



# **VASSILIKO CEMENT WORKS**

PUBLIC COMPANY LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS **2011**



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## **Annual Report and Financial Statements 2011**

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## ***Address by the Executive Chairman, Antonis Antoniou***

*for the year 2011*



**ANTONIS ANTONIOU**  
*Executive Chairman*

### ***Dear Shareholders,***

Welcome to the shareholders 46th Annual General Meeting. It is my privilege to present to you, on behalf of the Board of Directors, the financial results of the Group for the year ended 31st December 2011.

### **Review of the year**

For the third year running, 2011 was a difficult one for the Cypriot construction industry. Vassiliko Cement Works was faced in 2011 with addressing three main challenges; firstly the negative effect of lower turnover as a consequence of the negative economic environment, secondly the dramatic increase in the cost of electricity and thirdly the commissioning of the new kiln line and decommissioning of the old plants.

The activity in the construction industry decreased significantly, affected by the wider economic climate, and thus directly impacting cement sales.

The total consumption of cement in Cyprus was down to 1.152 thousand tons in 2011 compared to 1.335 thousand tons in 2010, recording a decrease of 13,7%. Since the end of 2008 the total local cement consumption fell 40,6% matching volumes not seen since the years 2002/2003. The international markets also continued to show marked deterioration and therefore demand for cement at the main export destinations remained low and oversupplied. The total exports for the year were 50 thousand tons compared to 13 thousand tons during the previous year, representing just 2% of total cement sale revenues.

In the past three years the Company has embarked on aggressively attacking its fixed cost base, improving it in 2011 by 25% versus 2010, and by 36,5% versus 2008. These efforts remain ongoing.

The electricity price during 2011 increased from the already high in 2010 of €140 per MWh to €170 making it one of the highest in the World, and adversely affecting our cost base compared to all the European countries (e.g. MWh costs in Spain €108, Greece €94, Portugal €90, France €72). Unfortunately the trend of increasing local electricity prices continues in 2012, so the Group has decided to investigate setting up its own electricity power generating plant. The program is underway and tendering is expected to be completed in Q3 of 2012.

The strategically important project for the replacement of the old plants with a new production line of best available technology was completed in the first half of 2011. Overall the results have been extremely positive. Fine-tuning and a number of improvements have also been implemented during the course of 2011.



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## ***Address by the Executive Chairman, Antonis Antoniou***

*for the year 2011*

*(continuation)*

The new kiln line has proven to be much more energy efficient, and therefore to some extent has counterbalanced the negative effect of the increase in electricity costs. Furthermore the environmental performance has been greatly improved with additional further improvement on the already high product quality. Near the close of 2011 the Company embarked on the gradual demolition of the old kilns and associated structures.

The efforts for clean energy remain one of the Company's priorities and plans are being developed to further increase the use of alternative green fuels. A number of new projects in this direction are under investigation.

### **Financial Results**

As a result of the general economic slowdown, the revenues of the Group in 2011 decreased to €87,666,000 from €95,066,000 in 2010. The Group experienced a loss for the year 2011 of €2,312,000 compared to a profit of €1,310,000 in 2010.

### **Dividend**

The Board of Directors, having considered the results of 2011 and the continuous negative trend in the construction business and economy at large, has decided not to propose a dividend payment at the Annual General Meeting.

### **Departing Directors**

We would like to express our sincere thanks to Mr. Constantinos Yiorkadjis who left the Board in January 2012, for his valuable contribution during his tenure as a Company Board member.

### **Shareholders, Clients, Personnel**

In closing, I would like once again to express my sincere thanks to the shareholders of the Company and to all our clients, for the trust which they bestow on us as well as for their continued support.

Furthermore I would like to thank the General Manager Mr. George Sideris, the CFO Mr. George Savva, all the Management and the staff of the Company for their hard work, dedication as well as team spirit which they continue to demonstrate.

Finally, I would like to repeat that we continue to adhere to our strategy of sustainable development, and as such a balanced policy around the three main axes of economic, social and environmental health of the Group, operating within the framework of complete transparency.

**ANTONIS ANTONIOY**

*Executive Chairman*

***Nicosia, 28th May 2012***





**VASSILIKO CEMENT WORKS**  
PUBLIC COMPANY LTD

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**VASSILIKO CEMENT WORKS**  
PUBLIC COMPANY LTD

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## ANNUAL REPORT AND FINANCIAL STATEMENTS **2011**



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## Officers, Professional Advisers and Bankers

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<b>Directors:</b>	ANTONIS ANTONIOU	<i>(Executive Chairman)</i>
	FABRIZIO DONEGA	<i>(Executive Vice-Chairman)</i>
	PAOLO CATANI	
	GEORGE GALATARIOTIS	
	COSTAS GALATARIOTIS	
	STAVROS GALATARIOTIS	
	COSTAS KOUTSOS	
	CHARALAMBOS PANAYIOTOU	
	LEONDIOS LAZAROU	
	SERGE SCHMIDT	<i>(Appointed 23 June 2011)</i>
	RENA ROUVITHA PANOU	<i>(Appointed 23 February 2012)</i>
	MAURIZIO MANSI MONTENEGRO	<i>(Resigned 23 June 2011)</i>
	CONSTANTINOS YIORKADJIS	<i>(Resigned 30 January 2012)</i>

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<b>General Manager:</b>	GEORGE A. SIDERIS
<b>Financial Manager:</b>	GEORGE S. SAVVA
<b>Secretary:</b>	MARIA MAVRIDOU

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<b>Independent Auditors:</b>	KPMG LIMITED 14, ESPERIDON STREET 1087 NICOSIA, CYPRUS
<b>Legal Advisers:</b>	TASSOS PAPADOPOULOS & ASSOCIATES
<b>Bankers:</b>	ALPHA BANK LTD BANK OF CYPRUS PUBLIC COMPANY LTD COOP VASSILIKOS PENTASCHINOS EUROBANK EFG CYPRUS LTD HELLENIC BANK PUBLIC COMPANY LTD MARFIN POPULAR BANK PUBLIC COMPANY LTD NATIONAL BANK OF GREECE (CYPRUS) LTD NATIONAL BANK OF GREECE SA

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<b>Registered office:</b>	1A, KYRIAKOS MATSIS AVENUE CY-1082 NICOSIA, CYPRUS
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<b>Registered number:</b>	1210
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<b>Internet website:</b>	<a href="http://www.vassiliko.com">www.vassiliko.com</a>
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## **Notice of Annual General Meeting**

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The 46th annual general meeting of the shareholders of Vassiliko Cement Works Public Company Ltd will be held at the Le Meridien Limassol Spa & Resort, in Limassol, on 28 June 2012 at 5:00 p.m. to transact the following business:

- 1. Consider the annual report of the Board of Directors for the year 2011.**
- 2. Receive, consider and approve the annual financial statements and the report of the auditors for the year 2011.**
- 3. Elect new directors in the place of those who retire.**
- 4. Approve the remuneration report.**
- 5. Fix the remuneration of the directors for the year 2012.**
- 6. Re-appoint KPMG Limited as the auditors of the Company and fix their remuneration for the year 2012.**
- 7. 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*

**26 April 2012**



## **Notice of Annual General Meeting**

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### **NOTES TO THE NOTICE OF THE ANNUAL GENERAL MEETING**

#### **ENTITLEMENT TO PARTICIPATE IN THE ANNUAL GENERAL MEETING**

(1) Any person appearing as a shareholder in the Register of Members of the Company on the record date is entitled to participate in the Annual General Meeting. Each ordinary share is entitled to one vote. The record date for determining the right to vote at the Annual General Meeting is 26 June 2012. Transactions which will be taking place on 22 June 2012 and thereafter will not be considered in determining the right to vote at the Annual General Meeting.

(2) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his behalf. Shareholders may appoint any person as their proxy. Such proxy need not be a member of the Company. Shareholders who appoint a proxy to vote on their behalf, but wish to specify how their votes be cast, should tick the relevant boxes on the Form of Proxy.

(3) The instrument appointing a proxy, which is enclosed and will be available on the website of the Company [www.vassiliko.com](http://www.vassiliko.com) (under Investors Relations), must be deposited at the Registered Offices of the Company (1A, Kyriakos Matsis Avenue, 4th Floor, CY-1082 Nicosia, Cyprus, fax +357 22 762741) prior to the commencement of the business of the Annual General Meeting.

(4) If such appointor is a company, the Form of Proxy must bear the name of the company, and be signed by its duly authorised officer/s. In the case of joint shareholders, the Form of Proxy can only be signed by the person whose name appears first in the Register of Members. Shareholders should confirm that the form of proxy has been successfully received by the Company by calling +357 22458100.

(5) Shareholders and/or their proxies who will attend the Annual General Meeting are requested to carry with them their identity card or other proof of identification.

(6) Any corporation which is a shareholder of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company.

#### **VOTING PROCEDURES AT THE ANNUAL GENERAL MEETING**

(7) At the Annual General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:



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## Notice of Annual General Meeting

(continuation)

- (a) by the Chairman, or
- (b) by at least three members present in person or by proxy, or
- (c) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting.
- (d) by a member or members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

(8) If a poll be demanded in manner aforesaid, it shall be taken in such manner, as the Chairman shall direct, and the result of the poll shall be deemed to be resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.

### SHAREHOLDERS RIGHTS AT THE ANNUAL GENERAL MEETING

(9) Pursuant to article 127B of Companies Law Cap 113, shareholders of the Company have the right to put an item on the agenda of the Annual General Meeting, provided that the item is accompanied by a written explanation justifying the inclusion of the item or the proposed resolution for approval at the Annual General Meeting provided that:

(a) the shareholder or group of shareholders hold at least 5% of the issued share capital of the Company, representing at least 5% of the voting rights of shareholders entitled to vote at the meeting for which an item has been added on the agenda and

(b) the shareholders' request to put an item on the agenda or resolution (as described above) is received by the Company's Secretary in hard copy or electronically at the addresses indicated below at least 42 days prior to the Annual General Meeting i.e.  
prior to 17 May 2012.

Vassiliko Cement Works Public Company Limited  
1A, Kyriakos Matsis Avenue, 4th Floor, CY-1082 Nicosia, Cyprus  
or by fax at +357 22 762741  
or by email at [investors@vassiliko.com](mailto:investors@vassiliko.com)

(10) Pursuant to article 128C of the Companies Law Cap 113, shareholders have a right to ask questions related to items on the agenda and to have such questions answered by the Board of Directors of the Company subject to any reasonable measures the Company may take to ensure the identification of shareholders.

### OTHER INFORMATION AND AVAILABLE DOCUMENTS

(11) As at 26 April 2012, the issued share capital of the Company is €30.932.457 divided into 71.935.947 ordinary shares of nominal value €0,43 each.

(12) The Annual Report and Financial Statements of the Company for 2011 (incorporating the notice to and the agenda of the Annual General Meeting, Explanatory Notes on the Agenda Items, the Directors' Report, the Corporate Governance Report, the Remuneration Report, the Auditors' Report and the Financial Statements), and the Form of Proxy shall be made available in electronic form on the website of the Company [www.vassiliko.com](http://www.vassiliko.com) (Investor Relations) and in hard copy at the Company's Registered Offices, 1A Kyriakos Matsis Avenue, 4th Floor, 1082 Nicosia.



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## Notice of Annual General Meeting

(continuation)

### Explanatory notes

The formal Notice of the 2012 AGM is set out on page 2. The Notice asks Vassiliko Cements Works Public Company Ltd 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.

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### 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 2011 to the meeting.

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### 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 KPMG Limited will present their Audit Report for the year ended 31 December 2011 to the meeting.

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### Resolution 3: Re-election of Directors

Messrs Paolo Catani, Charalambos Pananayiotou, Fabrizio Donega and Stavros Galatariotis are the Directors who will retire by rotation this year and offer themselves for re-election in accordance with the Company's Articles of Association.

Mrs Rena Rouvitha Panou who was appointed by the Board of Directors on 23 February 2012 is subject to retirement (Article 97) at the general meeting and, being eligible offers herself for reelection.

Brief details of all Directors appear on pages 19 to 21 of the Annual Report.

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### Resolution 4: Approve the remuneration report

The Shareholders are asked to approve the remuneration report that appears on pages 17 to 18.

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### Resolution 5: To fix the remuneration of the Directors

The Shareholders are asked to approve the remuneration of the Directors for the year 2012 to remain the same as that for the previous year i.e.:

€9,000 for the Chairman

€7,000 for each of the Directors

€200 attendance fee per meeting held

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### Resolution 6: Re-appointment of Auditors

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

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## Statement of the members of the Board of Directors and other responsible persons of the Company for the financial statements

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In accordance with Article 9 sections (3)(c) and (7) of the Transparency Requirements (Securities for Trading on Regulated Market) Law 2007 ("Law"), we the members of the Board of Directors and the other responsible persons for the financial statements of Vassiliko Cement Works Public Company Ltd for the year ended 31 December 2011, confirm that, to the best of our knowledge:

- a. The annual financial statements that are presented on pages 24 to 60:
  - i. were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and in accordance with the provisions of Article 9, section (4) of the Law, and
  - ii. give a true and fair view of the assets and liabilities, the financial position and the profit or losses of Vassiliko Cement Works Public Company Ltd and the businesses that are included in the consolidated financial statements as a total, and
- b. the directors' report gives a fair review of the developments and the performance of the business as well as the financial position of Vassiliko Cement Works Public Company Ltd and the businesses that are included in the consolidated financial statements as a total, together with a description of the principal risks and uncertainties that they are facing.

### Members of the Board of Directors

Antonis Antoniou	<i>Executive Chairman</i>
Fabrizio Donegà	<i>Executive Vice Chairman</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>
Leondios Lazarou	<i>Independent Non Executive Director</i>
Serge Schmidt	<i>Non Executive Director</i>
Rena Rouvitha Panou	<i>Independent Non Executive Director</i>

### Company Officials

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

Mr Paolo Catani was not present during this meeting for the approval of the financial statements and therefore did not sign this statement.

**26 April 2012**





## **Directors' Report**

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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 2011.

### ***Financial statements***

The consolidated financial statements for the year 2011 include the results of the holding company, its subsidiaries and associate companies.

### ***Principal activities***

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

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

Total revenues for 2011 reached €87.666.000 compared to €95.066.000 during 2010. The reduction of revenues was due to the economic downturn which has affected heavily the construction industry in Cyprus. Exports were also weak as the region markets also face difficulties for economic or political reasons. The total cement and clinker sales of the Group for 2011 were at 1.202.000 tons compared to 1.348.000 tons in 2010, recording a decrease of 10,8%.

The operating results of the Group during 2011 were further adversely affected by the increase of electricity and fuel prices, as well as non-recurring transition costs relating to the decommissioning of the old plants and start-up of the new production line, aiming to improve future efficiency. In this respect, a one-off charge of €8,1 million was charged in other operating expenses. Such costs in 2012 are not expected to exceed the €1 million.

Further, a net loss on investing activities of €8.000 was recorded for 2011 (versus a profit of €2.160.000 in 2010) resulting from impairment of the financial investments and gains from revaluation and disposal of investment property.

### ***Financial results***

The results of the Group are presented in the consolidated statement of comprehensive income. The net loss after taxation for the year ended 31 December 2011 amounted to €2.312.000 compared to a net profit of €1.310.000 in 2010.

The difference between the above results from the indication for 2011 is explained in note 38 of the financial statements.

### ***Dividends***

The Board of Directors does not recommend the payment of a dividend for 2011. The dividend payments out of the profits of 2010 amounted to €1.079.000 or €0,015 per share.

### ***Main risks and uncertainties***

Statements made in this report that are not historical facts, including the expectations for future volume and pricing trends, demand for the 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.



## **Directors' Report**

(continuation)

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; emission rights price fluctuation; 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***

The operating cost base of the Company is going through an on-going optimisation process, to get back to profit making and to further improve its competitiveness with the focus on international export destinations, as the slowing down of the domestic market poses a significant challenge for the near future.

### ***Share capital***

The issued share capital of the Company comprises 71.935.947 ordinary shares of €0,43 per share. There were no changes to the share capital of the Company during 2011. The Company's shares are listed on the Cyprus Stock Exchange.

There are no restrictions on the transfer of the Company's shares other than the requirements of the Directive on Insider Dealing and Market Manipulation, which relates to transactions with related parties.

The Company does not have any shares in issue which carry special control rights.

### ***Agreements which are effective upon a change of control of the Company***

The Company has not contracted any agreement which becomes effective, is amended or ceases to apply in case of change of control following a public tender offer to the Company's shareholders or the proposal of a resolution to the general meeting of the Company for a merger, acquisition or sale of its operations.

There are no agreements with the executive directors or employees of the Company providing for compensation in case of resignation or dismissal without a valid reason or for termination of their employment due to a public tender offer for the acquisition of the shares of the Company. In case of termination by the Company of the employment of executive directors or employees, prior to their retirement, the Company has to compensate them according to the provisions of the Law and the Company's agreements with the Trade Unions.

### ***Directors' interest in the share capital of the Company***

The beneficial interest in the Company's shares held by members of the Board of Directors, directly or indirectly, at 31 December 2011 and 21 April 2012, is set out in note 30 of the Financial Statements.

### ***Branches***

During the year, the Group did not operate any branches.



## Directors' Report

(continuation)

### **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 28 June 2012, Messrs Paolo Catani, Charalambos Panayiotou, Fabrizio Donegà and Stavros Galatariotis retire from office by rotation and, being eligible, offer themselves for re-election.

Mrs Rena Rouvitha Panou who was appointed by the Board of Directors on 23 February 2012 as a Non-Executive Director is subject to retirement (Article 97) at the general meeting of 28 June 2012 and, being eligible offers herself for re-election.

The Directors who served during the period from 23 June 2011, the date of the last Annual General Meeting, till this date were the following:

Antonis Antoniou	
Fabrizio Donegà	
Paolo Catani	
George Galatariotis	
Costas Galatariotis	
Stavros Galatariotis	
Costas Koutsos	
Charalambos Panayiotou	
Leondios Lazarou	
Serge Schmidt	(Appointed 23 June 2011)
Rena Rouvitha Panou	(Appointed 23 February 2012)
Maurizio Mansi Montenegro	(Resigned 23 June 2011)
Constantinos Yiorkadjis	(Resigned 30 January 2012)

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.

### **Corporate Governance statement**

The Company recognises the importance of implementing corporate governance principles and adopted the CSE's Corporate Governance Code and applies its principles. The CSE's Corporate Governance Code is available on the CSE website ([www.cse.com.cy](http://www.cse.com.cy)).

The Company complies with the provisions of the 3rd Revised Edition of the Corporate Governance Code of the CSE, except for paragraph B.2.14 as further explained in the Corporate Governance Report.

The Corporate Governance Report of the Company for 2011 is available on the website of the Company ([www.vassiliko.com](http://www.vassiliko.com)).

The rules governing the composition and function of the Board of Directors and the appointment and replacement of its members as well as the composition and function of the Board Committees are set out in Section B of the Report on Corporate Governance.



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## Directors' Report

(continuation)

Any amendment or addition to the Articles of Association of the Company is only valid if approved by a special resolution at a shareholders' meeting.

The Board of Directors may issue share capital if there is sufficient share capital which has not been issued and as long as the new shares to be issued are offered first to the existing shareholders, pro-rata to their percentage holding. In the event that the new shares will not be offered to existing shareholders, a resolution approved with a special majority of at least the 80% of the shareholders, who are entitled to attend and vote in a General Meeting, must be passed. In the event that a share capital increase requires an increase in the authorised share capital, the approval of the shareholders in General Meeting must be obtained. The Board of Directors may also propose to the General Meeting of shareholders a share buyback scheme.

There are no restrictions in voting rights and special control rights in relation to the shares of the Company.

### **- Shareholders holding more than 5%**

The shareholders holding directly or indirectly more than 5% of the issued share capital of the Company as at 31 December 2011 and 21 April 2012, are set out in note 31 of the financial statements.

### **- Preparation of periodic reporting**

The Group has in place an effective internal audit system, the adequacy of which is evaluated at least annually by the Board of Directors and the Board's Audit Committee, in respect of financial and operational systems. The adequacy of the Internal Audit System secures the validity of financial data and compliance with relevant legislation and aims to secure the management of risks while providing reasonable assurance that no loss will incur.

The Group's internal audit systems incorporate effective procedures aiming at the identification and prevention of errors, omissions or fraud that could result in material misstatements during the preparation of financial statements and relevant disclosures included in the periodic reporting provided by the Group based on Part II of the Transparency Law of Cyprus (Law Providing for Transparency Requirements in relation to Information about Issuers whose Securities are listed for trading on a Regulated Market) of 2007 and 2009.

### **Independent Auditors**

The independent auditors of the Company, KPMG Limited, 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*

**26 April 2012**



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## Corporate Governance Report

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### Section A'

The Company has adopted the 3rd Revised Edition of the Corporate Governance Code, issued by the Cyprus Stock Exchange in March 2011, and applies its principles. At the date of this report the principles of the Corporate Governance Code are fully implemented, except for paragraph B.2.14 of the Corporate Governance Code as described in the Remuneration Report.

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### Section B'

#### ***The Board***

The Company is headed by the Board of Directors which at 31 December 2011 comprised two executive and nine non-executive directors and is responsible to the shareholders for the proper management of the company Tsimentopiiia Vassilikou Dimosia Eteria Ltd (Vassiliko Cement Works Public Company Ltd) and its subsidiaries. The non-executive directors comprised two independent directors and seven non-independent directors. The members of the Board (excluding the Chairman) comprised two independent non-executive directors and eight non-independent directors of which one executive and seven non-executive directors. On 30th January 2012 the Director Mr. C. Yiorkadjis (non-Executive Director) resigned from office, and on 23rd February 2012 Mrs. Rena Rouvitha Panou (Independent non-Executive Director) was appointed to fill this casual vacancy. The current members of the Board (excluding the Chairman) comprise three independent non-executive directors and seven non-independent directors of which one executive and six non-executive directors. The independent non-Executive directors of the Board are Messrs P. Catani, L. Lazarou and Mrs Rena Rouvitha Panou.

**The Board of Directors of the Company as at the date of this report comprises the following members:**

Antonis Antoniou	<i>Executive Chairman</i>
Fabrizio Donegà	<i>Executive Vice-Chairman</i>
Paolo Catani	<i>Independent non-Executive Director</i>
George St. Galatariotis	<i>non-Executive Director</i>
Costas St. Galatariotis	<i>non-Executive Director</i>
Stavros G. Galatariotis	<i>non-Executive Director</i>
Costas Koutsos	<i>non-Executive Director</i>
Charalambos Panayiotou	<i>non-Executive Director</i>
Leondios Lazarou	<i>Independent non-Executive Director</i>
Serge Schmidt	<i>non-Executive Director</i>
Rena Rouvitha Panou	<i>Independent non-Executive Director</i>

The Company's shares are traded in the Parallel Market of the Cyprus Stock Exchange. Corporate governance principles regarding Board Balance for Companies listed in the Parallel Market provide that the majority of the non-executive directors or at least 2 directors have to be independent non-executive directors. The Company complies with the above Board Balance principle since three members of the Board are independent non-executive members.



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## Corporate Governance Report

(continuation)

Mr. Leondios Lazarou, independent non-executive director, was appointed on 31 July 2008 as Senior Independent Director. 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 Executive Chairman, the Executive 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 7 times during 2011. In accordance with best practice, the Board has established the Audit Committee, the Remunerations Committee and the 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, Mr. Antonis Antoniou, 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.
- Holds 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 is 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 represents 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.





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## Corporate Governance Report

(continuation)

The General Manager of the Company, Mr. George Sideris, 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.

### ***Appointments to the Board***

The Nominations Committee is chaired by Mr. G. St. Galatariotis (non-Executive Director) and is composed of three other directors, Messrs F. Donegà (Executive Vice-Chairman), C. Koutsos (non-Executive Director) and L. Lazarou (Independent non-Executive Director). The majority of the members of the Committee are non-Executive Directors. 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, four out of the eleven directors of the Company retire by rotation every year (each director retires every two or three years) 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 by submitting such items, either in hard copies or soft copies (electronic), accompanied with relevant explanations, at least 42 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.



## **Corporate Governance Report**

(continuation)

### ***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.

The review covers all systems of internal control, including financial and operational systems, as well as compliance systems and systems for the management of risks, which threaten the attainment of the Company's objectives. 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. 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***

The Audit Committee comprises of Messrs C. St. Galatariotis (Chairman of the Committee - non-Executive Director), P. Catani (Independent non-Executive Director) and L. Lazarou (Independent non-Executive Director). The majority of the members of the Audit Committee are 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 PricewaterhouseCoopers Ltd, a professional Auditors Firm, which monitors the internal control systems and reports to the management and to the Audit Committee. The Internal Auditors of the Company perform their duties with the technical assistance of the Italcementi Group Internal Audit Department, whenever their expertise is required. 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.





## Corporate Governance Report

(continuation)

### **Remunerations Committee**

During 2011 the Remunerations Committee comprised of three non-executive directors. The members of the Remunerations Committee are Messrs Ch. Panayiotou (non-Executive Director), P. Catani (Independent non-Executive Director) and L. Lazarou (Independent non-Executive Director). The Committee is chaired by Mr. Ch. Panayiotou who has knowledge and experience in remuneration policy. The majority of the members of the Remunerations Committee are Independent 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) and the General Manager. The Committee periodically reviews the remuneration policy for the Executive Directors and the General Manager. Independent 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 17).

### **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 two to 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 Paolo Catani (Independent Non-Executive Director), Charalambos Panayiotou (Non-Executive Director), Fabrizio Donegà (Executive Vice-Chairman) and Stavros Galatariotis (Non-Executive Director) shall retire from office by rotation and, being eligible, shall offer themselves for re-election.

Mrs Rena Rouvitha Panou who was appointed by the Board of Directors on 23 February 2012 as a Non-Executive Director is subject to retirement (Article 97) at the general meeting of 28 June 2012 and, being eligible shall offer herself for re-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 company as well as to their related parties by the Company and its subsidiary 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.

26 April 2012



## Remuneration Report

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### ***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 base salary only. The remuneration of the General Manager includes variable-pay components to ensure that the executive remuneration is linked to the Company's performance. A maximum limit of the variable-pay component is set. The non-variable component is sufficient remuneration when the variable remuneration is not earned on the basis of the targets set. During 2011 the remuneration of the General Manager consisted of base salary and benefits as well as a variable pay remuneration which becomes payable in 2012. The variable remuneration component for 2011 is not recoverable by the Company. 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 to the Group's long-term viability, include non-financial criteria relating to development and creating long term value for the Group.

In addition to the base salary and incentive plan participation, the 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 2011 compared to the previous year.

The total remunerations of the executive directors under their capacity as executives for the year 2011 were €107.566.

### ***Pension Scheme***

All the Employees of the Company including the General Manager and the Executive Chairman 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.



## Remuneration Report

(continuation)

### 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 2011 were €7.000 and €9.000 for the Chairman and €200 per meeting for attendance in person.

The 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 as well as under their capacity as executive directors for 2011 was as follows:

Directors	Fees as Members of the Board and its Committees	Fees and emoluments as executives	Other Benefits	Social Benefits	Provident Fund	Total Remune- ration
	€	€	€	€	€	€
<b>Executive Directors</b>						
Antonis Antoniou	12.800	90.000	4.800	4.429	8.337	120.366
Fabrizio Donega	7.800	-	-	-	-	7.800
<b>Non-Executive Directors</b>						
Paolo Catani	7.600	-	-	-	-	7.600
George St. Galatariotis	8.400	-	-	-	-	8.400
Costas St. Galatariotis	8.600	-	-	-	-	8.600
Stavros G. Galatariotis	9.600	-	-	-	-	9.600
Costas Koutsos	8.600	-	-	-	-	8.600
Charalambos Panayiotou	9.600	-	-	-	-	9.600
Leondios Lazarou	11.400	-	-	-	-	11.400
Maurizio Mansi Montenegro	3.518	-	-	-	-	3.518
Constantinos Yiorkadjis	9.000	-	-	-	-	9.000
Serge Schmidt	4.482	-	-	-	-	4.482
	<b>101.400</b>	<b>90.000</b>	<b>4.800</b>	<b>4.429</b>	<b>8.337</b>	<b>208.966</b>

### 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 company or to their related parties by the Company and its subsidiary companies.



## **Directors - Curriculum Vitae**

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### ***Antonis Antoniou (Executive Chairman)***

Mr. Antonis Antoniou was born in London in 1954. He studied at the University of London where he obtained a BSc degree in Biological Sciences and a postgraduate diploma in Computer Sciences.

Mr. A. Antoniou worked as a Biochemist/Microbiologist at 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 Deputy General Manager from 1983 until 1998.

From 1998 until 2006 he was Senior Vice President (Operations and Systems) of Nielsen Europe and a member of the European Board of Nielsen. As from February 2008 he is the Executive Chairman of Vassiliko Cement Works Public Company Ltd.

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### ***Fabrizio Donegà (Executive Vice Chairman)***

Fabrizio Donegà was born in 1963. He is graduate in Mechanical Engineering from Genoa University and post-graduate in Corporate Finance from SDA Bocconi (Milano, Italy) and Management Development from Harvard Business School (USA). Fabrizio Donegà began his career with Italcementi, first as Technical Assistance Manager in 1991 followed by a period as Plant Manager.

From 1995 until 1998, he served as Diagnostic & Performance Supervisor at the Italcementi headquarters. In 1999, he was appointed General Manager for Greece and Bulgaria, with his responsibilities subsequently enlarged to Cyprus, Kazakhstan and Egypt until 2003. From 2004 to 2007, he was Deputy General Manager of Italcementi S.p.A. responsible for the Industrial Operations of Italcementi Group in Italy.

Since October 2007, he has been Executive Vice President of Ciments Français, responsible for Group activities in Bulgaria, Cyprus, Egypt, Greece, Kazakhstan, Kuwait and Turkey.

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### ***Paolo Catani***

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

Mr. P. 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. Since 2007 he is leading, as a technical consultant, international training courses on the cement production techniques. On 11th January 2007 he was appointed as a member of the Board of Directors of the Vassiliko Cement Works Public Company Ltd.

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## **Directors - Curriculum Vitae**

(continuation)

### **George St. Galatariotis**

Mr. George St. Galatariotis was born in Limassol in 1947. He studied Business Administration at City Polytechnic in London.

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

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### **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. Costas Galatariotis is Executive Chairman of the Galatariotis Group of Companies and Executive Chairman of C.C.C. Tourist Enterprises Public Company Ltd, owner Company of the Le Meridien Limassol Spa & Resort. He is also member of Boards of Directors of several private and public companies and Vice Chairman (tourism) of the Board of the Limassol Chamber of Commerce and Industry.

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### **Stavros G. Galatariotis**

Mr. Stavros Galatariotis studied Economics in the United Kingdom and he holds a bachelors degree (BS.c. (Hons)) in Business Economics with Computing 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.

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### **Costas Koutsos**

Mr. Costas Koutsos is the Executive Chairman of KEO Plc and Member of the Board of Directors of Hellenic Mining Public Company Ltd. Between 1978 and 2011 he was the Managing Director of BMS Metal Pipes Industries Group. He is a Financial Consultant, Companies Tax Consultant, Secretary and Member of the Board of Directors of other private companies. Mr. C. Koutsos is a qualified accountant and he has 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. He served as Member of the Board of Directors of Cyprus Metal Industry Association, member of the Cyprus Employers and Industrialists Federation from 1985 to 2011.

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### **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 Golf Ltd until September 2010, upon which date he was appointed as Managing Director of the KEO PLC Group. 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 the Chairman of the Board of Directors of Hellenic Bank (Investments) Ltd.

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## **Directors - Curriculum Vitae**

(continuation)

### **Leondios Lazarou**

Mr. Leondios Lazarou was born in Pano Amiandos in 1952. He studied Chemistry at the University of Athens where he received in 1976 his Bachelors Degree and in 1979 his Doctorate in Analytical Chemistry. During the preparation of his doctorate thesis he worked at the University as a Lecturer.

During the period 1979 - 1997 he served the Vassiliko Cement Works from the positions of the Quality Inspection Manager, the General Manager and the Managing Director. He was a Member of the Board of Directors of Hellenic Mining Company, Vassiliko Cement Works and Hellenic Chemical Industries.

From 1997 until 1999 was an associate of "Aris Petasis and Associates (Business Consultants)" where he worked as Business Consultant. During the period 1999-2004 he worked as General Manager of Salamis Tours (Holdings) Ltd with main objective the restructuring of the group companies and further development of its activities. In 2004, Mr. L. Lazarou established the consultancy firm "Skepsis – Linchpin in Development" for the provision of consultancy services to businesses.

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### **Serge Schmidt**

Mr. Serge Schmidt graduated in Civil Engineering at the University of Brussels (Ecole Polytechnique - ULB) and post-graduated in International Executive Program from INSEAD Business School in 2010. He began his career first as Technical Assistance Manager in 1996 with CCB in Belgium, Member of Italcementi Group, followed by a period as Export Manager.

From 2003 until 2008, he served as General Manager for the Hydraulic Lime business and Premix operations in France. In 2009, he was appointed as Deputy of Chief Executive Officer at the Italcementi Group Headquarters. Since September 2010, he has been Managing Director of Halyps Building Materials subsidiary of Italcementi Group in Greece.

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### **Rena Rouvitha Panou**

Mrs. Rena Rouvitha Panou studied Economics at the London School of Economics, where she was a Metcalfe Scholar and proceeded with post graduate studies at the University of Cambridge (M.Phil. Economics) and the Massachusetts Institute of Technology (Science Master's in Management), where she was a Fulbright Scholar.

Between 1984 and 1991 Mrs. Rouvitha Panou was a senior executive in financial services organisations in Boston, USA. She subsequently worked at the Cyprus Popular Bank Group until the end of 2006 in various posts, including the positions of Group General Manager based in Cyprus and Managing Director of the Group's Greek operations based in Greece. She concurrently served as a Member of Laiki Group's Main Board of Directors in Cyprus. Mrs. Rouvitha Panou is currently the Chairman of the Cyprus Development Bank (cdbbank), a position she undertook following the bank's privatisation.





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## Independent Auditors' 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 accompanying 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 24 to 60, which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Board of Directors' Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated and 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 about whether the consolidated and separate 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 consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

**Board Members**  
N.G. Syrimis  
A.K. Christofides  
E.Z. Hadjizacharias  
P.G. Loizou  
A.M. Gregoriades  
A.A. Demetriou  
D.S. Vakis  
A.A. Apostolou  
S.A. Loizides  
M.A. Loizides  
S.G. Sofocleous  
M.M. Antoniadis

C.V. Vasilou  
P.E. Antoniadis  
M.J. Hallos  
M.P. Michael  
P.A. Pelleties  
G.V. Markides  
M.A. Papacosta  
K.A. Papanicolaou  
A.I. Shiammoutis  
G.N. Tziortzis  
H.S. Charalambous  
C.P. Anayiotos

I.P. Ghalanos  
M.G. Gregoriades  
H.A. Kakoullis  
G.P. Savva  
C.A. Kallias  
C.N. Kallis  
M.Ch. Zavrou  
P.S. Elia  
M.G. Lazarou  
Z.E. Hadjizacharias

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## Independent Auditors' Report

(continuation)

to the Members of Vassiliko Cement Works Public Company Ltd

### Opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2011, and of their financial performance and their cash flows for the year then ended in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

#### • **Report on other legal and regulatory requirements**

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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 consolidated and separate 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 consolidated and separate financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 6 to 9 is consistent with the consolidated and separate financial statements.

Pursuant to the requirements of the Directive DI 190-2007-04 of the Cyprus Securities and the Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive, and it forms a special part of the Report of the Board of Directors.

#### • **Other Matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 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.

**HARIS A. KAKOULLIS**

*Certified Public Accountant and Registered Auditor  
for and on behalf of*

**KPMG Limited**

*Certified Public Accountants and Registered Auditors*

**Nicosia, 26 April 2012**





## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	Note	2011 €000	2010 €000
Revenue	4	87.666	95.066
Cost of sales		(70.571)	(86.508)
<b>Gross profit</b>		<b>17.095</b>	<b>8.558</b>
Other operating income	5	1.573	1.427
Distribution expenses		(3.427)	(3.084)
Administrative expenses		(2.922)	(3.231)
Other operating expenses		(9.787)	(3.420)
<b>Operating profit before financing costs</b>	6	<b>2.532</b>	<b>250</b>
Finance income	8	6	5
Finance expenses	8	(2.806)	(410)
<b>Net finance costs</b>		<b>(2.800)</b>	<b>(405)</b>
Net (loss)/profit from investing activities	9	(8)	2.160
Share of (loss)/profit from equity-accounted investees		(33)	127
<b>(Loss)/profit before tax</b>		<b>(309)</b>	<b>2.132</b>
Taxation expense	10	(2.003)	(822)
<b>(Loss)/profit for the year</b>		<b>(2.312)</b>	<b>1.310</b>
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale financial assets	18	-	(1.187)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	18	203	-
Tax on other comprehensive income		1.517	416
<b>Other comprehensive income/(loss) for the year</b>		<b>1.720</b>	<b>(771)</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(592)</b>	<b>539</b>
<b>(Loss)/profit attributable to:</b>			
Equity holders of the parent		(2.312)	1.310
Non-controlling interest		-	-
		<b>(2.312)</b>	<b>1.310</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Equity holders of the parent		(592)	539
Non-controlling interest		-	-
		<b>(592)</b>	<b>539</b>
Basic and diluted earnings per share (cents)	11	(3,2)	1,8

The notes on pages 32 to 60 form an integral part of the financial statements



## Company Statement of Comprehensive Income

for the year ended 31 December 2011

	Note	2011 €000	2010 €000
Revenue	4	87.666	95.066
Cost of sales		(70.298)	(86.244)
<b>Gross profit</b>		<b>17.368</b>	<b>8.822</b>
Other operating income	5	1.669	1.676
Distribution expenses		(3.463)	(3.090)
Administrative expenses		(2.873)	(3.168)
Other operating expenses		(12.013)	(3.420)
<b>Operating profit before financing costs</b>	6	<b>688</b>	<b>820</b>
Finance income	8	6	5
Finance expenses	8	(2.804)	(392)
<b>Net finance costs</b>		<b>(2.798)</b>	<b>(387)</b>
Net profit from investing activities	9	256	4.450
<b>(Loss)/profit before tax</b>		<b>(1.854)</b>	<b>4.883</b>
Taxation expense	10	(1.981)	(770)
<b>(Loss)/profit for the year</b>		<b>(3.835)</b>	<b>4.113</b>
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale financial assets	18	-	(1.187)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	18	203	-
Tax on other comprehensive income		1.517	416
<b>Other comprehensive income/(loss) for the year</b>		<b>1.720</b>	<b>(771)</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(2.115)</b>	<b>3.342</b>
Basic and diluted earnings per share (cents)	11	(5,3)	5,7

The notes on pages 32 to 60 form an integral part of the financial statements



## Consolidated Statement of Financial Position

as at 31 December 2011

	Note	2011 €000	2010 €000
<b>Assets</b>			
Property, plant and equipment	12	273.383	276.218
Intangible assets	14	23.860	23.894
Investment property	13	14.396	16.491
Investments in equity-accounted investees	17	1.769	2.070
Available-for-sale financial assets	18	1.228	2.840
<b>Total non-current assets</b>		<b>314.636</b>	<b>321.513</b>
Inventories	19	20.479	18.548
Tax receivable		-	471
Trade and other receivables	20	9.073	13.584
Assets classified as held for sale	21	7.074	7.684
Cash and cash equivalents	22	46	1.132
<b>Total current assets</b>		<b>36.672</b>	<b>41.419</b>
<b>Total assets</b>		<b>351.308</b>	<b>362.932</b>
<b>Equity</b>			
Share capital	23	30.932	30.932
Reserves		188.674	190.839
<b>Total equity attributable to equity holders of the parent</b>		<b>219.606</b>	<b>221.771</b>
<b>Non-controlling interest</b>		-	-
<b>Total equity</b>		<b>219.606</b>	<b>221.771</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	24	99.413	105.670
Deferred tax liabilities	25	9.939	10.218
Provisions	26	400	400
Trade and other payables	27	1.200	-
<b>Total non-current liabilities</b>		<b>110.952</b>	<b>116.288</b>
Bank overdraft	22	3.383	1.468
Interest-bearing loans and borrowings	24	10.134	7.125
Tax payable		523	-
Trade and other payables	27	6.710	16.280
<b>Total current liabilities</b>		<b>20.750</b>	<b>24.873</b>
<b>Total liabilities</b>		<b>131.702</b>	<b>141.161</b>
<b>Total equity and liabilities</b>		<b>351.308</b>	<b>362.932</b>

The financial statements were approved by the Board of Directors on 26 April 2012.

ANTONIS ANTONIOU, Director  
FABRIZIO DONEGA, Director

The notes on pages 32 to 60 form an integral part of the financial statements



## Company Statement of Financial Position

as at 31 December 2011

	Note	2011 €000	2010 €000
<b>Assets</b>			
Property, plant and equipment	12	272.255	275.037
Intangible assets	14	12.357	12.366
Investment property	13	13.781	15.861
Investments in subsidiaries	16	19.636	19.636
Investments in associates	17	51	51
Available-for-sale financial assets	18	1.228	2.840
<b>Total non-current assets</b>		<b>319.308</b>	<b>325.791</b>
Inventories	19	20.437	18.465
Income tax receivable		-	483
Trade and other receivables	20	14.979	21.811
Assets classified as held for sale	21	6.630	6.879
Cash and cash equivalents	22	-	1.040
<b>Total current assets</b>		<b>42.046</b>	<b>48.678</b>
<b>Total assets</b>		<b>361.354</b>	<b>374.469</b>
<b>Equity</b>			
Share capital	23	30.932	30.932
Reserves		198.718	202.406
<b>Total equity</b>		<b>229.650</b>	<b>233.338</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	24	99.413	105.670
Deferred tax liabilities	25	9.972	10.255
Provisions	26	400	400
Trade and other payables	27	1.200	-
<b>Total non-current liabilities</b>		<b>110.985</b>	<b>116.325</b>
Bank overdraft	22	3.383	1.468
Interest-bearing loans and borrowings	24	10.134	7.125
Income tax payable		513	-
Trade and other payables	27	6.689	16.213
<b>Total current liabilities</b>		<b>20.719</b>	<b>24.806</b>
<b>Total liabilities</b>		<b>131.704</b>	<b>141.131</b>
<b>Total equity and liabilities</b>		<b>361.354</b>	<b>374.469</b>

The financial statements were approved by the Board of Directors on 26 April 2012.

**ANTONIS ANTONIOU**, Director  
**FABRIZIO DONEGA**, Director

The notes on pages 32 to 60 form an integral part of the financial statements



## Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

	Share capital €000	Share premium €000	Revaluation reserve €000	Revaluation of investments available for sale €000	Retained earnings €000	Total equity attributable to equity holders of the parent €000	Non-controlling interest €000	Total equity €000
At 1 January 2010	30.932	45.388	42.840	537	102.926	222.623	-	222.623
Profit for the year	-	-	-	-	1.310	1.310	-	1.310
Other comprehensive income	-	-	416	(1.187)	-	(771)	-	(771)
Total comprehensive income for the year	-	-	416	(1.187)	1.310	539	-	539
Dividends	-	-	-	-	(1.079)	(1.079)	-	(1.079)
Special Contribution for Defence	-	-	-	-	(312)	(312)	-	(312)
Transfer	-	-	(1.385)	-	1.385	-	-	-
<b>At 1 January 2011</b>	<b>30.932</b>	<b>45.388</b>	<b>41.871</b>	<b>(650)</b>	<b>104.230</b>	<b>221.771</b>	<b>-</b>	<b>221.771</b>
Loss for the year	-	-	-	-	(2.312)	(2.312)	-	(2.312)
Other comprehensive income	-	-	1.517	203	-	1.720	-	1.720
Total comprehensive loss for the year	-	-	1.517	203	(2.312)	(592)	-	(592)
Dividends	-	-	-	-	(1.079)	(1.079)	-	(1.079)
Special Contribution for Defence	-	-	-	-	(494)	(494)	-	(494)
Transfer	-	-	(2.159)	-	2.159	-	-	-
<b>At 31 December 2011</b>	<b>30.932</b>	<b>45.388</b>	<b>41.229</b>	<b>(447)</b>	<b>102.504</b>	<b>219.606</b>	<b>-</b>	<b>219.606</b>

The notes on pages 32 to 60 form an integral part of the financial statements



## Company Statement of Changes in Equity

for the year ended 31 December 2011

	Share capital €000	Share premium €000	Revaluation reserve €000	Revaluation of investments available for sale €000	Retained earnings €000	Total equity €000
At 1 January 2010	30.932	45.388	42.703	537	111.827	231.387
Profit for the year	-	-	-	-	4.113	4.113
Other comprehensive income	-	-	416	(1.187)	-	(771)
Total comprehensive income for the year	-	-	416	(1.187)	4.113	3.342
Dividends	-	-	-	-	(1.079)	(1.079)
Special Contribution for Defence	-	-	-	-	(312)	(312)
Transfer	-	-	(1.385)	-	1.385	-
<b>At 1 January 2011</b>	<b>30.932</b>	<b>45.388</b>	<b>41.734</b>	<b>(650)</b>	<b>115.934</b>	<b>233.338</b>
Loss for the year	-	-	-	-	(3.835)	(3.835)
Other comprehensive income	-	-	1.517	203	-	1.720
Total comprehensive loss for the year	-	-	1.517	203	(3.835)	(2.115)
Dividends	-	-	-	-	(1.079)	(1.079)
Special Contribution for Defence	-	-	-	-	(494)	(494)
Transfer	-	-	(2.159)	-	2.159	-
<b>At 31 December 2011</b>	<b>30.932</b>	<b>45.388</b>	<b>41.092</b>	<b>(447)</b>	<b>112.685</b>	<b>229.650</b>

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution to the defence fund at 20% (15% to 30 August 2011 and 17% from 31 August 2011 to 31 December 2011) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution to the defence fund is payable by the Company for the account of the shareholders.

The notes on pages 32 to 60 form an integral part of the financial statements



## Consolidated Statement of Cash Flows

for the year ended 31 December 2011

	Note	2011 €000	2010 €000
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year		(2.312)	1.310
Adjustments for:			
Depreciation and amortisation charges		12.501	15.838
Profit from disposal of investment property		(790)	(3)
Impairment loss on available-for-sale financial assets		1.814	-
Change in fair value of investment property		(767)	(1.996)
Change in fair value of assets classified as held for sale		(249)	-
Impairment loss of assets classified as held for sale		165	-
Interest income		(6)	(5)
Dividend income		-	(161)
Interest expense		2.806	409
Share of loss/(profit) of equity-accounted investees		33	(127)
Loss on disposal of property, plant and equipment		4	17
Loss on disposal of assets classified as held for sale		97	249
Income tax expense		2.003	822
<b>Operating profit before changes in working capital and provisions</b>		<b>15.299</b>	<b>16.353</b>
Changes in:			
Trade and other receivables		3.209	1.963
Inventories		(1.931)	3.087
Trade and other payables		(9.570)	(5.343)
Provisions		-	(256)
<b>Cash generated from operating activities</b>		<b>7.007</b>	<b>15.804</b>
Interest paid		(1.764)	(79)
Tax paid		(263)	(2.077)
<b>Net cash inflow from operating activities</b>		<b>4.980</b>	<b>13.648</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		133	59
Proceeds from disposal of investment property		4.150	35
Proceeds from disposal of assets classified as held for sale		99	1.115
Interest received		6	5
Dividends received		250	789
Acquisition of property, plant and equipment	12	(9.748)	(79.094)
Acquisition of intangibles		(17)	(19)
Acquisition of investment property		-	(182)
Acquisition of equity-accounted investee		-	(50)
<b>Net cash used in investing activities</b>		<b>(5.127)</b>	<b>(77.342)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new loans raised		5.700	60.600
Repayment of loans		(7.475)	(284)
Dividends paid	29	(1.079)	(1.079)
<b>Net cash (used in)/from financing activities</b>		<b>(2.854)</b>	<b>59.237</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3.001)</b>	<b>(4.457)</b>
Cash and cash equivalents at 1 January		(336)	4.121
<b>Cash and cash equivalents at 31 December</b>	22	<b>(3.337)</b>	<b>(336)</b>

The notes on pages 32 to 60 form an integral part of the financial statements



## Company Statement of Cash Flows

for the year ended 31 December 2011

	Note	2011 €000	2010 €000
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year		(3.835)	4.113
Adjustments for:			
Depreciation and amortisation charges		12.420	15.411
Profit from disposal of investment property		(790)	(3)
Impairment loss on available-for-sale financial assets		1.814	-
Change in fair value of investment property		(782)	(2.337)
Change in fair value of assets classified as held for sale		(249)	-
Interest income		(6)	(5)
Dividend income		(249)	(2.110)
Interest expense		2.804	392
Loss on disposal of property, plant and equipment		5	17
Income tax expense		1.981	770
<b>Operating profit before changes in working capital and provisions</b>		<b>13.113</b>	<b>16.248</b>
Changes in:			
Trade and other receivables		5.536	2.170
Inventories		(1.972)	3.087
Trade and other payables		(9.524)	(5.721)
Provisions		-	(256)
<b>Cash generated from operations</b>		<b>7.153</b>	<b>15.528</b>
Interest paid		(1.762)	(89)
Tax paid		(263)	(2.064)
<b>Net cash inflow from operating activities</b>		<b>5.128</b>	<b>13.375</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		131	58
Proceeds from disposal of investment property		4.150	35
Interest received		6	5
Dividends received		249	2.110
Acquisition of property, plant and equipment	12	(9.748)	(79.094)
Acquisition of intangibles		(17)	(19)
Acquisition of investment property		-	(182)
Acquisition of shares in associate company		-	(50)
<b>Net cash used in investing activities</b>		<b>(5.229)</b>	<b>(77.137)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new loans raised		5.700	60.600
Repayment of loans		(7.475)	-
Dividends paid	29	(1.079)	(1.079)
<b>Net cash (used in)/from financing activities</b>		<b>(2.854)</b>	<b>59.521</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2.955)</b>	<b>(4.241)</b>
Cash and cash equivalents at 1 January		(428)	3.813
<b>Cash and cash equivalents at 31 December</b>	22	<b>(3.383)</b>	<b>(428)</b>

The notes on pages 32 to 60 form an integral part of the financial statements





## ***Notes to the Financial Statements***

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*for the year ended 31 December 2011*

### **1. Reporting entity and principal activities**

"Τσιμεντοποιία Βασιλικού Δημόσια Εταιρεία Λτδ", translated in English as "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 and the Cyprus Stock Exchange Law and Regulations. The Company's registered office is at 1A Kyriakos Matsis Avenue, CY-1082 Nicosia, Cyprus.

The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates.

The Company and Consolidated Financial Statements were authorised for issue by the Board of Directors on 26 April 2012.

#### **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 aggregates quarrying through its subsidiary and associate companies.

### **2. Basis of preparation**

#### **Statement of compliance**

The consolidated 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.

#### **Basis of measurement**

The consolidated financial statements have been 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.

#### **Functional and presentation currency**

The consolidated financial statements as at and for the year ended 31 December 2011 are presented in Euro (€), which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest thousand.

#### **Use of estimates and judgments**

The preparation of the consolidated financial statements in accordance with IFRSs requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.



## ***Notes to the Financial Statements***

*for the year ended 31 December 2011*

*(continuation)*

The estimates and underlying assumptions are reviewed on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described 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 judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date. The Group regularly evaluates the methods used to ensure their validity and appropriateness. Changes in the estimations and assumptions used are possible to affect the fair value of the related financial instruments.

### ***c. Provision for bad and doubtful debts***

The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through the profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

### ***d. Impairment of investments in subsidiaries/associates***

The Company periodically evaluates the recoverability of investments in subsidiaries/associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries/associates may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write down to fair value is necessary.



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## **Notes to the Financial Statements**

*for the year ended 31 December 2011*

*(continuation)*

### **Adoption of new and revised IFRS and Interpretations**

As from 1 January 2011, the Company adopted all of the IFRSs and International Accounting Standards ("IAS"), which are relevant to its operations. The adoption of these Standards did not have a significant effect on the financial statements of the Group and the Company.

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2011:

#### ***i. Standards and Interpretations adopted by the EU***

- IFRS 7 (Amendments) "Financial Instruments Disclosures" Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011).

#### ***ii. Standards and Interpretations not adopted by the EU***

- IFRS 1 (Amendments) "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters" (effective for annual periods beginning on or after 1 July 2011).
- IFRS 7 (Amendments) "Financial Instruments" Disclosures "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 7 (Amendments) "Financial Instruments" Disclosures – "Disclosures on transition to IFRS 9" (effective for annual periods beginning on or after 1 January 2015).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 1 (Amendments) "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- IAS 12 (Amendments) "Deferred tax" Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2012).
- IAS 19 (Amendments) "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (Revised) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 (Revised) "Investments in Associates and Joint ventures" (effective for annual periods beginning on or after 1 January 2013).
- IAS 32 (Amendments) "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

The Board of Directors expects that the adoption of the above financial reporting standards in future periods will not have a significant effect on the financial statements of the Group and the Company except for:

- The adoption of IFRS 9 could change the classification and measurement of financial assets. The extent of the impact has not been determined.



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## **Notes to the Financial Statements**

*for the year ended 31 December 2011*

*(continuation)*

### **3. Significant accounting policies**

The following accounting policies have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Group entities.

#### **Basis of consolidation**

##### ***i. Business combinations***

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

##### ***ii. Acquisitions of non-controlling interests***

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

##### ***iii. Subsidiaries***

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

##### ***iv. Loss of control***

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.



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## **Notes to the Financial Statements**

*for the year ended 31 December 2011*

*(continuation)*

### **v. Investments in associates and jointly controlled entities (equity-accounted investees)**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

### **vi. Jointly controlled operations**

A jointly controlled operation is a joint venture carried on by each venture using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

### **vii. Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### **Foreign currency transactions**

Transactions in foreign currencies are translated to Euros using the foreign exchange rate prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the year end date are translated to Euros at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

### **Property, plant and equipment**

#### **i. Recognition and measurement**

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

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

Properties under construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.



## **Notes to the Financial Statements**

for the year ended 31 December 2011

(continuation)

### **ii. Reclassification to investment property**

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

### **iii. Subsequent costs**

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

### **iv. Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component. Land is not depreciated.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Items of the property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the assets are completed and are ready for use.

The estimated useful lives are as follows:

Buildings	20 - 50 years
Vassiliko Port	50 years (term of lease)
Machinery, plant and equipment	4 - 40 years

## **Intangible assets**

### **i. Goodwill**

All business combinations are accounted for by applying the acquisition 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 of the acquired undertaking at the date of acquisition.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is measured 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). Goodwill on acquisition of associates is included in investments in associates. Goodwill on acquisition of subsidiaries is included in 'Intangible Assets'.

### **ii. Other intangible assets**

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

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

### **iii. Subsequent expenditure**

Subsequent expenditure on 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.





## **Notes to the Financial Statements**

for the year ended 31 December 2011

(continuation)

### **iv. Amortisation**

Amortisation is charged to profit or loss 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 reporting 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
Leasehold property	33 years

### **Investments**

#### **i. Investments in equity securities**

Equity financial instruments held by the Group are classified as being available-for-sale and are recognised initially at fair value plus any directly attributable transaction costs, 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 recognized directly in equity is recognised in the statement of comprehensive income. Where these investments are interestbearing, interest calculated using the effective interest method is recognised in the statement of comprehensive income.

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

Financial instruments classified as held for trading or available-for-sale investments are recognised / derecognized 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.

Financial instruments designated as available-for-sale are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the reporting date.

#### **ii. Investment property**

Investment properties are properties which are held either to earn rental income, or for capital appreciation, or for both, but not for sale in the ordinary course of business, or used for the production or supply of goods or services, or for administrative purposes. 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 profit or loss. Rental income from investment property is accounted for as described in accounting policy for Revenue.

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 statement of comprehensive income.

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.





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## **Notes to the Financial Statements**

*for the year ended 31 December 2011*

*(continuation)*

### **Trade and other receivables**

Trade receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### **Inventories**

Inventories are measured 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.

### **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.

### **Impairment of non-financial assets**

The carrying amounts of the Group's assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting 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 year end 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 statement of comprehensive income.

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 statement of comprehensive income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income.

### **Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value plus any direct attributable transaction costs. Subsequently they are measured at amortised cost using the effective interest method.



## **Notes to the Financial Statements**

for the year ended 31 December 2011

(continuation)

### **Employee benefits**

#### **i. Defined contribution plans**

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. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

#### **ii. Termination benefits**

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

### **Provisions**

A provision is recognised 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 and a reliable estimate of the amount can be made. 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.

### **Trade and other payables**

Trade and other payables are presented at the nominal value outstanding at the year end date.

### **Revenue**

#### **i. Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue from the sale of goods is recognised in profit or loss 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 profit or loss on a straight-line basis over the term of the lease.

#### **iii. Government grants**

Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss 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 amortised on a systematic basis using the straight-line method over the expected useful life of the respective asset.

#### **iv. Finance income**

Finance income includes interest income which is recognised using the effective interest method.

#### **v. Dividend income**

Dividend income is recognised in the statement of comprehensive income 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.



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## **Notes to the Financial Statements**

for the year ended 31 December 2011

(continuation)

### **Expenses**

#### **i. Operating lease payments**

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

#### **ii. Financing costs**

Financing costs comprise interest expense 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 statement of comprehensive income.

#### **iii. Foreign currency transactions**

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

Monetary assets and liabilities denominated in foreign currencies are translated into Euro using the rate of exchange ruling at the balance sheet date. The exchange differences that arise are transferred to the statement of comprehensive income, and are presented separately when considered material, except for exchange differences that arise from the exchange rate movement between foreign currencies and the Euro related to foreign currency loans made for the purpose of hedging the exchange risk in connection with revenues received in the same currency.

### **Tax expense**

Tax expense on the statement of comprehensive income for the year comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income.

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

Deferred tax is provided using the liability 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 substantially enacted at the year end 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.

### **Share capital**

Ordinary shares are classified as equity.

### **Dividends**

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

### **Comparatives**

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



## **Notes to the Financial Statements**

for the year ended 31 December 2011

(continuation)

<b>4. Revenue</b>	<b>Group</b>		<b>Company</b>	
	<b>2011 €000</b>	<b>2010 €000</b>	<b>2011 €000</b>	<b>2010 €000</b>

Revenue analysis:

Local cement sales	<b>85.714</b>	94.461	<b>85.714</b>	94.461
Export cement sales	<b>1.832</b>	484	<b>1.832</b>	484
Other	<b>120</b>	121	<b>120</b>	121
	<b>87.666</b>	95.066	<b>87.666</b>	95.066

<b>5. Other operating income</b>	<b>Group</b>		<b>Company</b>	
	<b>2011 €000</b>	<b>2010 €000</b>	<b>2011 €000</b>	<b>2010 €000</b>
Income from Vassiliko Port	<b>107</b>	148	<b>107</b>	148
Rental of investment property	<b>474</b>	419	<b>474</b>	419
Loss on disposal of property, plant and equipment	<b>(4)</b>	(17)	<b>(5)</b>	(17)
Loss on disposal of Assets classified as held for sale	<b>(97)</b>	(249)	-	-
Sale of CO2 emission rights	<b>922</b>	893	<b>922</b>	893
Other	<b>171</b>	233	<b>171</b>	233
	<b>1.573</b>	1.427	<b>1.669</b>	1.676

<b>6. Operating profit before financing costs</b>	<b>Group</b>		<b>Company</b>	
	<b>2011 €000</b>	<b>2010 €000</b>	<b>2011 €000</b>	<b>2010 €000</b>

This is stated after charging:

Staff costs (see note 7)	<b>14.305</b>	16.672	<b>14.084</b>	16.401
Directors remuneration as directors	<b>101</b>	122	<b>101</b>	122
Directors remuneration as executives	<b>108</b>	107	<b>108</b>	107
Depreciation of property, plant and equipment	<b>12.446</b>	15.749	<b>12.394</b>	15.359
Amortisation of intangible fixed assets	<b>55</b>	89	<b>26</b>	52
Independent auditors' remuneration	<b>53</b>	50	<b>40</b>	40



## Notes to the Financial Statements

for the year ended 31 December 2011

(continuation)

<b>7. Staff costs</b>	<b>Group</b>		<b>Company</b>	
	<b>2011 €000</b>	<b>2010 €000</b>	<b>2011 €000</b>	<b>2010 €000</b>
Wages and salaries	<b>12.201</b>	14.122	<b>12.024</b>	13.901
Social insurance contributions	<b>753</b>	788	<b>738</b>	773
Provident and medical fund contributions (note 33)	<b>1.003</b>	1.109	<b>990</b>	1.096
Other contributions	<b>348</b>	653	<b>332</b>	631
	<b>14.305</b>	16.672	<b>14.084</b>	16.401
Average number of employees	<b>227</b>	276	<b>220</b>	267

<b>8. Net finance costs</b>	<b>Group</b>		<b>Company</b>	
	<b>2011 €000</b>	<b>2010 €000</b>	<b>2011 €000</b>	<b>2010 €000</b>
Interest income	<b>6</b>	5	<b>6</b>	5
Finance income	<b>6</b>	5	<b>6</b>	5
Interest expense	<b>(2.806)</b>	(410)	<b>(2.804)</b>	(392)
Finance expense	<b>(2.806)</b>	(410)	<b>(2.804)</b>	(392)
Net finance costs	<b>(2.800)</b>	(405)	<b>(2.798)</b>	(387)

Interest income is earned on bank deposits held in current and short term notice accounts. The interest rate on the above deposits is variable.

<b>9. Net (loss)/profit from investing activities</b>	<b>Group</b>		<b>Company</b>	
	<b>2011 €000</b>	<b>2010 €000</b>	<b>2011 €000</b>	<b>2010 €000</b>
Dividend receivable	-	161	<b>249</b>	2.110
Impairment charge on available-for-sale financial assets	<b>(1.814)</b>	-	<b>(1.814)</b>	-
Change in fair value of investment property	<b>767</b>	1.996	<b>782</b>	2.337
Change in fair value of assets classified as held for sale	<b>249</b>	-	<b>249</b>	-
Gain on disposal of investment property	<b>790</b>	3	<b>790</b>	3
	<b>(8)</b>	2.160	<b>256</b>	4.450



## Notes to the Financial Statements

for the year ended 31 December 2011

(continuation)

10. Taxation expense	Group		Company	
	2011 €000	2010 €000	2011 €000	2010 €000
<b>Recognised in profit or loss</b>				
<b>Analysis of charge in year</b>				
Current year tax:				
Income tax on profits of the year	-	470	-	470
Special contribution to the defence fund	9	9	9	9
Capital gains tax	235	155	235	155
Share of tax from associate	18	39	-	-
Deferred tax (see note 25)	1.238	179	1.234	179
	1.500	852	1.478	813
Adjustment for prior periods	503	(30)	503	(43)
	2.003	822	1.981	770

The Group is subject to income tax at 10%.

### Reconciliation of tax based on taxable income and tax based on accounting policies

Accounting (loss)/profit before tax	(309)	2.132	(1.854)	4.883
Tax for the year at the applicable tax rates				
Income tax at 10%	(31)	213	(185)	488
Special contribution to the defence fund	9	9	9	9
Capital gains tax	235	155	235	155
	213	377	59	652
Effects of:				
Non-taxable income / expenses	1.269	436	1.419	161
	1.482	813	1.478	813
Adjustments to tax charge in respect of previous periods	503	(30)	503	(43)
Share of tax from associate	18	39	-	-
Current tax charge for the year	2.003	822	1.981	770

### 11. Earnings per share

The calculation of earnings per share was based on the loss attributable to ordinary shareholders of €2.312.000 (2010 : profit €1.310.000) and the weighted average number of ordinary shares outstanding during the year of 71.935.947 (2010 : 71.935.947).

The calculation of earnings per share in the Company Statement of Comprehensive Income was based on the loss for the year of €3.835.000 (2010 : profit €4.113.000).



## Notes to the Financial Statements

for the year ended 31 December 2011

(continuation)

	Land and buildings	Vassiliko port	Plant and equipment	Total
	€000	€000	€000	€000
<b>12. Property, plant and equipment</b>				
<b>Group</b>				
<b>Cost</b>				
Balance at 1 January 2010	54.484	24.008	252.340	330.832
Acquisitions	158	-	78.936	79.094
Transfer to assets classified as held for sale	-	-	(1.504)	(1.504)
Disposals	-	-	(2.493)	(2.493)
Balance at 31 December 2010	54.642	24.008	327.279	405.929
Balance at 1 January 2011	54.642	24.008	327.279	405.929
Acquisitions	585	-	9.163	9.748
Written off	-	-	(71.168)	(71.168)
Disposals	(115)	-	(297)	(412)
Balance at 31 December 2011	55.112	24.008	264.977	344.097
<b>Depreciation</b>				
Balance at 1 January 2010	6.196	1.843	107.675	115.714
Charge for the year on historical cost	747	481	13.136	14.364
Additional charge on revalued amounts	944	441	-	1.385
Transfer to assets classified as held for sale	-	-	(699)	(699)
Disposals	-	-	(1.053)	(1.053)
Balance at 31 December 2010	7.887	2.765	119.059	129.711
Balance at 1 January 2011	7.887	2.765	119.059	129.711
Charge for the year on historical cost	899	481	8.907	10.287
Additional charge on revalued amounts	1.721	438	-	2.159
Disposals	-	-	(275)	(275)
Written off	-	-	(71.168)	(71.168)
Balance at 31 December 2011	10.507	3.684	56.523	70.714
<b>Carrying amounts</b>				
At 1 January 2010	48.288	22.165	144.665	215.118
At 31 December 2010	46.755	21.243	208.220	276.218
At 1 January 2011	46.755	21.243	208.220	276.218
At 31 December 2011	44.605	20.324	208.454	273.383





## Notes to the Financial Statements

for the year ended 31 December 2011

(continuation)

Company	Land and buildings €000	Vassiliko port €000	Plant and equipment €000	Total €000
<b>Cost</b>				
Balance at 1 January 2010	53,108	24,008	248,628	325,744
Acquisitions	158	-	78,936	79,094
Disposals	-	-	(286)	(286)
Balance at 31 December 2010	53,266	24,008	327,278	404,552
Balance at 1 January 2011	53,266	24,008	327,278	404,552
Acquisitions	585	-	9,163	9,748
Disposals	(115)	-	(296)	(411)
Written off	-	-	(71,168)	(71,168)
Balance at 31 December 2011	53,736	24,008	264,977	342,721
<b>Depreciation</b>				
Balance at 1 January 2010	6,052	1,843	106,471	114,366
Charge for the year on historical cost	695	481	12,798	13,974
Additional charge on revalued amounts	944	441	-	1,385
Disposals	-	-	(210)	(210)
Balance at 31 December 2010	7,691	2,765	119,059	129,515
Balance at 1 January 2011	7,691	2,765	119,059	129,515
Charge for the year on historical cost	847	481	8,907	10,235
Additional charge on revalued amounts	1,721	438	-	2,159
Disposals	-	-	(275)	(275)
Written off	-	-	(71,168)	(71,168)
Balance at 31 December 2011	10,259	3,684	56,523	70,466
<b>Carrying amounts</b>				
At 1 January 2010	47,056	22,165	142,157	211,378
At 31 December 2010	45,575	21,243	208,219	275,037
At 1 January 2011	45,575	21,243	208,219	275,037
At 31 December 2011	43,477	20,324	208,454	272,255

### Property, plant and equipment under construction

Property plant and equipment on 31 December 2010 included equipment under construction of €149,250,000, which was completed and put in operation in 2011. Capitalised borrowing costs related to the construction of equipment and costs incurred during 2011 totalled €1,224,000 (2010 : €2,034,000).

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.

Bank overdrafts of €218,000 (2010 : €290,000) are secured by fixed charges on plant and machinery. Bank loans of €109,547,000 are secured by €26,800,000 mortgages on land and buildings and €46,732,000 fixed charges on plant and machinery.



## Notes to the Financial Statements

for the year ended 31 December 2011

(continuation)

	Group		Company	
	2011 €000	2010 €000	2011 €000	2010 €000
<b>13. Investment property</b>				
Balance at 1 January	16.491	21.224	15.861	20.253
Acquisitions	-	182	-	182
Change in fair value	1.265	1.996	1.280	2.337
Transfer to assets classified as held for sale	-	(6.879)	-	(6.879)
Disposals	(3.360)	(32)	(3.360)	(32)
Balance at 31 December	14.396	16.491	13.781	15.861

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 2011.

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

<b>14. Intangible assets</b>	Goodwill	Leasehold property	Software	Total
	€000	€000	€000	€000
<b>Group</b>				
<b>Cost</b>				
Balance at 1 January 2010	23.347	598	1.373	25.318
Acquisitions	-	-	19	19
Balance at 31 December 2010	23.347	598	1.392	25.337
Balance at 1 January 2011	23.347	598	1.392	25.337
Acquisitions	-	-	17	17
Balance at 31 December 2011	23.347	598	1.409	25.354
<b>Amortisation and impairment charge</b>				
Balance at 1 January 2010	-	77	1.277	1.354
Amortisation for the year	-	19	70	89
Balance at 31 December 2010	-	96	1.347	1.443
Balance at 1 January 2011	-	96	1.347	1.443
Amortisation for the year	-	20	35	55
Disposals	-	-	(4)	(4)
Balance at 31 December 2011	-	116	1.378	1.494
<b>Carrying amounts</b>				
At 1 January 2010	23.347	521	96	23.964
At 31 December 2010	23.347	502	45	23.894
At 1 January 2011	23.347	502	45	23.894
At 31 December 2011	23.347	482	31	23.860



## Notes to the Financial Statements

for the year ended 31 December 2011

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	Goodwill	Software	Total
	€000	€000	€000
Company			
<b>Cost</b>			
Balance at 1 January 2010	12.328	1.296	13.624
Acquisitions	-	19	19
Balance at 31 December 2010	12.328	1.315	13.643
Balance at 1 January 2011	12.328	1.315	13.643
Acquisitions	-	17	17
Balance at 31 December 2011	12.328	1.332	13.660
<b>Amortisation and impairment charge</b>			
Balance at 1 January 2010	-	1.225	1.225
Amortisation for the year	-	52	52
Balance at 31 December 2010	-	1.277	1.277
Balance at 1 January 2011	-	1.277	1.277
Amortisation for the year	-	26	26
Balance at 31 December 2011	-	1.303	1.303
<b>Carrying amounts</b>			
At 1 January 2010	12.328	71	12.399
At 31 December 2010	12.328	38	12.366
At 1 January 2011	12.328	38	12.366
At 31 December 2011	12.328	29	12.357

### 15. Group entities

		Ownership 2011	Ownership 2010
Name and country of incorporation	Principal Activity		
Vassiliko (Building Materials) Ltd - Cyprus	Investment company	100,0%	100,0%
AES Atlas Etimo Skirodema Ltd - Cyprus	Concrete production	100,0%	100,0%
Estia Etimo Skirodema Ltd - Cyprus	Concrete production	100,0%	100,0%
Vassiliko Energy Ltd - Cyprus	Provision of services	100,0%	100,0%
Venus Beton Ltd - Cyprus	Dormant company	51,0%	51,0%
CCC Building Materials Ltd - Cyprus	Investment company	100,0%	100,0%
CCC Aggregates Ltd - Cyprus	Dormant company	51,0%	51,0%



## Notes to the Financial Statements

for the year ended 31 December 2011

(continuation)

### 16. Investments in subsidiary companies

		Ownership 2011	Ownership 2010
Name and country of incorporation	Principal Activity		
Vassiliko (Building Materials) Ltd - Cyprus	Investment company	100,0%	100,0%
Estia Etimo Skirodema Ltd - Cyprus	Concrete production	100,0%	100,0%
Vassiliko Energy Ltd - Cyprus	Provision of services	100,0%	100,0%
CCC Building Materials Ltd - Cyprus	Investment company	100,0%	100,0%
		2011 €000	2010 €000
Balance at 1 January		19,636	19,636
Balance at 31 December		19,636	19,636
Vassiliko (Building Materials) Ltd - Cyprus		855	855
Estia Etimo Skirodema Ltd - Cyprus		-	-
Vassiliko Energy Ltd - Cyprus		2	2
CCC Building Materials Ltd - Cyprus		18,779	18,779
		19,636	19,636

### 17. Investments in equity-accounted investees

		Ownership 2011	Ownership 2010
Name and country of incorporation	Principal Activity		
Latomio Pyrgon Ltd - Cyprus	Aggregates quarry	30,0%	30,0%
ENERCO - Energy Recovery Ltd - Cyprus	Waste to energy	50,0%	50,0%
Latomia Latouros Ltd - Cyprus	Aggregates quarry	50,0%	50,0%
		2011 €000	2010 €000
Balance at 1 January		2,070	2,574
Additions		-	50
Share of (loss)/profit from equity-accounted investees		(33)	127
Share of tax from equity-accounted investees		(18)	(39)
Dividends from equity-accounted investees		(250)	(642)
Balance at 31 December		1,769	2,070
Latomio Pyrgon Ltd - Cyprus		948	1,058
ENERCO - Energy Recovery Ltd - Cyprus		153	51
Latomia Latouros Ltd - Cyprus		668	961
		1,769	2,070

The Group's share of post-acquisition total recognised profit or loss in the above equity-accounted investees for the year ended 31 December 2011 was loss of €33.000 (2010 profit: €127.000).

In the Company's Statement of Financial Position, the investments in associates are stated at cost:

	2011 €000	2010 €000
Balance at 1 January	51	1
Additions	-	50
Balance at 31 December	51	51



## Notes to the Financial Statements

for the year ended 31 December 2011

(continuation)

	Group		Company	
	2011 €000	2010 €000	2011 €000	2010 €000
<b>18. Available-for-sale financial assets</b>				
At 1 January	2.840	4.027	2.840	4.027
Change in fair value	203	(1.187)	203	(1.187)
Impairment charge	(1.815)	-	(1.815)	-
At 31 December	1.228	2.840	1.228	2.840

	Valuation		Valuation	
	2011 €000	2010 €000	2011 €000	2010 €000
<b>Non-current investments</b>				
Equity securities available for sale	1.228	2.840	1.228	2.840

	Group		Company	
	2011 €000	2010 €000	2011 €000	2010 €000
<b>19. Inventories</b>				
Raw materials and work in progress	4.624	4.880	4.624	4.859
Finished goods	6.325	2.779	6.325	2.779
Fuel stocks	1.732	5.623	1.728	5.605
Spare parts and consumables	7.798	5.266	7.760	5.222
	20.479	18.548	20.437	18.465

	Group		Company	
	2011 €000	2010 €000	2011 €000	2010 €000
<b>20. Trade and other receivables</b>				
Trade receivables	9.399	12.879	8.717	11.992
Amount owed by subsidiary companies	-	-	8.031	8.327
Amount owed by associate companies	367	114	286	33
Other receivables and prepayments	516	1.758	500	1.742
	10.282	14.751	17.534	22.094
Less impairment	(1.209)	(1.167)	(2.555)	(283)
	9.073	13.584	14.979	21.811
<b>Impairment movement</b>				
At 1 January	1.167	1.710	283	598
Impairment recognised	132	(593)	2.358	(365)
Amounts written off as uncollectible	(3)	-	(2)	-
Amounts recovered during the year	(47)	-	(44)	-
Accrued discounts	(40)	50	(40)	50
At 31 December	1.209	1.167	2.555	283

The Group's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collections losses is inherent in the Company's trade receivables.



## Notes to the Financial Statements

for the year ended 31 December 2011

(continuation)

	Group		Company	
	2011 €000	2010 €000	2011 €000	2010 €000
<b>21. Assets classified as held for sale</b>				
Balance at 1 January	7.684	-	6.879	-
Transfer from property, plant and equipment	-	9.048	-	8.243
Change in fair value	(249)	-	(249)	-
Disposals	(196)	(1.364)	-	(1.364)
Impairment	(165)	-	-	-
Balance at 31 December	7.074	7.684	6.630	6.879

Assets classified as held for sale include land valued at €3.830.000 (2010: €3.579.000) that is under compulsory acquisition by the District Land Registry intended for the construction of the Cyprus Energy Center and land of €2.800.000 (2010: €3.300.000), previously classified as investment property, that was decided to be disposed within the next twelve months. Additionally, in the Consolidated Statement of Financial Position, plant and equipment of €443.000 (2010: €805.000) that relates to the discontinued ready mixed concrete activities have been classified as held for sale.

	Group		Company	
	2011 €000	2010 €000	2011 €000	2010 €000
<b>22. Cash and cash equivalents</b>				
Cash and bank balances	46	1.132	-	1.040
Cash and cash equivalents	46	1.132	-	1.040
Bank overdrafts	(3.383)	(1.468)	(3.383)	(1.468)
Cash and cash equivalents in the statement of cash flows	(3.337)	(336)	(3.383)	(428)

Bank overdrafts of €228.000 (2010: €290.000) are secured by fixed charges on plant and machinery.

## 23 Capital and reserves

<b>Share capital</b>			2011 000	2010 000
Authorised:				
Ordinary shares of €0,43 each			72.000	72.000
	2011 No. of shares	2010 No. of shares	2011 €000	2010 €000
Allotted, called up and fully paid:				
Ordinary shares of €0,43 each	71.935.947	71.935.947	30.932	30.932

### Reserves

#### Revaluation reserve

Revaluation reserve comprises the cumulative net change in the fair value of land and buildings and Vassiliko port. When revalued land or buildings are sold, the portion of the revaluation reserve that relates to that asset, and that is effectively realised, is transferred directly to retained earnings.

#### Revaluation of investments available-for-sale reserve

Revaluation of investments available-for-sale reserve represents accumulated gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.



## Notes to the Financial Statements

for the year ended 31 December 2011

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	Group		Company	
	2011 €000	2010 €000	2011 €000	2010 €000
<b>24. Interest bearing loans and borrowings</b>				
<b>Non-current liabilities</b>				
Unsecured bank loans	-	7.273	-	7.273
Secured bank loans	99.413	98.397	99.413	98.397
	99.413	105.670	99.413	105.670
<b>Current liabilities</b>				
Current portion of secured bank loans	10.134	7.125	10.134	7.125
Analysis of maturity of debt:				
Within one year or on demand	10.134	7.125	10.134	7.125
Between one and two years	13.168	16.931	13.168	16.931
Between two and five years	13.168	30.720	13.168	30.720
After five years	73.077	58.019	73.077	58.019
	109.547	112.795	109.547	112.795

The bank loans are secured as follows:

- By mortgage against immovable property of the Company for €26.800.000 (2010 : €26.800.000)
- Fixed charge on the Company's financed plant and machinery for €46.732.000 (2010: €46.732.000).

### Weighted average effective interest rate

The rate of interest payable on the above loans is floating. At 31 December 2011, the prevailing rate of interest for these loans was on average 3,35% (2010: 3,82%).

	Group		Company	
	2011 €000	2010 €000	2011 €000	2010 €000
<b>25. Deferred taxation</b>				
Accelerated capital allowances	4.180	2.195	4.292	2.158
Revaluation of fixed assets	6.659	8.176	6.580	8.097
Tax losses carried forward	(900)	(153)	(900)	-
	9.939	10.218	9.972	10.255
At 1 January	10.218	10.455	10.255	10.492
Deferred tax charge in statement of comprehensive income	1.238	179	1.234	179
Transfer to revaluation reserve	(1.517)	(416)	(1.517)	(416)
At 31 December	9.939	10.218	9.972	10.255

	Group Non-current		Company Non-current	
	2011 €000	2010 €000	2011 €000	2010 €000
<b>26. Provisions for liabilities and charges</b>				
Provisions for quarry environmental restoration and other contingent liabilities	400	400	400	400





## Notes to the Financial Statements

for the year ended 31 December 2011

(continuation)

	Group		Company	
	2011 €000	2010 €000	2011 €000	2010 €000
<b>27. Trade and other payables</b>				
<b>Current</b>				
Trade payables	2.174	11.713	2.105	11.645
Amount owed to subsidiary companies	-	-	10	8
Amounts owed to related companies	238	980	238	980
Other payables	4.298	3.587	4.336	3.580
	<b>6.710</b>	<b>16.280</b>	<b>6.689</b>	<b>16.213</b>
<b>Non-current</b>				
Amounts owed to related companies	1.200	-	1.200	-
	<b>7.910</b>	<b>16.280</b>	<b>7.889</b>	<b>16.213</b>

Non-current amounts owed to related companies bear interest 2% per annum.

## 28. Related parties

### i. Transactions with related companies

The Company has entered into an agreement with Hellenic Mining Company, the scope of which is the provision of consultancy and other services. The fees payable by the Company for these services are €205.000 per annum. The duration of the agreement is 5 years and expires on 30 June 2014. Further, the Company enters into various other transactions with the Hellenic Mining Company Group (HMG). 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 agreement expires on 31 December 2013. The fees payable by the Company for these services are €600.000 per annum. Apart from this agreement, the Company purchases from Italcementi equipment and spare parts, pet-coke and other services and further sells cement and clinker.

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

	Sales		Purchases	
	2011 €000	2010 €000	2011 €000	2010 €000
Hellenic Mining Group	71	84	439	577
Italcementi Group	-	430	4.712	13.262
KEO Plc	-	-	17	52
Latomia Latouros Ltd	-	-	7	-
	<b>71</b>	<b>514</b>	<b>5.175</b>	<b>13.891</b>

### ii. Transactions with key management personnel

In addition to salaries, the Group also contributes to the Provident Fund and Medical Fund which are defined contributions plans (see note 33). Key management personnel compensation, including total employer contributions for 2011 was €820.000 (2010 : €860.000).

## 29. Dividends

	2011 €000	2010 €000
Dividend paid at €0,015 (2010: €0,015) per share	<b>1.079</b>	<b>1.079</b>

As from 1 January 2012, dividends are subject to defence fund contribution at the rate of 20% when the beneficiary is a physical person resident of Cyprus (15% to 30 August 2011 and 17% from 31 August 2011 to 31 December 2011).



## Notes to the Financial Statements

for the year ended 31 December 2011

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### 30. Directors' shareholdings

At 31 December 2011, and five days prior to 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:

	Fully paid shares	
	31 Dec 2011	21 Apr 2012
Leondios Lazarou	0,0001%	0,0001%
Costas Koutsos	0,0139%	0,0139%
Stavros Galatariotis	0,0125%	0,0125%
Rena Rouvitha Panou (Appointed 23 February 2012)	-	0,0014%
	0,0265%	0,0279%

At 31 December 2011, 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 2011 and five days prior to 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.

	Fully paid shares	
	31 Dec 2011	21 Apr 2012
Hellenic Mining Public Company Ltd	13,07%	13,07%
KEO Plc	6,44%	6,44%
Gypsum and Plasterboards Public Company Ltd	4,78%	4,78%
Italmed Cement Company Ltd	14,94%	14,94%
Compagnie Financiere et de Participations	9,71%	9,71%
Anastasios G. Leventis Foundation	5,34%	5,34%
The Cyprus Cement Public Company Ltd	25,30%	25,30%
	79,58%	79,58%

### 32. Capital commitments

	Group		Company	
	2011 €000	2010 €000	2011 €000	2010 €000
Amounts contracted for but not provided in the financial statements	-	4.867	-	4.867



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### 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 €1.003.000 (2010: €1.109.000).

### 34. Operating leases

#### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2011 €000	2010 €000	2011 €000	2010 €000
Less than one year	188	182	141	135
Between one and five years	454	451	267	263
More than five years	1.087	1.197	175	239
	1.729	1.830	583	637

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 include 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	
	2011 €000	2010 €000	2011 €000	2010 €000
Less than one year	303	324	303	324
Between one and five years	769	838	769	838
More than five years	284	196	284	196
	1.356	1.358	1.356	1.358

During the year ended 31 December 2011, €474.000 was recognised as net rental income in the statement of comprehensive income (2010 : €419.000).



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## **Notes to the Financial Statements**

*for the year ended 31 December 2011*

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### **35. Financial instruments and risk management**

The Group is exposed to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Group also has exposure to the following other risks:

- Industry risk
- Operational risk
- Environmental risk
- Compliance risk
- Litigation risk
- Reputation 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 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 Group Audit Committee oversees how management monitors compliance with the Group's risk management procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The main monetary financial assets of the Group and the Company are cash and cash equivalents, and the investments in securities and trade receivables. The main monetary financial liabilities are bank overdrafts, loans and trade payables.

#### **Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

#### **Interest rate risk**

Interest rate risk results from 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.

#### **Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency rate risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar.



## Notes to the Financial Statements

for the year ended 31 December 2011

(continuation)

Exposure to currency risk was as follows:

Group	31 December 2011	31 December 2010
	US\$'000	US\$'000
Trade receivables	111	4
Trade payables	(59)	(1.538)
Net exposure	52	(1.534)

Company	31 December 2011	31 December 2010
	US\$'000	US\$'000
Trade receivables	111	4
Trade payables	(59)	(1.538)
Net exposure	52	(1.534)

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
USD	0,720469	0,754430	0,720469	0,754430

### Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. The Company has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

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	
	2011 €000	2010 €000	2011 €000	2010 €000
Trade and other receivables	9.399	12.879	8.717	11.992
Amount receivable from related parties	367	114	286	33
Prepayments	514	37	498	21
Available for sale financial assets	1.228	2.840	1.228	2.840
Cash and cash equivalents	46	1.132	-	1.040
Total credit risk exposure	11.554	17.002	10.729	15.926

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



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### Liquidity risk

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

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

Group			Payable on demand and up to 6 months €000	6-12 months €000	1-2 years €000	2-5 years €000	More than 5 years €000
Non-derivative financial liabilities	Carring amount €000	Contractual cash flow €000					
<b>31 December 2011</b>							
Secured bank loans	109.547	(130.685)	(7.023)	(6.992)	(16.904)	(43.020)	(56.746)
Secured bank overdrafts	228	(228)	(228)	-	-	-	-
Unsecured bank overdrafts	3.155	(3.155)	(3.155)	-	-	-	-
Trade and other payables	7.910	(7.940)	(6.710)	-	(1.230)	-	-
	120.840	(142.008)	(17.116)	(6.992)	(18.134)	(43.020)	(56.746)

<b>31 December 2010</b>							
Secured bank loans	105.522	(134.573)	(4.702)	(6.149)	(20.479)	(38.698)	(64.545)
Secured bank overdrafts	290	(290)	(290)	-	-	-	-
Unsecured bank overdrafts	1.178	(1.178)	(1.178)	-	-	-	-
Trade and other payables	16.280	(16.280)	(16.280)	-	-	-	-
	123.270	(152.321)	(22.450)	(6.149)	(20.479)	(38.698)	(64.545)

Company			Payable on demand and up to 6 months €000	6-12 months €000	1-2 years €000	2-5 years €000	More than 5 years €000
Non-derivative financial liabilities	Carring amount €000	Contractual cash flow €000					
<b>31 December 2011</b>							
Secured bank loans	109.547	(130.685)	(7.023)	(6.992)	(16.904)	(43.020)	(56.746)
Secured bank overdrafts	218	(218)	(218)	-	-	-	-
Unsecured bank overdrafts	3.165	(3.165)	(3.165)	-	-	-	-
Trade and other payables	7.889	(7.919)	(6.689)	-	(1.230)	-	-
	120.819	(141.987)	(17.095)	(6.992)	(18.134)	(43.020)	(56.746)

<b>31 December 2010</b>							
Secured bank loans	105.522	(134.573)	(4.702)	(6.149)	(20.479)	(38.698)	(64.545)
Secured bank overdrafts	290	(290)	(290)	-	-	-	-
Unsecured bank overdrafts	1.178	(1.178)	(1.178)	-	-	-	-
Trade and other payables	16.213	(16.213)	(16.213)	-	-	-	-
	123.203	(152.254)	(22.383)	(6.149)	(20.479)	(38.698)	(64.545)

The Group has access to financing facilities of €124.311.000, of which €11.381.000 were unused at the end of the reporting period. The Group expects to meet its other obligations from operating cash flows and proceeds from maturity of financial assets.



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## ***Notes to the Financial Statements***

*for the year ended 31 December 2011*

*(continuation)*

### ***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 and markets;
- 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.

### ***Environmental risk***

Environmental risk is the risk to comply with environmental regulations of the Republic of Cyprus and the EU. The risk is limited through the monitoring controls applied by the Group. Further the Group is exposed to price fluctuations on emission rights depending on its emission rights surplus or deficit. The Group's position is therefore constantly monitored to ensure correct risk management.

### ***Compliance risk***

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with the laws and regulations of the Republic of Cyprus and the EU. 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 the amount of net income returned as a percentage of total shareholder equity.

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.



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## ***Notes to the Financial Statements***

*for the year ended 31 December 2011*

*(continuation)*

### **36. Fair values**

The fair value of the investments in securities quoted on the Cyprus Stock Exchange is disclosed in note 18. 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.

### **37. Events after the reporting period**

There were no material events after the reporting period, which affect the financial statements as at 31 December 2011.

### **38. Changes from indication of results**

The changes between the net profit reported in the profit indication for 2011 and the audited financial statements are attributed to the following changes:

	2011 €000
Loss as per indication of results	(1.174)
Decrease in share of net profit from associate	(166)
Increase of taxation	(970)
Other	(2)
Audited net profit	(2.312)





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