the meeting.

• Resolution 2: To receive, consider and approve the Annual Financial Statements and the Report of the Auditors

The Chairman will present the Annual Financial Statements and Messrs KPMG will present their Audit Report for the year ended 31 December 2007 to the meeting.

• Resolution 3: Dividend

The Directors have proposed an additional dividend of €0,034 (£0,02) per Ordinary Share. If approved at the AGM, the dividend will be paid to the entitled shareholders, holders of the Company's shares at the closing of the trading day of the Cyprus Stock Exchange of 11 July 2008. The share of the Company will be traded ex-dividend as of 14 July 2008. Payment of the dividend will be made (effected) till the 6 August 2008.

• Resolution 4: Re-appointment of Directors

In accordance with the Company's Articles of Association, Mr Marios Eliades who was appointed by the Board of Directors on 13 November 2007 as Non-Executive Director, Mr Fabrizio Donega who was appointed by the Board on 4 February 2008 as Executive Vice-Chairman, Messrs George Galatariotis, Costas Galatariotis and Stavros Galatariotis who were appointed by the Board on 4 February 2008 as Non-Executive Directors, Mr Antonis Antoniou who was appointed by the Board on 28 February 2008 as Executive Chairman and Messrs Costas Koutsos and Charalambos Panayiotou who were appointed by the Board on 10 April 2008 as Non-Executive Directors will stand down and offer themselves for election by the Company shareholders.

In addition Messrs Stefanos Chr. Kaloyeros, Fortunato Zaffaroni and Paolo Catani are the Directors who will retire by rotation this year. Messrs Fortunato Zaffaroni and Paolo Catani offer themselves for re-election in accordance with the Company's Articles of Association.

Mr. Stefanos Chr. Kaloyeros is not standing for re-election pursuant to the director retirement age contained in the Company's Corporate Governance Manual.

Brief details of all Directors appear on pages 17 to 19 of the Annual Report.

• Resolution 5: Approve the remuneration report

The Shareholders are asked to approve the remuneration report that appears on pages 15 to 16.

• Resolution 6: To fix the remuneration of the Directors

The Shareholders are asked to approve the remuneration of the Directors for the year 2008 to be increased from the previous year Directors' Remuneration as follows:

€9,000 for the Chairman

€7,000 for each of the Directors

€200 attendance fee per meeting held

• Resolution 7: Re-appointment of Auditors

This resolution relates to the re-appointment of KPMG as the Company's auditors to hold office until the next AGM of the Company, and to authorise the Directors to set their remuneration.



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

In accordance with Article 9 sections (3)(c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 2007 we, the members of the Board of Directors and the Company Officials responsible for the drafting of the financial statements of Vassiliko Cement Works Public Company Ltd for the year ended 31 December 2007, on the basis of our knowledge, declare that:

- a. The annual financial statements which are presented on pages 22 to 55:
 - i. have been prepared in accordance with the applicable International Financial Reporting Standards and the provisions of section (4), and
 - ii. provide a true and fair view of the particulars of assets and liabilities, the financial position and the profit or loss of the financial statements as a whole and

- b. The Board of Directors' report provides a fair view of the developments and the performance as well as the position of the Group and the Company, together with a description of the main risks and uncertainties which they face.

Members of the Board of Directors:

Antonis Antoniou	<i>Executive Chairman</i>
Fabrizio Donega	<i>Executive Vice Chairman</i>
Stefos Chr. Kaloyeros	<i>Non Executive Director</i>
Fortunato Zaffaroni	<i>Independent Non Executive Director</i>
Paolo Catani	<i>Independent Non Executive Director</i>
Marios Eliades	<i>Non Executive Director</i>
George Galatariotis	<i>Non Executive Director</i>
Costas Galatariotis	<i>Non Executive Director</i>
Stavros Galatariotis	<i>Non Executive Director</i>
Costas Koutsos	<i>Non Executive Director</i>
Charalambos Panayiotou	<i>Non Executive Director</i>

Company Officials

George Sideris	<i>General Manager</i>
George Savva	<i>Financial Manager</i>

Lefkosia, 23 April 2008



Directors' Report

The Board of Directors of Vassiliko Cement Works Public Company Ltd (the 'Company') presents to the members its annual report together with the audited financial statements for the year ended 31 December 2007.

— *Financial statements*

The consolidated financial statements for the year 2007 include the results of the holding company and its subsidiary and associate companies.

— *Principal activities*

The Group's principal activities are the production of clinker and cement, which are sold in the local and international markets. The Group also has a presence in the ready mix concrete market and aggregates quarrying through its subsidiary and associate companies.

— *Review of developments, position and performance of the operations*

The construction industry growth continued in 2007, and as a result, the total cement consumption in Cyprus for 2007 reached 1.790 thousand tons compared to 1.627 thousand tons in 2006, recording an increase of 10%. The total sales of the Group in cement and clinker reached 1.416 thousand tons in 2007 compared to 1.458 thousand tons in 2006. The domestic sales increased to 1.353 thousand tons from 1.187 thousand tones in 2006, while the exports decreased from 271 thousand tons in 2006 to 63 thousand tons in 2007 as higher priority was given to satisfy the domestic demand.

The increase of energy cost is an important factor that affects negatively the profits of the Group. The efforts for energy saving are continuous. Vassiliko Cement Works invests in more efficient technologies that reduce the consumption of fuels and electricity, while in parallel, specialised staff is researching for the development of processes for the utilisation of renewable sources of energy that at the same time improve the environmental performance of the Group.

— *Financial results*

The results of the Group are presented in the consolidated income statement. The net profit after taxation for the year ended 31 December 2007 amounted to £9.890.000 (€16.898.000) compared to a net profit of £10.670.000 (€18.231.000) in 2006. The Board of Directors proposes the payment of a dividend as shown below and the transfer of the net profit for the year to the profit and loss reserve.

— *Dividends*

Following the payment of an interim dividend of £806.000 (€1.377.000) in December 2007, which represents £0,015 (€0,0256) per share, the Board of Directors recommends the payment of an additional dividend of €2.446.000 (£1.431.000) or €0,034 (£0,02) per share, so that the total dividend for 2007 will amount to £2.237.000 (€3.823.000) or £0,035 (€0,059) per share. The dividend payment out of the profits of 2006 were also £0,035 (€0,0598) cents per share and the total amount was £1.881.000 (€3.214.000). The difference is attributed to the higher number of shares that will be in issue at the date of the dividend payment.



Directors' Report

(continuation)

— Main risks and uncertainties

Statements made in this report that are not historical facts, including our expectations for future volume and pricing trends, demand for our products, energy costs and other market developments are forward looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions ("Factors"), which are difficult to predict.

Some of the Factors that could cause actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to: the cyclical nature of the Company's business; national and regional economic conditions; currency fluctuations; energy prices; seasonal nature of the Company's operations; levels of construction spending and, in particular, in Government infrastructure projects announced; supply/demand structure of the industry; competition from new or existing competitors; unfavourable weather conditions during peak construction periods; changes in and implementation of environmental and other governmental regulations. In general, the Company is subject to the risks and uncertainties of the construction industry. The forward-looking statements are made as of this date and the Company undertakes no obligation to update them, whether as a result of new information, future events or otherwise.

— Future developments

Overall, based on recent trends, markets are expected to remain favourable in 2008.

As far as operating costs are concerned, we expect energy costs to increase further in 2008. As in previous years, risk management policies and performance programs should help to mitigate the impact of these increases.

As has been announced, the Group is considering the replacement of the three existing kiln lines with a new single production line of Best Available Technology. The new production line will have higher production capacity and will be more efficient due to lower energy consumption and lower operating expenses. The new line will also have a positive impact on the environment by reducing significantly all emissions well below the European standards.

— Share capital

During the year there were no changes to the share capital of the Company.

— Branches

During the year the Group did not operate any branches.

— Board of Directors

The members of the Board of Directors on the date of the report appear on page 2. In accordance with the Company's Articles of Association (Article 92), at the annual general meeting of 27 June 2008 Messrs Stefanos Chr. Kaloyeros, Fortunato Zaffaroni and Paolo Catani retire from office by rotation and Messrs Fortunato Zaffaroni and Paolo Catani, being eligible, offer themselves for reelection.

Messrs Antonis Antoniou, Fabrizio Donega, Marios Eliades, George Galatariotis, Costas Galatariotis, Stavros Galatariotis, Costas Koutsos and Charalambos Panayiotou who were appointed by the Board of Directors on the dates shown below are subject to retirement (Article 97) at the general meeting of 27 June 2008 and, being eligible, offer themselves for election.



Directors' Report

(continuation)

The Directors who served during the period from 27 June 2007, the date of the last Annual General Meeting, till this date were the following:

Antonis Antoniou	(appointed on 28/2/2008)
Fabrizio Donega	(appointed on 4/2/2008)
Stefos Chr. Kaloyeros	
Fortunato Zaffaroni	
Paolo Catani	
Marios Eliades	(appointed on 13/11/2007)
George Galatariotis	(appointed on 4/2/2008)
Costas Galatariotis	(appointed on 4/2/2008)
Stavros Galatariotis	(appointed on 4/2/2008)
Costas Koutsos	(appointed on 10/4/2008)
Charalambos Panagiotou	(appointed on 10/4/2008)
Panayiotis Hadjipantelis	(resigned on 10/4/2008)
Frixos Savvides	(resigned on 10/4/2008)
Andreas Panayiotou	(resigned on 28/2/2008)
Michel Lefebvre	(resigned on 4/2/2008)
Georgios A. Sideris	(resigned on 4/2/2008)
Pambos Ioannides	(resigned on 13/11/2007)

The responsibilities of the Directors as members of the Board Committees are disclosed in the Corporate Governance Report.

There were no material changes to the compensation of the Board of Directors.

— *Post balance sheet events*

As has been announced, the Company and the Cyprus Cement Public Company Ltd (CCC) have entered into an agreement to merge their cement, ready-mix concrete and aggregates businesses. This has been approved by an extraordinary meeting of the shareholders on 19 December 2007 and the Company proceeded with its implementation in January 2008. The main provisions of the agreement are the following:

- (1) The Group will assume the management of CCC's operations in relation to the production and distribution of cement.
- (2) The Group will acquire through C.C.C. Building Materials Limited, which will be a wholly owned subsidiary, all the direct and indirect investments that CCC has in Latouros Quarries Ltd, C.C.C. Aggregates Limited, Athinodorou Beton-Transport Limited, Athinodorou Beton-Estates Limited and Athinodorou Beton Ltd as well as in ELMENI Quarries Ltd.
- (3) The above agreement provides for, at a future date and under certain conditions, the termination or substantial decrease in the production of cement at the Moni cement factory in conjunction with the operation of a new, best available technology cement production line of the Group at Vassiliko.
- (4) The consideration for the above is satisfied with the issue on 1 January 2008 of 18,199,794 shares by the Company to CCC.



Directors' Report

(continuation)

As has been announced, the Group has decided to proceed with the replacement of the three existing kiln lines with a new single production line of Best Available Technology. The new production line will have higher production capacity and will be more efficient due to lower energy consumption and lower operating expenses. The new line will also have a positive impact on the environment by reducing significantly all emissions well below the European standards.

The new production line will modernise the plant and installations and will extend the life of the cement plant for another 50 years. The annual cement production capacity will increase from 1,8 to 2,4 million tons cement, utilising the high quality raw materials of the quarries in the region. With this significant investment, Vassiliko Cement Works will be able to compete in the international scene offering high quality products at competitive prices.

For the implementation of the above project, following an international tendering competition, the Group has entered into a contract of €8 million for the supply of a new vertical cement mill with a capacity of 1,5 million tons per annum and has further signed a letter of intent for the supply and erection of a new kiln line of €83,8 million with an annual capacity of 2 million tons clinker. The entire investment for the new production line which is estimated to reach €135 million, will be funded from own funds and bank loans, and is scheduled to complete by the end of 2010.

In addition to the above actions that are in full compliance with the Group environmental policy for sustainable development, the construction of the new clinker silo of total capacity of 90.000 tons is in progress and will finish in June 2008. The total investment is expected to reach £7,3 (€12,5) million. This project is expected to help enormously the efforts for the protection of the environment, reducing significantly the dust emission levels, while it will contribute towards the improvement of the final product quality and to the reduction of operating costs.

— **Independent Auditors**

The independent auditors of the Company, Messrs KPMG, have expressed their willingness to continue in office. A resolution to fix their remuneration will be proposed at the Annual General Meeting.

On behalf of the Board of Directors

ANTONIS ANTONIOU

Executive Chairman

Lefkosia, 23 April 2008



Corporate Governance Report

Section A

The Company has adopted the 2nd Revised Edition of the Corporate Governance Code issued by the Cyprus Stock Exchange in 2007 and prepared procedures and regulations in order to ensure compliance with the Code. At the date of this report the principles of the Corporate Governance Code are partly implemented. The principles of the Corporate Governance Code that are not implemented are presented on Section B of this report.

Section B

— The Board

The Company is headed by the Board of Directors which at 31 December 2007 comprised three executive and six non-executive directors and is responsible to the shareholders for the proper management of Vassiliko Cement Works Public Company Ltd and its subsidiaries. According to the principles laid in the 2nd Revised Edition of the Corporate Governance Code the non-executive directors comprised four independent directors and two non-independent directors. The members of the Board (excluding the Chairman) comprised four independent non-executive directors and four non-independent directors of which two executive and two non-executive directors. During the period 1st January 2008 until 23rd April 2008 five directors resigned from office, five new directors were appointed to fill the casual vacancies occurred and two new directors were appointed as additional directors. The current members of the Board (excluding the Chairman) comprises two independent non-executive directors and eight non-independent directors of which one executive and seven non-executive directors. The independent non-Executive directors of the Board are Messrs F. Zaffaroni and P. Catani. Following the resignations of members of the Board of Directors the Board appointed new Directors to fill the vacancies occurred as well as two additional Directors. The development of the Board into its new membership and structure was necessitated by the fact that the Company's interests (and in effect the shareholders) were best served by a Board comprised of Directors with an appropriate range of backgrounds, a variety of skills and core competencies, expertise and working experiences who would be most competent in taking the Company through the next 3 years of major challenges especially with regards to merging of two factories, building of a new energy efficient cement plant, and substantial capital expenditure investment.

Even though all Corporate Governance principles were maintained it was not possible to comply with the corporate governance principles regarding 50% independent non-executive membership.

Mr. Frixos Savvides, independent non-executive director, was appointed as Senior Independent Director. Following Mr. Savvides' resignation on 10 April 2008 the position of the Senior Independent Director is vacant. The Board will appoint a new Senior Independent Director in the near future. The Senior Independent Director of the Company is available to shareholders if they have concerns that have not been resolved through the normal channels of contact with the Chairman the Vice-Chairman or the General Manager or for which such contact is inappropriate. The Senior Independent Director will attend sufficient meetings of major shareholders and financial analysts to develop a balanced understanding of the issues and concerns of such shareholders. The Senior Independent Director can be contacted initially via the Company Secretary at the Registered Office of the Company.

The Board has six scheduled meetings a year, setting and monitoring the Group's strategy, reviewing trading performance, ensuring adequate funding, examining major capital expenditure, formulating policy on key issues and reporting to shareholders where appropriate. The Board of Directors convened 11 times during 2007.



Corporate Governance Report

(continuation)

In accordance with best practice, the Board has established the Audit Committee, the Remunerations Committee and Nominations Committee as per the requirements of the code. The Company Secretary is responsible to and appointed by the Board and all directors have access to her advice and services. Directors may obtain independent professional advice if necessary, at the Company's expense. Formal agendas, papers and reports are supplied to directors in a timely manner, prior to Board meetings. Briefings are also provided at other times, for example, through operational visits and business presentations.

— **Chairman and General Manager**

There is a division of responsibility for the management of the Group between the Executive Chairman, and the General Manager.

The Executive Chairman has, among others, the following responsibilities and role:

- Determines, in collaboration with the General Manager, the Agenda of the meeting of the Board of Directors.
- Chairs the Meetings of the Board of Directors and the General Meetings of the Shareholders of the Company.
- Reviews the information and documents and confirms their relevance in order to be submitted to the Members of the Board of Directors prior to the Board Meetings.
- Has periodic meetings with the Management of the Company to discuss various specific subjects.
- Reviews the strategy of the Company with the Executive Vice-Chairman and the General Manager of the Company before the meeting of the Board of Directors convened to consider the above subject.
- Represents the Company in all its major dealings.
- Meets with the major shareholders of the Company and conveys their suggestions to the Board of Directors.
- Together with the General Manager represent the Company at various meetings for the promotion of the strategic targets of the Company.
- Cooperates with the Executive Vice-Chairman and the General Manager of the Company to determine and form the strategic targets of the Group according to the developments of the sector within which the Group operates and secures the thorough appraisal of the Company's strategic or other development proposals and the presentation thereof to the Board of Directors for final approval.
- Confirms the existence of an efficient system of control of the progress of implementation of the above targets and of the updating of the Board of Directors.
- Together with the Executive Vice-Chairman evaluates and promotes various other proposals of the General Manager.

The General Manager of the Company, among others, has the following responsibilities:

- Manages the Company according to the strategy and the commercial targets determined by the Board of Directors.
- Safeguards the daily smooth operation of the Company in line with the policy, the targets and the budgets approved by the Board of Directors.
- Ensures timely and effective implementation of the strategic resolutions of the Board of Directors in agreement with the Executive Chairman and the Executive Vice Chairman of the Group.
- In cooperation with the Executive Chairman manages the business development of the Company's activities, its subsidiary and associated companies.
- Is responsible to inform the Executive Chairman and the Executive Vice-Chairman, in regular intervals of time, regarding all the major issues of the Company, including the current status of the operations of the Company.



Corporate Governance Report

(continuation)

— Appointments to the Board

During 2007 the Nominations Committee was chaired by Dr A. Panayiotou (Executive Chairman - resigned on 28 February 2008) and was composed of four other directors, Messrs M. Lefebvre (Executive Vice-Chairman – resigned on 4 February 2008), P. Ioannides (non-Executive Director – resigned on 13 November 2007), P. Hadjipantelis (Independent non-Executive Director – resigned on 10 April 2008) and St. Kaloyeros (non-Executive Director). The current members of the Nominations Committee are Mr. G. St. Galatariotis (non-Executive Director – appointed on 4 February 2008), Mr. F. Donega (Executive Vice – Chairman – appointed on 4 February 2008), Mr. M. Eliades (non-Executive Director – appointed on 4/2/2008), Mr. C. Koutsos (non-Executive Director – appointed on 10 April 2008) and Mr. St. Kaloyeros (non-Executive Director). The Nominations Committee is chaired by Mr. G. St. Galatariotis. The Nominations Committee is responsible for the selection and nomination of any new director, for the Board's consideration. The Committee is responsible to carry out a selection process. Upon the appointment of a new director, appropriate training is provided as required. In accordance with the Articles of Association of the Company and the Corporate Governance Code, the directors retire every three years by rotation and, if eligible, may offer themselves for re-election. The Board has set the 75th year of age as the year of retirement.

— Relations with shareholders

Importance is attached to maintaining a dialogue with the Company's institutional shareholders. Meetings are held with analysts and institutional shareholders on a regular basis. The annual general meeting is used as a forum for communicating with shareholders, providing briefings on the Company's performance during the year under review and current business activity. There will be an opportunity for shareholders to meet with and put questions to the directors, including the chairmen of the Audit, Nominations and Remunerations Committees. At annual general meetings, separate resolutions are proposed on each substantially separate issue and the number of proxy votes received for and against each resolution is announced. Members with voting rights of 5% may place items on the agenda of annual general meetings at the latest five months after the year end of the Company and 10 days before the date of the Annual General Meeting. Notices of annual general meetings are sent to shareholders at least 21 days before the meeting. The Board of Directors appointed Mr. Georgios Savva as Investor Liaison Officer to facilitate better communication with shareholders and investors.

— Financial reporting

The preparation and presentation of this report and financial statements and other price sensitive public reports, seek to ensure that reports are prepared in a way that represents a balanced and understandable assessment of the Group's position and prospects.

— Internal control

Risk assessment and review is carried out by the executive management with details of significant risks being documented. Periodic reports relating to significant risks and associated controls are prepared from this documentation and presented to the Board for its review. The Board has overall responsibility for the Group's systems of internal control and for reviewing their effectiveness on an annual basis, as well as of the procedures which confirm the accuracy, completeness and validity of the information that is provided to the investors. On the basis of the process described above during the year the Internal Auditors prepare Internal Audit Reports addressed to the Audit Committee which informs the Board through its Annual Internal Audit Report. According to the Internal Auditors Reports, the systems of internal control do not present any significant weaknesses. The Board has reviewed the key risks inherent in the Group, together with the operating, financial and compliance controls that have been implemented to mitigate those key risks.



Corporate Governance Report

(continuation)

However, any system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss. The Board has put in place an organisation structure with clearly defined lines of accountability and delegated authority. The principles have been designed to establish clear local operating autonomy within a framework of central leadership, stated aims and objectives. Procedures were established for business planning, budgeting, capital expenditure approval and treasury management. The executive directors regularly review the operating performance of each business and monitor progress against business plans.

— **Audit committee and auditors**

During 2007 the Audit Committee comprised of Messrs P. Hadjipantelis (Chairman -Independent non-Executive Director), St. Chr. Kaloyeros (non-Executive Director), Fr. Savvides (Independent non-Executive Director), and P. Catani (Independent non-Executive Director) (appointed on 11th January 2007). The current members of the Audit Committee are Messrs St. Kaloyeros (non-Executive Director), P. Catani (Independent non-Executive Director) and C. St. Galatariotis (non-Executive Director) (appointed on 4 February 2008). The Audit Committee is chaired by Mr. C. St. Galatariotis. Due to the total number of non-Executive Directors in the Board at present the majority of the members of the Audit Committee are non-Executive Directors but not independent non-executive Directors. The Committee meets at least twice a year and provides a forum for reporting by the Group's external and internal auditors who have access to the Committee for independent discussion, without the presence of the executive directors. The Audit Committee reviews a wide range of financial matters including the annual and quarterly results, statements and accompanying reports, before their submission to the Board and monitors the controls which are in force to ensure the integrity of the financial information reported to shareholders. The Audit Committee also advises the Board on the appointment of external auditors and on their remuneration both for audit and non-audit work. The Group's internal audit function is outsourced to PEK Ltd, a professional Auditors Firm, who monitors the internal control systems and reports to the management and to the Audit Committee. PEK Ltd perform their duties with the technical assistance of the Italcementi Group Internal Audit Department. Management is responsible for the implementation of the recommendations made by internal audit that carry out post-implementation reviews. The external auditors carry out independent and objective reviews and tests of the internal financial control processes, only to the extent that they consider necessary to form their judgement when expressing their audit opinion on the accounts.

— **Going concern**

After making appropriate enquiries, the directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts and state that the Company intends to operate as a going concern for the next twelve months.

— **Remunerations Committee**

During 2007 the Remunerations Committee comprised of three non-executive directors who have no financial interest in the Group, no personal interest in the Committee's deliberations, and no involvement in the day-to-day management of the Group's operations. The members of the Committee are Messrs P. Hadjipantelis (Independent non-Executive Director), P. Ioannides (non-Executive Director), and F. Zaffaroni (Independent non-Executive Director). Messrs P. Ioannides and P. Hadjipantelis members of the Committee during 2007 resigned on 13 November 2007 and 10 April 2008 respectively. The current members of the Remunerations Committee are Messrs F. Zaffaroni (Independent non-Executive Director), M. Eliades (non-Executive Director), St. G. Galatariotis (non-Executive Director) and Ch. Panayiotou (non-Executive Director).



Corporate Governance Report

(continuation)

The Committee is chaired by Mr. Ch. Panayiotou. The majority of the members of the Remunerations Committee are non-executive directors independent from the management of the Company who have no financial interest in the Group, no personal interest in the Committee's deliberations, and no involvement in the day-to-day management of the Group's operations that could substantially affect their independent and unbiased judgment. The Committee will usually meet at least once a year. The Group Executive Chairman and Vice-Chairman will normally be invited to attend its meetings in order to make recommendations regarding the remuneration of the executive directors (other than their self). External legal and consultancy advice is obtained when necessary. The Group Executive Chairman and Vice-Chairman are not present when their own remunerations are discussed.

The Remuneration policy of the Directors of the Company is included in the Remunerations Report (page 15).

— **Directors seeking re-election**

All the directors are subject to election by the shareholders at the first Annual General Meeting that follows their appointment and thereafter retire every three years. According to the Articles of Association, one third of the eleven Company directors retire from the Board at each Annual General Meeting. The directors liable to retirement according to the above provisions are those who served as members of the Board for the longest period since their last election.

In accordance with the Company's Articles of Association (Article 92), at the next shareholders Annual General Meeting Messrs Stefanos Kaloyeros (non-Executive Director), Paolo Catani (Independent non-Executive Director) and Fortunato Zaffaroni (Independent non-Executive Director) shall retire from office by rotation. Messrs Paolo Catani and Fortunato Zaffaroni, being eligible, shall offer themselves for re-election.

Messrs M. Eliades, F. Donega, G. St. Galatariotis, C. St. Galatariotis, St. G. Galatariotis, A. Antoniou, C. Koutsos and Ch. Panayiotou, who were appointed by the Board of Directors during the period November 2007 to April 2008 are subject to retirement (Article 97) at the next General Meeting and, being eligible, offer themselves for election.

— **Loans and guarantees granted to directors**

No loans and/or guarantees were granted to the directors of the Company or to directors of any subsidiary or associated company as well as to their related parties by the Company and its subsidiaries and associated companies.

— **Compliance with the Code of Corporate Governance Officer**

The Board of Directors appointed Mr. Georgios Savva, Financial Manager of the Company, at the position of Compliance with the Code of Corporate Governance Officer.

— **Board of Directors Confirmation**

The Board of Directors assures that to the best of its knowledge, there has been no violation of the Securities and Stock Exchange of Cyprus Law and Regulations.

Lefkosia, 23 April 2008



Remuneration Report

— *Remunerations Committee*

The Remunerations Committee of the Board is responsible for ensuring that the remuneration packages awarded to executive directors are appropriate to individual levels of responsibility and performance, are consistent with the Company's remuneration policy, and are in line with the principles of the Corporate Governance Code.

— *Remuneration policy*

The Board's policy is to employ high calibre people for its key positions. It requires a corresponding level of performance from those people and seeks to reward accordingly. The Group may commission special reviews from time to time to assess the directors' compensation levels. Account is taken of the salary and total remuneration levels prevailing in comparable jobs both inside and outside the Construction and Building Materials sector, together with the individual performance and contribution of each executive director.

The remuneration of the Executive Chairman and the Executive Vice-Chairman consists of a base salary only. The remuneration of the Executive Board Member/General Manager during the previous year included variable-pay components to ensure that the executive remuneration is linked to the Company's performance and consisted of base salary, a shortterm/annual incentive plan (annual bonus) and benefits. The Board considers that packages of this nature are consistent with prevailing practice and are necessary to attract, retain and reward executives of the calibre the Group requires. In framing the policy, the Board has given full consideration to the provisions of the Corporate Governance Code.

The base salary of the Executive Board Members is considered sufficient to attract and retain high-calibre management needed to achieve the Company's business objectives and is determined based on level of responsibility and experience.

The annual incentive plan rewards for the performance of the previous year and is paid in cash. The maximum bonus payment is expressed as a percentage of base salary and is based on targets set by the Remunerations Committee at the beginning of the performance period. The targets relate to the Company's financial performance, costs containment measures and development of the Group activities.

In addition to the base salary and incentive plan participation, the Executive Board Member/General Manager enjoys the same benefits as other employees of the Company, which include provident fund and medical fund.

No significant changes were made to the remuneration policy of the Company for year 2007 compared to the previous year.

The remunerations of the executive directors for the year 2007 under their capacity as executives were as follows:

Earnings	Number of directors
Up to £50,000	2
Between £50,000 and £100,000	1



Remuneration Report

(continuation)

The total remunerations of the executive directors under their capacity as executives for the year 2007 were £119,000:

Remuneration of Executive Directors	(£000)
Salaries and benefits	93
Bonuses	14
Social benefits	5
Provident fund	7
Total Remuneration	<u>119</u>

— **Pension Scheme**

All the Employees of the Company including the General Manager are members of the Company's Provident Fund, which is a defined contribution scheme. No other additional pension schemes exist for any of the Executive Members of the Board.

— **Employment contracts**

Employment of executive directors are for indefinite periods, however notice periods do not exceed one year as per the requirements of the Corporate Governance Code. In case of termination by the Company of the employment of Executive Directors, prior to their retirement, the Company has to compensate the Executive Directors according to the provisions of the Law.

— **Non-executive directors**

The remuneration of the directors, both executives and non-executives, for services rendered to the Company as directors, is determined by the annual general meeting of the Company on the proposal of the Board. The non-executive directors have letters of appointment for a three-year term. They do not participate in any profit sharing, share option or other incentive scheme. The remunerations for each of the directors for 2007 were £3,000 and £4,000 for the Chairman and £100 per meeting for attendance in person.

The total remuneration of the directors, executives and non-executives, under their capacity as directors of the Company and as members of the Board of Directors' Committees for 2007 were as follows:

	Executives	Non-Executives	Total
	£000	£000	£000
Directors' Fees	10	18	28
Attendance Fees	3	7	10
	<u>13</u>	<u>25</u>	<u>38</u>

— **Loans and guarantees granted to directors**

No loans and/or guarantees were granted to the directors of the Company or to directors of any subsidiary or associated company as well as to their related parties by the Company and its subsidiaries and associated companies.



Directors Curriculum Vitae

Antonis Antoniou - Executive Chairman

Mr. Antonis Antoniou was born in London in 1954. He graduated the English School in Nicosia and he studied at the University of London (Birkbeck College). Mr. A. Antoniou holds a degree in Biological Sciences and a postgraduate diploma in Computer Sciences.

Mr. Antoniou worked as a Biochemist/Bacteriologist at the University College London and as a Computer Systems Analyst at British Gas Headquarters in London.

He is a founding partner of AMER World Research Ltd where he was a Deputy General Manager from 1983 until 1998.

From 1998 until 2006 he was a Senior Vice President (Operations and IT Systems) of ACNielsen in Europe and a member of the European Board of Nielsen.

Fabrizio Donegà - Executive Vice Chairman

Mr. Fabrizio Donegà was born in Turin in 1963. Mr. Donegà holds a degree in Mechanical Engineering from Genoa University and postgraduate degrees in Finance & Accounting from Cranfield University, in Corporate Finance from SDA Bocconi School of Management and in Program Management Development from Harvard Business School.

Mr. Fabrizio Donegà is a Deputy General Manager of ITALCEMENTI S.p.A responsible for the Industrial Operations of Italcementi Group in Italy.

He joined Italcementi Group in 1991 which he served from the positions of the Technical Assistance Manager, Plant Manager, Diagnostic & Performance Supervisor at the Italcementi headquarters, General Manager for Italcementi Group operations in Greece and Bulgaria, Cyprus, Kazakhstan and Egypt, until 2003.

Mr. Fabrizio Donegà is a Deputy Chairman of AITEC, the Italian Technical & Economic Association of Cement Producers, Member of CEMBUREAU's (European Cement Association) Liaison Committee, President of the Cement, Lime and Gypsum Industrial Manufacturers Association of Bergamo Confindustria, and Member of the Council of Bergamo Confindustria.

Stefos Chr. Kaloyeros - Director

Mr Stefos Kaloyeros was born in Karavostasi in 1933. He is a graduate of the Pancyprian Gymnasium in Nicosia, as well as of the Loughborough College of Technology in England where he obtained a Degree in Mechanical Engineering.

Mr Kaloyeros is currently the Chairman and Managing Director of Nicosia Buses Ltd. He is a member of the Board of Directors of Cyprus Employers Association and a member of the Board of Directors of Vassiliko Cement Works Public Company Ltd.



Directors Curriculum Vitae

(continuation)

Fortunato Zaffaroni

Mr. Fortunato Zaffaroni was born in Tradate, Italy, in 1957. Mr. F. Zaffaroni is a graduate of the Milan Polytechnic where he received a Bachelors Degree in Chemical Engineering and of the University of Bocconi where he received a Masters degree in Business Administration.

Mr. F. Zaffaroni is a Managing Director of Interbulk Trading SA, Member of Italcementi Group. He joined Italcementi Group in 1996 which he served from the Office of the Chief Executive Officer, being responsible for special projects management and support, involved in internal reorganization and in management & acquisition projects, as well as from the posts of the Sales and Marketing Director and Sales Director of hydraulic binders sector. Mr. F. Zaffaroni worked as a Deputy Managing Director and Group Strategic Planning Manager at Lawson-Mardon Packaging, as a Marketing Manager of Styrene Division and Product Manager for Polystyrene Business at Montedison/Enichem Chemicals, and as a Project Engineer at Foster Wheeler Italiana Engineering Services Department.

Paolo Catani

Mr. Paolo Catani was born in Bergamo, Italy, in 1939. Mr. Catani is a graduate of the Milan Polytechnic where he received a Bachelors Degree in Mechanical Engineering.

Mr. Catani has 42 years of experience in cement production sector since he has served Italcementi Group, one of the biggest cement producers in the world, from 1964 until 2006 from various posts. Specifically among other positions Mr. P. Catani served the Italcementi Group from the positions of the Director of Diagnostics and Performance Department and of the Member of the Board of Directors of the Italcementi Group Technical Center. He also served in the positions of the Director of the Grinding Department and the Vice Director of the Combustion Department.

Mr. P. Catani is a holder of some patents in the cement technology and machinery.

Marios Eliades

Mr. Marios Eliades was born in Nicosia in 1963. Mr. M. Eliades is a graduate of the University of Kent, where he received a Bachelors Degree in Law and of King's College of the University of London where he received the Postgraduate Degree Master of Laws (LL.M).

Mr. M. Eliades worked for Price Waterhouse in London during the period 1988-1989. In August 1990 became member of the Cyprus Bar Association and since then he practises Law in Cyprus. Mr. M. Eliades is a partner of Tassos Papadopoulos & Associates Law Firm.

George St. Galatariotis

Mr. George St. Galatariotis was born in Limassol in 1947. He graduated the Lanition Gymnasium in 1965 and studied Commercial Sciences at City Polytechnic, in United Kingdom.

Mr. G. Galatariotis is a businessman, Executive Director of Galatariotis Group Companies, Executive Chairman of The Cyprus Cement Public Company Ltd and K&G Complex Public Company Ltd and Member of the Board of Directors of several private and public companies. He is a Commissioner of the Cyprus Conservation Foundation (Terra Cypria). Mr. G. Galatariotis has also served as a member of the Board of Directors of Limassol Chamber of Commerce and Industry and the Cyprus Ports Authority.



Directors Curriculum Vitae

(continuation)

Costas St. Galatariotis

Mr. Costas St. Galatariotis was born in Limassol in 1963. He graduated the 5th Gymnasium of Limassol and he studied Economics, Industry and Commerce at the London School of Economics and Political Science.

Mr. C. Galatariotis is Executive Director of the Galatariotis Group of Companies, Executive Chairman of C.C.C. Toursit Enterprises Public Company Ltd, owner Company of the Le Meriden Limassol Spa & Resort, Executive Director of the Cyprus Cement Public Company Ltd, Member of the Board of Directors of Eurolife Insurance Company Ltd, member of the Board of the Limassol Chamber of Commerce and Industry and Honorary Consul General of Japan in Cyprus.

Stavros G. Galatariotis

Mr. Stavros Galatariotis studied Economics in the United Kingdom and he holds a bachelors degree (BS.c. (Hons)) in Business Economics from the University of Surrey and a postgraduate degree in Business Administration from CIIM in Cyprus.

Since 2000, Mr. Stavros Galatariotis is Executive Director of the Galatariotis Group of Companies and a member of the Board of Directors of several private and public companies.

Costas Koutsos

Mr. Costas Koutsos is the Managing Director of BMS Metal Pipes Industries Group since 1978 and Chairman of KEO Plc and Member of the Board of Directors of Hellenic Mining Company. He is a Financial Consultant, Companies Tax Consultant, Secretary and Member of the Board of Directors of other private companies. Mr. Koutsos is a qualified accountant and he was worked for twelve years in a senior position in an international audit firm. He has a perennial experience in the Cyprus Stock Exchange Market. He is an active member of various charitable foundations as well as Member of the Board of Directors of Cyprus Metal Industry Association, member of the Cyprus Employers and Industrialists Federation.

Charalambos P. Panayiotou

Mr. Charalambos Panayiotou was born on 6th July 1971. He studied Management Sciences (B.Sc.) at the London School of Economics and Political Science.

He is a member of "The Institute of Chartered Accountants in England and Wales" as well as a Member of "The Institute of Certified Public Accountants of Cyprus" since 1996. He then joined the Cyprus Popular Bank Ltd. In 2000 he was appointed Financial Controller of the Holy Bishopric of Paphos, Member of the Board of Directors of St. George Hotel (Management) Ltd as well as of SM Tsada Gold Ltd. He is a Member of the Board of Directors of Hellenic Mining Group Companies. On 1st June 2005 he was elected Member of the Board of Directors of Hellenic Bank Public Company Ltd. He is also Member of the Board of Directors of Hellenic Bank (Investments) Ltd, Member of the Risk Management and Remunerations Committees of the Board of Directors of Hellenic Bank as well as a Member of the Board of Directors of KEO Plc.



Independent Auditor's Report

to the Members of Vassiliko Cement Works Public Company Ltd

– Report on the Consolidated and Company's Separate Financial Statements

We have audited the consolidated financial statements of Vassiliko Cement Works Public Company Ltd (the "Company") and its subsidiaries (the "Group") and the Company's separate financial statements on pages 22 to 55, which comprise the balance sheets of the Group and the Company as at 31 December 2007, and the income statements, statements of recognised income and expense and cash flow statements of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these consolidated and Company's separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) 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 and Company's separate 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 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 basis for our audit opinion.



Independent Auditor's Report

(continuation)

to the Members of Vassiliko Cement Works Public Company Ltd

Opinion

In our opinion, the consolidated and the Company's separate financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2007, and of the financial performance and the cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

– 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 the information available to us and according to the explanations given to us, the financial statements of the Group and the Company 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 9 is consistent with the consolidated and Company's separate 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.

KPMG

Chartered Accountants

Lefkosia, 23 April 2008



Consolidated Income Statement

for the year ended 31 December 2007

	Note	2007 £000	2006 £000	Supplementary information (Note 37) 2007 €000	2006 €000
Revenue	5	53.173	49.781	90.851	85.056
Cost of sales		(39.008)	(36.732)	(66.649)	(62.760)
Gross profit		14.165	13.049	24.202	22.296
Other operating income	6	890	4.180	1.521	7.142
Distribution expenses		(2.435)	(2.711)	(4.160)	(4.632)
Administrative expenses		(1.617)	(1.612)	(2.763)	(2.754)
Other operating expenses		(924)	(953)	(1.579)	(1.628)
Operating profit before financing costs	7	10.079	11.953	17.221	20.424
Financial income	9	734	270	1.254	461
Financial expenses	9	(44)	(31)	(75)	(53)
Net financing income		690	239	1.179	408
Share of profit from associate		52	47	89	80
Profit before tax		10.821	12.239	18.489	20.912
Taxation expense	10	(931)	(1.569)	(1.591)	(2.681)
Profit for the financial year		9.890	10.670	16.898	18.231
Attributable to:					
Equity holders of the parent		9.890	10.795	16.898	18.445
Minority interest	23	-	(125)	-	(214)
Profit for the financial year		9.890	10.670	16.898	18.231
Basic and diluted earnings per share (cents)	11	18,4	20,1	31,4	34,3

The notes of pages 30 to 55 form an integral part of the financial statements.



Parent Company Income Statement

For the year ended 31 December 2007

	Note	2007 £000	2006 £000	Supplementary information (Note 37) 2007 €000	2006 €000
Revenue	5	51.602	47.873	88.167	81.796
Cost of sales		(37.754)	(35.198)	(64.507)	(60.139)
Gross profit		13.848	12.675	23.660	21.657
Other operating income	6	890	4.214	1.521	7.200
Distribution expenses		(1.743)	(1.837)	(2.978)	(3.139)
Administrative expenses		(1.424)	(1.430)	(2.433)	(2.443)
Other operating expenses		(924)	(953)	(1.579)	(1.628)
Operating profit before financing costs	7	10.647	12.669	18.191	21.647
Financial income	9	762	305	1.302	521
Financial expenses	9	(14)	2	(24)	3
Net financing income		748	307	1.278	524
Profit before tax		11.395	12.976	19.469	22.171
Taxation expense	10	(921)	(1.649)	(1.574)	(2.817)
Profit for the financial year		10.474	11.327	17.895	19.354
Basic and diluted earnings per share (cents)	11	19,5	21,1	33,3	36,1

The notes of pages 30 to 55 form an integral part of the financial statements.



Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2007

	Note	2007 £000	2006 £000
Unrealised surplus on revaluation of properties	22	11.960	433
Change in fair value of equity securities available for sale	17	2.635	4.097
Increase of deferred tax provision on revaluation of land	25	(1.861)	(46)
Special contribution for defence		(370)	(323)
Net income recognised directly in equity		12.364	4.161
Profit for the year		9.890	10.670
Total recognised income and expense for the year		22.254	14.831
Attributable to:			
Equity holders of the parent		22.254	14.831
Minority interest		-	-
Total recognised income and expense for the year		22.254	14.831

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.

The notes of pages 30 to 55 form an integral part of the financial statements.



Parent Company Statement of Recognised Income and Expense

For the year ended 31 December 2007

	Note	2007 £000	2006 £000
Unrealised surplus on revaluation of properties	22	11.960	318
Change in fair value of equity securities available for sale	17	2.635	4.097
Increase of deferred tax provision on revaluation of land	25	(1.861)	(11)
Special contribution for defence		(370)	(323)
Net income recognised directly in equity		12.364	4.081
Profit for the year		10.474	11.327
Total recognised income and expense for the year		22.838	15.408

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.

The notes of pages 30 to 55 form an integral part of the financial statements.



Consolidated Balance Sheet

As at 31 December 2007

	Note	Supplementary information (Note 37)			
		2007 €000	2006 €000	2007 €000	2006 €000
Assets					
Property, plant and equipment	12	70.181	56,245	119.911	96,100
Intangible assets	14	1.141	1,110	1.950	1,897
Investment property	13	6.443	6,443	11.009	11,009
Investments in associates	16	730	796	1.247	1,360
Other investments	17	8.793	5,850	15.024	9,995
Total non-current assets		87.288	70,444	149.141	120,361
Inventories	18	9.237	9,379	15.782	16,025
Trade and other receivables	19	6.637	7,743	11.340	13,230
Cash and cash equivalents	20	12.367	7,813	21.130	13,349
Total current assets		28.241	24,935	48.252	42,604
Total assets		115.529	95,379	197.393	162,965
Equity					
Issued capital	21	13.434	13,434	22.953	22,953
Reserves	22	89.359	68,986	152.679	117,870
Total equity attributable to equity holders of the parent		102.793	82,420	175.632	140,823
Minority Interest	23	-	-	-	-
Total equity		102.793	82,420	175.632	140,823
Liabilities					
Interest-bearing loans and borrowings	24	70	268	120	458
Deferred tax liabilities	25	6.038	4,604	10.317	7,866
Total non-current liabilities		6.108	4,872	10.437	8,324
Bank overdraft	20	202	189	345	323
Interest-bearing loans and borrowings	24	200	50	342	85
Income tax payable		954	989	1.630	1,690
Trade and other payables	26	4.888	6,619	8.351	11,310
Provisions	27	384	240	656	410
Total current liabilities		6.628	8,087	11.324	13,818
Total liabilities		12.736	12,959	21.761	22,142
Total equity and liabilities		115.529	95,379	197.393	162,965

The financial statements were approved by the Board of Directors on 23 April 2008.

ANTONIS ANTONIOU, Director

FABRIZIO DONEGA, Director

The notes of pages 30 to 55 form an integral part of the financial statements.



Parent Company Balance Sheet

As at 31 December 2007

	Note	2007 £000	2006 £000	Supplementary information (Note 37) 2007 €000	2006 €000
Assets					
Property, plant and equipment	12	67.235	53,043	114.878	90,629
Intangible assets	14	94	79	161	135
Investment property	13	6.443	6,443	11.009	11,009
Investments in subsidiaries	15	931	931	1.591	1,591
Investments in associates	16	1	1	2	2
Other investments	17	8.793	5,850	15.024	9,995
Total non-current assets		83.497	66,347	142.665	113,361
Inventories	18	9.140	9,308	15.617	15,904
Trade and other receivables	19	10.714	11,406	18.306	19,488
Cash and cash equivalents	20	12.306	7,708	21.026	13,170
Total current assets		32.160	28,422	54.949	48,562
Total assets		115.657	94,769	197.614	161,923
Equity					
Issued capital	21	13.434	13,434	22.953	22,953
Reserves	22	90.399	69,442	154.456	118,649
Total equity		103.833	82,876	177.409	141,602
Liabilities					
Deferred tax liabilities	25	6.087	4,653	10.400	7,950
Total non-current liabilities		6.087	4,653	10.400	7,950
Income tax payable		955	925	1.632	1,580
Trade and other payables	26	4.398	6,075	7.517	10,381
Provisions	27	384	240	656	410
Total current liabilities		5.737	7,240	9.805	12,371
Total liabilities		11.824	11,893	20.205	20,321
Total equity and liabilities		115.657	94,769	197.614	161,923

The financial statements were approved by the Board of Directors on 23 April 2008.

ANTONIS ANTONIOU, Director

FABRIZIO DONEGA, Director

The notes of pages 30 to 55 form an integral part of the financial statements.



Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 €000	2006 €000	Supplementary information (Note 37) 2007 €000	2006 €000
Cash flows from operating activities					
Profit for the year		9.890	10.795	16.896	18.442
Adjustments for:					
Depreciation and amortisation charges		5.918	5.598	10.112	9.565
Fair value adjustment of investment property		-	(3.336)	-	(5.700)
Interest income		(444)	(180)	(759)	(308)
Dividends received		(290)	(90)	(495)	(154)
Interest expense		51	50	87	85
Exchange differences		(7)	(19)	(12)	(32)
Share of profit of associates		(52)	(47)	(89)	(80)
(Gain)/loss on sale of property, plant and equipment		(3)	22	(5)	38
Gain on sale of other investments		(17)	-	(29)	-
Income tax expense		931	1.569	1.591	2.681
Operating profit before changes in working capital and provisions		15.977	14.362	27.297	24.537
Decrease/(increase) in trade and other receivables		778	(2.256)	1.328	(3.855)
Decrease/(increase) in inventories		143	(1.233)	244	(2.107)
(Decrease)/increase in trade and other payables		(1.562)	2.012	(2.665)	3.442
Increase in provisions		144	190	246	325
Cash generated from operations		15.480	13.075	26.450	22.342
Interest paid		(51)	(50)	(87)	(85)
Income taxes paid		(1.686)	(690)	(2.881)	(1.179)
Net cash inflow from operating activities		13.743	12.335	23.482	21.078
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		248	181	425	309
Proceeds from repayments of loan to associate		200	200	342	342
Interest received		444	180	759	308
Dividends received		290	90	495	154
Acquisition of subsidiary company, net of cash acquired		-	(358)	-	(612)
Acquisition of property, plant and equipment	12	(8.062)	(4.539)	(13.775)	(7.755)
Acquisition of intangibles		(110)	(39)	(188)	(67)
Acquisition of investment property		-	(73)	-	(125)
Acquisition of other investments		(511)	(60)	(873)	(103)
Proceeds from sale of other investments		220	-	376	-
Exchange differences		7	19	12	32
Net cash used in investing activities		(7.273)	(4.399)	(12.427)	(7.517)
Cash flows from financing activities					
Repayment of loans		(48)	(889)	(82)	(1.519)
Dividends paid	29	(1.881)	(1.881)	(3.214)	(3.214)
Net cash used in financing activities		(1.929)	(2.770)	(3.296)	(4.733)
Net increase in cash and cash equivalents		4.541	5.166	7.759	8.828
Cash and cash equivalents at 1 January		7.624	2.458	13.026	4.198
Cash and cash equivalents at 31 December	20	12.165	7.624	20.785	13.026

The notes of pages 30 to 55 form an integral part of the financial statements.



Parent Company Cash Flow Statement

For the year ended 31 December 2007

	Note			Supplementary information (Note 37)	
		2007 €000	2006 €000	2007 €000	2006 €000
Cash flows from operating activities					
Profit for the year		10.474	11.327	17.895	19.351
Adjustments for					
Depreciation and amortisation charges		5.585	5.308	9.543	9.069
Fair value adjustment of investment property		-	(3.336)	-	(5.700)
Interest income		(472)	(215)	(806)	(367)
Dividends received		(290)	(90)	(495)	(154)
Interest expense		21	17	36	29
Exchange differences		(7)	(19)	(12)	(32)
Gain on sale of property, plant and equipment		(3)	(5)	(5)	(9)
Gain on sale of other investments		(17)	-	(29)	-
Income tax expense		921	1.649	1.574	2.817
Operating profit before changes in working capital and provisions		16.212	14.636	27.701	25.004
Decrease/(increase) in trade and other receivables		692	(3.810)	1.181	(6.510)
Decrease/(increase) in inventories		168	(1.202)	287	(2.054)
(Decrease)/increase in trade and other payables		(1.678)	1.186	(2.865)	2.032
Increase in provisions		144	1.377	246	2.353
Cash generated from operations		15.538	12.187	26.550	20.825
Interest paid		(21)	(17)	(36)	(29)
Income taxes paid		(1.686)	(746)	(2.881)	(1.275)
Net cash inflow from operating activities		13.831	11.424	23.633	19.521
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		6	5	10	9
Interest received		472	215	806	367
Dividends received		290	90	495	154
Acquisition of subsidiary company, net of cash acquired		-	(1)	-	(2)
Acquisition of property, plant and equipment	12	(7.763)	(3.884)	(13.264)	(6.636)
Acquisition of intangibles		(73)	(36)	(125)	(62)
Acquisition of investment property		-	(73)	-	(125)
Acquisition of other investments		(511)	-	(873)	-
Proceeds from sale of other investments		220	-	376	-
Exchange differences		7	19	12	32
Net cash used in investing activities		(7.352)	(3.665)	(12.563)	(6.263)
Cash flows from financing activities					
Repayment of loans		-	(843)	-	(1.440)
Dividends paid	29	(1.881)	(1.881)	(3.214)	(3.214)
Net cash used in financing activities		(1.881)	(2.724)	(3.214)	(4.654)
Net increase in cash and cash equivalents		4.598	5.035	7.856	8.604
Cash and cash equivalents at 1 January		7.708	2.673	13.170	4.566
Cash and cash equivalents at 31 December	20	12.306	7.708	21.026	13.170

The notes of pages 30 to 55 form an integral part of the financial statements.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. Reporting entity and principal activity

Vassiliko Cement Works Public Company Ltd (the "Company") is a company domiciled in Cyprus and is a public company in accordance with the requirements of the Cyprus Companies Law, cap 113, the Cyprus Stock Exchange Law and Regulations. The Company's registered office is at 1A Kyriakos Matsis Avenue, Nicosia, Cyprus.

The consolidated financial statements of the Company for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The Company and the Consolidated Financial Statements were authorised for issue by the Board of Directors on 23 April 2008.

Principal activities

The Group principal activities are the production of clinker and cement, which are sold in the local and international markets. The Group also has a presence in the ready mix concrete market and aggregates quarrying through its subsidiary and associate companies.

2. Significant accounting policies

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). In addition, the financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the Cyprus Stock Exchange Law and Regulations.

b. Basis of preparation

The financial statements are presented in Cyprus Pounds, rounded to the nearest thousand. They are prepared on the historical cost basis, modified to include the revaluation to fair value of: Land and buildings, Vassiliko port, financial instruments classified as available for sale and investment property.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed 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.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities.



Notes to the Consolidated Financial Statements

(continuation)

For the year ended 31 December 2007

c. Adoption of new and revised IFRSs

As from 1 January 2007, the Group adopted all the new and revised IFRSs and International Accounting Standards (IAS), which are relevant to its operations. The adoption did not result in substantial changes to the company's accounting policies.

At the date of authorisation of these financial statements the following standards and interpretations had been issued, but have not been applied by the Company because their first time adoption falls in future periods.

i. Standards and Interpretations adopted by the EU

IFRS 8: "Operating Segments" (effective for annual periods beginning on or after 1 January 2009).

IFRIC 11: "IFRS 2: Group and Treasury Share Transactions" (effective for annual periods beginning on or after 1 March 2007).

The application of the above Standards and Interpretations is not expected to have a significant impact on the financial statements of the Group.

ii. Standards and Interpretations not adopted by the EU

IAS 1 (revised): "Presentation of Financial Statements: A Revised Presentation" (effective for annual periods beginning on or after 1 January 2009).

IAS 23 (revised): "Borrowing Costs" (effective for annual periods beginning on or after 1 January 2009).

IFRIC 12: "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008).

IFRIC 13: "Customer Loyalty Programmes" (effective for annual periods beginning on or after 1 July 2008).

IFRIC 14 IAS 19: "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction" (effective for annual periods on or after 1 January 2008).

The application of the above Standards and Interpretations is not expected to have a significant impact on the financial statements of the Group.

d. Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are consolidated from the date that control is transferred to the Group until the date that control is transferred outside the Group.

ii. Associates

Associates are those entities in which the Group has significant influence but no control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.



Notes to the Consolidated Financial Statements

(continuation)

For the year ended 31 December 2007

iii. Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

e. Foreign currency transactions

Transactions in foreign currencies are translated to Cyprus Pounds at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Cyprus Pounds at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

f. Property, plant and equipment

i. Owned assets

Items of property, plant and equipment are stated at cost, or deemed cost less accumulated depreciation and impairment losses (see accounting policy I). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

ii. Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

iii. Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	20-50 years
Vassiliko Port	50 years (term of lease)
Machinery, plant and equipment	6-40 years

g. Intangible assets

i. Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and associates. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see note 14). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in the consolidated income statement.



Notes to the Consolidated Financial Statements

(continuation)

For the year ended 31 December 2007

ii. Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see accounting policy l).

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

iii. Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

iv. Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Computer software	3 years
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h. Investments

i. Investments in equity securities

Equity financial instruments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as held for trading or available-for-sale investments are recognised / derecognised by the Group on the date it commits to purchase / sell the investments. Securities held-to-maturity are recognised / derecognised on the day they are transferred to / by the Group.

ii. Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio at regular intervals. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for as described in accounting policy q.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity, if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the income statement.



Notes to the Consolidated Financial Statements

(continuation)

For the year ended 31 December 2007

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording. When the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

i. Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy l).

j. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of raw materials, spare parts and other consumables is based on the average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

k. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

l. Impairment of assets

The carrying amounts of the Group's assets, other than investment property (see accounting policies f, g), inventories (see accounting policy j) and deferred tax assets (see accounting policy s), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

m. Interest-bearing borrowings

Interest-bearing borrowings are stated at cost.



Notes to the Consolidated Financial Statements

(continuation)

For the year ended 31 December 2007

n. Employee benefits

Obligations for contributions to defined contribution schemes are recognised as an expense in the income statement as incurred.

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. The Group contributes the Provident Funds of its employees and management team which are defined contribution plans.

o. Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

p. Trade and other payables

Trade and other payables are presented at the nominal value outstanding at the balance sheet date.

q. Revenue

i. Goods sold

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

ii. Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

iii. Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset.

r. Expenses

i. Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

ii. Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date.



Notes to the Consolidated Financial Statements

(continuation)

For the year ended 31 December 2007

s. Income tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity.

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 profit of the relevant year at any time. This special contribution for defence is paid by the company for the account of the shareholders and is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using the applicable tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

t. Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

No reportable segments that represented 10% or more of total revenue, or 10% of the combined results of all segments, or 10% of the total assets of all segments were identified during the year.



Notes to the Consolidated Financial Statements

(continuation)

For the year ended 31 December 2007

3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- **Interest rate risk**
- **Credit risk**
- **Exchange rate risk**

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The main monetary financial assets of the Group and the Company are the cash in hand and at bank, and the investments in securities and trade debtors. The main monetary financial liabilities are the bank overdrafts, loans and trade creditors.

• Interest rate risk

Interest rate risk results from changes in market interest rates. The Group's income and operating cash flows are not directly related to changes in market interest rates. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly. The interest rate and repayment terms of the loans are disclosed in note 24.

• 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 policies in place to ensure that sales of products are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

• Exchange rate risk

Exchange rate risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Exchange rate 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 US Dollar and the Euro.



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For the year ended 31 December 2007

• Industry risk

The activities of the Group are subject to various risks and uncertainties related to the construction industry and the economy in general. These activities are influenced by a number of factors which include, but are not restricted to, the following:

- National and international economic and geopolitical factors;
- The growth of the construction and real estate sectors;
- The impact of war, terrorist acts, diseases and epidemics which are likely to influence tourists' arrivals on the island;
- Increases in labour and energy costs;
- Increased domestic competition as well as competition from neighbouring countries.

• Operational risk

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

• Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from noncompliance with the laws and regulations of the Republic of Cyprus and the European Union. The risk is limited through the monitoring controls applied by the Group.

• Litigation risk

Litigation risk is the risk of financial loss which arises from the interruption of the Group's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequently from lawsuits. The risk is restricted through the contracts used by the Group to execute its operations.

• Reputation

The risk of loss of reputation arising from the negative publicity relating to the Group's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Group.

• Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital which the Group defines as total shareholders' equity, excluding non-redeemable preference shares and minority interests, and the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

• Fair values

The fair value of the investments in securities quoted on the Cyprus Stock Exchange is disclosed in note 17. The fair value of investment property is disclosed in note 13. The fair values of the other monetary assets and liabilities are approximately the same as their book values.



Notes to the Consolidated Financial Statements

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For the year ended 31 December 2007

4 Significant Accounting Estimates and Judgments

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

The 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:

a. 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.

b. 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 makes assumptions that are mainly based on market conditions existing at each balance sheet date. The Group regularly evaluates the methods used to ensure their validity and appropriateness. Changes in the estimations and assumptions used is possible to affect the fair value of the related financial instruments.

5 Revenue

Revenue represents amounts invoiced to third parties during the year, stated net of value added tax, as follows:

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Revenue analysis:				
Local cement sales	48.221	41,080	49.985	42,302
Export cement sales	1.568	5,523	1.568	5,523
Concrete sales	3.335	3,130	-	-
Other	49	48	49	48
	53.173	49,781	51.602	47,873



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For the year ended 31 December 2007

6. Other operating income	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Profit on sale of marketable securities	17	-	17	-
Income from Vassiliko Port	474	614	474	614
Rental of investment property	223	169	223	169
Fair value adjustment of investment property	-	3,336	-	3,336
Gain on sale of property, plant and equipment	3	5	3	5
Other	173	56	173	90
	890	4,180	890	4,214

7. Operating profit before financing costs	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000

This is stated after charging:

Directors remuneration as directors	28	28	28	28
Directors remuneration as executives	119	115	119	115
Depreciation of property, plant and equipment	5,839	5,533	5,447	5,217
Amortisation of intangible fixed assets	79	65	58	51
Auditors' remuneration	25	18	18	15

8. Staff costs	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000

Wages and salaries	6,171	5,867	5,702	5,378
Social insurance costs	328	316	295	283
Provident fund contributions	406	358	388	343
Other contributions	330	327	252	240
	7,235	6,868	6,637	6,244

Average number of employees	251	250	217	215
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(continuation)

For the year ended 31 December 2007

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
9 Net financing income				
Interest income	444	180	472	215
Dividend receivable	290	90	290	90
Financial income	734	270	762	305
Interest expense	(51)	(50)	(21)	(17)
Net foreign exchange differences	7	19	7	19
Financial expenses	(44)	(31)	(14)	2
Net financing income	690	239	748	307

Interest income is earned on bank deposits held in current and short term notice accounts. The interest rate on the above deposits is floating. The average interest rate for 2007 was 4,03%.

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
10 Taxation expense				
Recognised in the income statement				
Analysis of charge in year				
Current year tax:				
Income tax on profits of the year	1.360	1.100	1.360	1.100
Special contribution to defence fund	32	4	32	4
Share of tax from associate	10	2	-	-
Deferred tax	(425)	463	(425)	545
	977	1.569	967	1.649
Adjustments for previous periods	(46)	-	(46)	-
	931	1.569	921	1.649

The Group is subject to income tax at 10%.

Factors affecting the income tax charge for the year

Profit before tax	10.821	12.239	11.395	12.976
Tax for the year at the applicable tax rates				
Income tax at 10%	1.082	1.224	1.140	1.298
Special contribution for defence	32	4	32	4
	1.114	1.228	1.172	1.302
Effects of:				
Non-taxable income	(147)	339	(205)	393
	967	1.567	967	1.695
Adjustments to tax charge in respect of previous periods	(46)	-	(46)	(46)
Share of tax from associate	10	2	-	-
Current tax charge for the year	931	1.569	921	1.649



Notes to the Consolidated Financial Statements

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For the year ended 31 December 2007

11 Earnings per share

The calculation of earnings per share was based on the profit attributable to ordinary shareholders of £9,890,000 (2006: £10,795,000) and the weighted average number of ordinary shares outstanding during the year 53,736,153.

12 Property, plant and equipment

	Land and buildings	Vassiliko Port	Plant and machinery	Total
	£000	£000	£000	£000
Group				
Cost				
Balance at 1 January 2006	17,150	14,182	70,222	101,554
Acquisitions	921	-	3,618	4,539
Revaluation of assets	498	-	-	498
Transfer to investment property	(390)	-	-	(390)
Disposals	-	-	(348)	(348)
Balance at 31 December 2006	18,179	14,182	73,492	105,853
Balance at 1 January 2007	18,179	14,182	73,492	105,853
Acquisitions	3,760	7	4,292	8,059
Revaluation of assets	9,851	2,108	-	11,959
Disposals	-	-	(368)	(368)
Balance at 31 December 2007	31,790	16,297	77,416	125,503
Depreciation				
Balance at 1 January 2006	1,633	1,374	41,212	44,219
Charge for the year on historical cost	163	178	4,484	4,825
Additional charge on revalued amounts	427	283	-	710
Disposals	-	-	(146)	(146)
Balance at 31 December 2006	2,223	1,835	45,550	49,608
Balance at 1 January 2007	2,223	1,835	45,550	49,608
Charge for the year on historical cost	177	178	4,763	5,118
Additional charge on revalued amounts	426	283	-	709
Disposals	-	-	(113)	(113)
Balance at 31 December 2007	2,826	2,296	50,200	55,322
Carrying amounts				
At 1 January 2006	15,517	12,808	29,010	57,335
At 31 December 2006	15,956	12,347	27,942	56,245
At 1 January 2007	15,956	12,347	27,942	56,245
At 31 December 2007	28,964	14,001	27,216	70,181



Notes to the Consolidated Financial Statements

(continuation)

For the year ended 31 December 2007

	Land and buildings	Vassiliko Port	Plant and machinery	Total
	£000	£000	£000	£000
Company				
Cost				
Balance at 1 January 2006	16.866	14.182	67.443	98.491
Acquisitions	564	-	3.319	3.883
Revaluation of assets	318	-	-	318
Transfer to investment property	(390)	-	-	(390)
Disposals	-	-	(106)	(106)
Balance at 31 December 2006	<u>17.358</u>	<u>14.182</u>	<u>70.656</u>	<u>102.196</u>
Balance at 1 January 2007	17.358	14.182	70.656	102.196
Acquisitions	3.754	7	4.002	7.763
Revaluation of assets	9.851	2.108	-	11.959
Disposals	-	-	(27)	(27)
Balance at 31 December 2007	<u>30.963</u>	<u>16.297</u>	<u>74.631</u>	<u>121.891</u>
Depreciation				
Balance at 1 January 2006	1.625	1.374	41.002	44.001
Charge for the year on historical cost	144	178	4.225	4.547
Additional charge on revalued amounts	427	283	-	710
Disposals	-	-	(105)	(105)
Balance at 31 December 2006	<u>2.196</u>	<u>1.835</u>	<u>45.122</u>	<u>49.153</u>
Balance at 1 January 2007	2.196	1.835	45.122	49.153
Charge for the year on historical cost	151	178	4.489	4.818
Additional charge on revalued amounts	426	283	-	709
Disposals	-	-	(24)	(24)
Balance at 31 December 2007	<u>2.773</u>	<u>2.296</u>	<u>49.587</u>	<u>54.656</u>
Carrying amounts				
At 1 January 2006	<u>15.241</u>	<u>12.808</u>	<u>26.441</u>	<u>54.490</u>
At 31 December 2006	<u>15.162</u>	<u>12.347</u>	<u>25.534</u>	<u>53.043</u>
At 1 January 2007	15.162	12.347	25.534	53.043
At 31 December 2007	<u>28.190</u>	<u>14.001</u>	<u>25.044</u>	<u>67.235</u>

Property, plant and equipment under construction

During the year ended 31 December 2007, the property plant and equipment under construction were £4.071.000 (2006: £431.000). The construction of the Vassiliko Port was paid for by the Company. The Cyprus Ports Authority, which according to the Cyprus Ports Authority Law is the owner of the port, leased it to the Company for a period of 50 years as from 1 January 1984.

The last revaluation of land and buildings and of the Vassiliko port was performed in 2007 by independent professional valuers.



Notes to the Consolidated Financial Statements

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For the year ended 31 December 2007

13 Investment property	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Balance at 1 January	6.443	2.644	6.443	2.644
Acquisitions	-	73	-	73
Transfer from property, plant and equipment	-	390	-	390
Fair value adjustments	-	3.336	-	3.336
Balance at 31 December	6.443	6.443	6.443	6.443

The carrying amount of investment property is the fair value of the property as determined by an independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment property. The last revaluation of investment property was performed in December 2006.

Investment property comprises a number of commercial properties that are leased to third parties or land held for capital appreciation.

14 Intangible assets	Goodwill £000	Leasehold property £000	Software £000	Total £000
Group				
Cost				
Balance at 1 January 2006	222	350	620	1.192
Acquisitions	463	-	39	502
Balance at 31 December 2006	685	350	659	1.694
Balance at 1 January 2007	685	350	659	1.694
Acquisitions	-	-	111	111
Disposals	-	-	(4)	(4)
Balance at 31 December 2007	685	350	766	1.801
Amortisation and impairment charge				
Balance at 1 January 2006	-	-	519	519
Amortisation for the year	-	11	54	65
Balance at 31 December 2006	-	11	573	584
Balance at 1 January 2007	-	11	573	584
Amortisation for the year	-	11	68	79
Disposals	-	-	(3)	(3)
Balance at 31 December 2007	-	22	638	660
Carrying amounts				
At 1 January 2006	222	350	101	673
At 31 December 2006	685	339	86	1.110
At 1 January 2007	685	339	86	1.110
At 31 December 2007	685	328	128	1.141



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For the year ended 31 December 2007

	Software	Total
	£000	£000
Company		
Cost		
Balance at 1 January 2006	612	612
Acquisitions	36	36
Balance at 31 December 2006	648	648
Balance at 1 January 2007	648	648
Acquisitions	73	73
Balance at 31 December 2007	721	721
Amortisation and impairment charge		
Balance at 1 January 2006	518	518
Amortisation for the year	51	51
Balance at 31 December 2006	569	569
Balance at 1 January 2007	569	569
Amortisation for the year	58	58
Balance at 31 December 2007	627	627
Carrying amounts		
At 1 January 2006	94	94
At 31 December 2006	79	79
At 1 January 2007	79	79
At 31 December 2007	94	94

Impairment tests for cash-generating units containing goodwill

The recoverable amount of the ready mix concrete units is based on value in use calculations. Those calculations use cash flow projections based on actual operating results and the ten-year business plan. Cash flows for a further 20-year period are extrapolated using a two per cent growth rate and are appropriate because the ready mix concrete is a long-term business. This growth rate is consistent with the long-term average growth rate for the industry. A pre-tax discount rate of nine per cent has been used in discounting the projected cash flows.

15 Group entities	Principal Activity	Ownership	Ownership
		2007	2006
Vassiliko (Building Materials) Ltd	Investment company	100%	100%
AES Atlas Etimo Skirodema Ltd	Concrete production	100%	100%
Estia Etimo Skirodema Ltd	Concrete production	100%	100%
Vassiliko Energy Ltd	Electricity generation	100%	100%
Venus Beton Ltd	Dormant company	51%	51%



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For the year ended 31 December 2007

16 Investments in associates

Ownership	Ownership
2007	2006

The Group has the following investments in associates:

Pyrga Quarry Ltd	30%	30%
ENERCO - Energy Recovery Limited	50%	50%

The Group's share of post-acquisition total recognised profit or loss in the above associates for the year ended 31 December 2007 was £52.000 (2006 : £47.000).

17 Other investments

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
At 1 January	5.850	1,693	5.850	1,693
Additions	511	60	511	60
Disposals	(203)	-	(203)	-
Fair value adjustment at 31 December	2.635	4,097	2.635	4,097
At 31 December	8.793	5,850	8.793	5,850

Non-current investments

	Valuation		Valuation	
	2007 £000	2006 £000	2007 £000	2006 £000
Equity securities available for sale	8.768	5,825	8.768	5,825
Unquoted equity investments	25	25	25	25
	8.793	5,850	8.793	5,850

18 Inventories

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Raw materials and work in progress	2.456	2,576	2.399	2,535
Finished goods	1.507	853	1.507	853
Fuel stocks	2.406	1,731	2.391	1,711
Spare parts and consumables	2.868	4,219	2.843	4,209
	9.237	9,379	9.140	9,308



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For the year ended 31 December 2007

19 Trade and other receivables	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade debtors	6.586	7.431	5.677	6.389
Amount owed by subsidiary companies	-	-	5.104	5.035
Amount owed by associate companies	242	409	9	9
Amount owed by related companies	18	18	18	18
	6.846	7.858	10.808	11.451
Less impairment	(209)	(115)	(94)	(45)
	6.637	7.743	10.714	11.406

Amounts owed by associate companies bear no interest. All other debit balances are receivable within one year and bear no interest.

20 Cash and cash equivalents	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Bank balances	12.367	7.813	12.306	7.708
Cash and cash equivalents	12.367	7.813	12.306	7.708
Bank overdrafts	(202)	(189)	-	-
Cash and cash equivalents in the statement of cash flows	12.165	7.624	12.306	7.708

The bank overdrafts are secured by fixed charges on plant and machinery.

21 Share capital

	2007 000	2006 000
Authorised:		
Ordinary shares of £0,25 each	72.000	60.000

	2007 No. of Shares	2006 No. of Shares	2007 £000	2006 £000
Allotted, called up and fully paid:				
Ordinary shares of £0,25 each	53.736.153	53.736.153	13.434	13.434



Notes to the Consolidated Financial Statements

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For the year ended 31 December 2007

22 Reserves

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Share premium				
At 1 January	488	488	488	488
Expenses of issue	-	-	-	-
At 31 December	488	488	488	488
Revaluation reserve				
At 1 January	17.068	17.391	16.988	17.391
Arising on revaluation during the year	11.960	433	11.960	318
Transfer to deferred tax	(1.861)	(46)	(1.861)	(11)
Transfer to retained earnings	(710)	(710)	(710)	(710)
At 31 December	26.457	17.068	26.377	16.988
Revaluation of investments available for sale				
At 1 January	3.055	(1.042)	3.055	(1.042)
Revaluation of investments	2.635	4.097	2.635	4.097
At 31 December	5.690	3.055	5.690	3.055
Retained earnings				
At 1 January	48.375	39.074	48.911	39.078
Profit for the year	9.890	10.795	10.474	11.327
Dividends	(1.881)	(1.881)	(1.881)	(1.881)
Special Contribution for Defence	(370)	(323)	(370)	(323)
Transfer from revaluation reserve	710	710	710	710
At 31 December	56.724	48.375	57.844	48.911
Total reserves at 31 December	89.359	68.986	90.399	69.442

The share premium, revaluation and revaluation of investments available for sale reserves are not available for distribution.

The transfer from revaluation reserve to the retained earnings represents the additional depreciation with which the income statement was charged as a result of the revaluation of property, plant and equipment, net of deferred taxation.



Notes to the Consolidated Financial Statements

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For the year ended 31 December 2007

23 Minority interest

	2007 £000	2006 £000
At 1 January	-	-
Profit for the year	-	(125)
Acquisition of minority interest in subsidiary	-	125
At 31 December	-	-

Minority interest as shown in the consolidated balance sheet represents the share of net assets or liabilities of each of the subsidiary companies, which is attributed to shareholders other than those of the Group.

24 Interest bearing loans and borrowings

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Non-current liabilities				
Secured bank loans	70	268	-	-
Current liabilities				
Current portion of secured bank loans	200	50	-	-
Analysis of maturity of debt:				
Within one year or on demand	50	50	-	-
Between one and two years	50	50	-	-
Between two and five years	150	150	-	-
After five years	20	68	-	-
	270	318	-	-

The rate of interest payable on the above loans is floating and is determined for periods of three months based on the London Interbank Offered Rate and the Central Bank of Cyprus base rate. At 31 December 2007 the prevailing rate of interest for these loans was on average 5,34% (2006: 5,73%). The loans are secured by fixed charges on plant and machinery.

25 Deferred taxation

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Accelerated capital allowances	642	1.152	879	1.307
Revaluation of fixed assets	5.243	3.381	5.208	3.346
Tax losses carried forward	153	71	-	-
	6.038	4.604	6.087	4.653
At 1 January	4.604	4.095	4.653	4.097
Deferred tax charge in income statement	(427)	463	(427)	545
Transfer to revaluation reserve	1.861	46	1.861	11
At 31 December	6.038	4.604	6.087	4.653



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For the year ended 31 December 2007

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
26 Trade and other payables				
Trade creditors	4.147	6.053	3.659	5.559
Amounts owed to related companies	154	454	154	454
Other creditors	587	112	585	62
	4.888	6.619	4.398	6.075

	Group Non-current		Company Non-current	
	2007 £000	2006 £000	2007 £000	2006 £000
27 Provisions for liabilities and charges				
Provision for quarry environmental restoration	384	240	384	240

The provision for environmental restoration of quarries relates to the estimated cost of work required to be carried out for environmental restoration of the sites currently exploited by the Group.

28 Transactions with related companies

The Company has entered into an agreement with Hellenic Mining Company, the scope of which is the provision of consultancy services and other services. The fees payable by the Company for these services are £120.000 per annum. The duration of the agreement is 5 years and expires on 30 June 2009. Further, the Company enters into various other transactions with the Hellenic Mining Company Group. These transactions, which are entered into at mutually agreed prices, include the provision of port facilities, hiring of machinery and the purchase and sale of spare parts and other goods.

The Company has entered into an agreement with Italcementi, S.p.A Italy, holding company of Italmec Cement Company Ltd and Compagnie Financiere et de Participations (Cofipar), the scope of which is the provision by Italcementi to the Company of consultancy services of technical nature. The duration of the agreement is 5 years and expires on 31 December 2010. The fees payable by the Company for these services are €600.000 per annum. Apart from this agreement, during 2007, the Company purchased from Italcementi equipment and spare parts and other services and further sold cement and clinker.

The transactions between the Group and the related companies, including the above agreements were as follows:

	Sales		Purchases	
	2007 £000	2006 £000	2007 £000	2006 £000
Hellenic Mining Group	151	196	264	240
Italcementi Group	1.321	5.387	1.124	361
KEO Plc	-	-	39	32
	1.472	5.583	1.427	633



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For the year ended 31 December 2007

29 Dividends

	2007 £000	2006 £000
Interim dividend paid at 1,5 cents per share	806	806
Additional dividend paid at 2 cents per share	1.075	1.075
	1.881	1.881

Dividends are subject to defence fund contribution at the rate of 15% when the beneficiary is a physical person resident of Cyprus.

30 Directors' shareholdings

At 31 December 2007 and the date of the approval of the financial statements, the proportions of shares held directly or indirectly by the Directors and their related parties were as follows:

	Fylly paid shares	
	31 Dec 2007	23 April 2008
P. Hadjipantelis (resigned on 10/4/2008)	0,0005%	-
G. A. Sideris (resigned on 4/2/2008)	0,0055%	-
Costas Koutsos (appointed on 10/4/2008)	-	0,0139%
Stavros Galatariotis (appointed on 4/2/2008)	-	0,0125%
	0,0060%	0,0264%

At 31 December 2007 the Company had no material agreements in which Directors of the Company, or their related parties, had a direct or indirect interest.

31 Shareholders holding at least 5% of the issued share capital

At 31 December 2007 and the date of approval of the financial statements the following shareholders were holding at least 5% of the nominal value of the issued share capital.

	Fylly paid shares	
	31 Dec 2007	23 April 2008
Hellenic Mining Public Company Ltd	17,50%	13,07%
KEO Plc	8,62%	6,44%
Gypsum and Plasterboards Public Company Ltd	6,40%	4,78%
Italmed Cement Company Ltd	20,00%	14,94%
Compagnie Financiere et de Participations	13,00%	9,71%
Anastasios G. Leventis Foundation	7,15%	5,34%
The Cyprus Cement Public Company Ltd	-	25,30%
	72,67%	79,58%

The Company issued on 1st January 2008 18.199.794 shares to the Cyprus Cement Public Company Ltd which caused a dilution of the other major shareholders holdings (see note 36).



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(continuation)

For the year ended 31 December 2007

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
32 Capital commitments				
Amounts contracted for but not provided in the accounts	300	4.405	300	4.405

33 Employee contribution schemes

The Company has two schemes, the Vassiliko Cement Works Ltd Employees' Provident Fund and the Vassiliko Cement Works Ltd Employees' Medical Fund. The two schemes are funded separately and prepare their own financial statements. According to these schemes, the employees are entitled to payment of certain benefits upon retirement, prior termination of service or sickness. These are defined contribution schemes and the contributions of the Company for the year were £450.000 (2006: £418.000).

34 Operating leases

Leases as lessee	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Non-cancellable operating lease rentals are payable as follows:				
Less than one year	45	44	43	42
Between one and five years	97	110	90	101
More than five years	211	286	176	251
	353	440	309	394

The Group leases a number of properties under operating leases. The leases typically run for periods up to 50 years, with options to renew the lease after that date. The leases provide for rental increases to reflect market rentals. None of the leases includes contingent rentals.

Leases as lessor

The Group leases out its investment property under operating leases (see note 13). The future minimum lease payments under non-cancellable leases are as follows:

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Less than one year	220	225	220	225
Between one and five years	361	470	361	470
More than five years	261	389	261	389
	842	1.084	842	1.084

During the year ended 31 December 2007, £223.000 was recognised as net rental income in the income statement (2006 : £169.000) and £3.000 in respect of repairs and maintenance that was recognised as an expense in the income statement relating to investment property (2006: £58.000).



Notes to the Consolidated Financial Statements

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For the year ended 31 December 2007

35 Financial instruments

Credit risk

The carrying amount of financial assets representing the maximum credit exposure to credit risk at the reporting date was:

	Group Carrying amount		Company Carrying amount	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade and other receivables	6.586	7,431	5.677	6,389
Amount receivable from related parties	260	427	27	27
Cash and cash equivalents	12.367	7,813	12.306	7,708
Total credit risk exposure	19.213	15,671	18.010	14,124

No customer balance represents a significant percentage of the total trade receivables.

Currency risk

Exposure to currency risk was as follows:

Group	31 December 2007		31 December 2006	
	USD'000	EUR'000	USD'000	EUR'000
Trade receivables	4	214	3,672	376
Trade payables	(269)	(430)	(1,040)	(1,032)
Net exposure	(265)	(216)	2,632	(656)

Company	31 December 2007		31 December 2006	
	USD'000	EUR'000	USD'000	EUR'000
Trade receivables	4	214	4	376
Trade payables	(269)	(415)	(1,040)	(1,013)
Net exposure	(265)	(201)	(1,036)	(637)

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2007	2006	2007	2006
USD	0,425076	0,454872	0,400400	0,439000
EUR	0,584492	0,575715	0,585274	0,578200



Notes to the Consolidated Financial Statements

(continuation)

For the year ended 31 December 2007

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Group	Carrying amount	Constructual cash flow	Payable on demand and up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
	£000	£000	£000	£000	£000	£000	£000

Non-derivative financial liabilities

31 December 2007

Secured bank loans	270	350	32	31	110	155	22
Secured bank overdrafts	202	202	202	-	-	-	-
Trade and other payables	4,888	4,888	4,888	-	-	-	-
	5,360	5,440	5,122	31	110	155	22

31 December 2006

Secured bank loans	318	407	33	32	112	157	73
Secured bank overdrafts	189	189	189	-	-	-	-
Trade and other payables	6,619	6,619	6,619	-	-	-	-
	7,126	7,215	6,841	32	112	157	73

Company	Carrying amount	Constructual cash flow	Payable on demand and up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
	£000	£000	£000	£000	£000	£000	£000

Non-derivative financial liabilities

31 December 2007

Trade and other payables	4,398	4,398	4,398	-	-	-	-
	4,398	4,398	4,398	-	-	-	-

31 December 2006

Trade and other payables	6,075	6,075	6,075	-	-	-	-
	6,075	6,075	6,075	-	-	-	-



Notes to the Consolidated Financial Statements

(continuation)

For the year ended 31 December 2007

36 Post balance sheet events

Implementation of agreement with the Cyprus Cement Public Company Ltd

As has been announced, the Company and the Cyprus Cement Public Company Ltd (CCC) have entered into an agreement to merge their cement, ready-mix concrete and aggregates businesses. This has been approved by an extraordinary meeting of the shareholders on 19 December 2007 and the Company proceeded with its implementation in January 2008. The main provisions of the agreement are the following:

- (1) The Group will assume the management of CCC's operations in relation to the production and distribution of cement.
- (2) The Group will acquire through C.C.C. Building Materials Limited, which will be a wholly owned subsidiary, all the direct and indirect investments that CCC has in Latouros Quarries Ltd, C.C.C. Aggregates Limited, Athinodorou Beton-Transport Limited, Athinodorou Beton-Estates Limited and Athinodorou Beton Ltd as well as in ELMENI Quarries Ltd.
- (3) The above agreement provides for, at a future date and under certain conditions, the termination or substantial decrease in the production of cement at the Moni cement factory in conjunction with the operation of a new, best available technology cement production line of the Group at Vassiliko.
- (4) The consideration for the above was satisfied on 1 January 2008 with the issue of 18.199.794 shares by the Company to CCC.

As has been announced, the Group is considering the replacement of the three existing kiln lines with a new single production line of Best Available Technology. The new production line will have higher production capacity and will be more efficient due to lower energy consumption and lower operating expenses. The new line will also have a positive impact on the environment by reducing significantly all emissions well below the European standards.

The new production line will modernise the plant and installations and will extend the life of the cement plant for another 50 years. The annual cement production capacity will increase from 1,8 to 2,4 million tons cement, utilising the high quality raw materials of the quarries in the region. With this significant investment, Vassiliko Cement Works will be able to compete in the international scene offering high quality products at competitive prices.

For the implementation of the above project, following an international tendering competition, the Group has entered into a contract of €8 million for the supply of a new vertical cement mill with a capacity of 1,5 million tons per annum and has further signed a letter of intent for the supply and erection of a new kiln line of €83,8 million with an annual capacity of 2 million tons clinker. The entire investment for the new production line is estimated to reach €135 million, which will be funded from own funds and bank loans, is scheduled to complete by the end of 2010.

Change of reporting currency from the Cyprus Pound to the Euro

On 1 January 2008, date of introduction of the Euro as the new official currency of the Republic of Cyprus, the functional currency of the Company and its subsidiaries changed from Cyprus pounds to Euro. As a result of this change, as from 1 January 2008 all assets and liabilities of the Group have been converted using the fixed conversion rate of €1=£0,585274.

Following the approval of the shareholders extraordinary meeting of 18 December 2007, the nominal value of the share capital was converted from £0,25 per share to €0,43 per share. This resulted to an increase of the total issued share capital of €153.000 which was covered by the capitalisation of an equal amount from the share premium reserve.

37 Supplementary unaudited information

The balance sheet of the Group as at 31 December 2007 and 31 December 2006 and the income statement and the cash flow statement of the Group for the years ended 31 December 2007 and 31 December 2006 presented in Euro (€), represent supplementary information. This supplementary information is presented in accordance with paragraph 57 of IAS21 "The Effects of Changes in Foreign Exchange Rates". The rate of exchange used for the purpose of preparing this supplementary information (both for the current year as well as for the comparative figures) is the official exchange rate issued by the Central Bank of Cyprus at the date of the balance sheet of the current year of €1 = £0,585274.



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