



VASSILIKO CEMENT WORKS  
PUBLIC COMPANY LTD

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ANNUAL REPORT AND  
FINANCIAL STATEMENTS 2008



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## Officers, Professional Advisers and Bankers

**Directors** : ANTONIS ANTONIOU (Executive Chairman)  
FABRIZIO DONEGA (Executive Vice-Chairman)  
PAOLO CATANI  
MARIOS ELIADES  
GEORGE GALATARIOTIS  
COSTAS GALATARIOTIS  
STAVROS GALATARIOTIS  
COSTAS KOUTSOS  
CHARALAMBOS PANAYIOTOU  
LEONDIOS LAZAROU  
MAURIZIO MANSI MONTENEGRO

**General Manager** : GEORGIOS A. SIDERIS

**Financial Manager** : GEORGIOS S. SAVVA

**Secretary** : MARIA MAVRIDOU

**Independent Auditors** : KPMG

**Legal Advisers** : TASSOS PAPADOPOULOS & ASSOCIATES

**Bankers** : ALPHA BANK LTD  
BANK OF CYPRUS PUBLIC COMPANY LTD  
HELLENIC BANK PUBLIC COMPANY LTD  
NATIONAL BANK OF GREECE (CYPRUS) LTD  
NATIONAL BANK OF GREECE SA  
MARFIN POPULAR BANK PUBLIC COMPANY LTD  
BNP PARIBAS  
COOP VASSILIKOS PENTASCHINOS

**Registered office** : 1A, KYRIAKOS MATSIS AVENUE  
P.O. BOX 22281  
CY-1519 LEFKOSIA  
CYPRUS

**Registered number** : 1210

**Internet website** : [www.vassiliko.com](http://www.vassiliko.com)



## Notice of Annual General Meeting

The 43rd 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 30 July 2009 at 5:00 p.m. to transact the following business:

- 1 Consider the annual report of the Board of Directors for the year 2008.
- 2 Receive, consider and approve the annual financial statements and the report of the auditors for the year 2008.
- 3 Approve the additional dividend for the year 2008.
- 4 Elect new directors in the place of those who retire.
- 5 Approve the remuneration report.
- 6 Fix the remuneration of the directors for the year 2009.
- 7 Re-appoint Messrs KPMG as the auditors of the Company and fix their remuneration for the year 2009.
- 8 Transact any other business which, in accordance with the Company's Articles of Association, can be presented at the annual general meeting.

By order of the Board  
M. MAVRIDOU  
Secretary

9 April 2009.

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



## **Notice of Annual General Meeting**

### **Explanatory notes**

The formal Notice of the 2009 AGM is set out above. The Notice asks Vassiliko Cements Works shareholders to approve a number of items of business. For your information, the explanatory notes below summarise the purpose of each Resolution to be voted on by Vassiliko Cement Works shareholders at this year's AGM.

### **Resolution 1: To consider the Annual Report**

The Chairman will present the Annual Report of the Board of Directors for the year ended 31 December 2008 to the meeting.

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

The Chairman will present the Annual Financial Statements and Messrs KPMG will present their Audit Report for the year ended 31 December 2008 to the meeting.

### **Resolution 3: Dividend**

The Directors have proposed an additional dividend of €0,015 per Ordinary Share. If approved at the AGM, the dividend will be paid to the entitled shareholders, holders of the Company's shares at the closing of the trading day of the Cyprus Stock Exchange of 13 August 2009. The share of the Company will be traded ex-dividend as of 14 August 2009. Payment of the dividend will be made (effected) till the 8 September 2009.

### **Resolution 4: Re-election of Directors**

In accordance with the Company's Articles of Association, Mr Maurizio Mansi Montenegro who was appointed by the Board on 26 January 2009 as Non-Executive Director will stand down and offer himself for re-election by the Company shareholders.

In addition Messrs Paolo Catani, Marios Eliades, George Galatariotis and Charalambos Panayiotou 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.

Brief details of all Directors appear on pages 15 to 17 of the Annual Report.

### **Resolution 5: Approve the remuneration report**

The Shareholders are asked to approve the remuneration report that appears on pages 13 to 14.

### **Resolution 6: To fix the remuneration of the Directors**

The Shareholders are asked to approve the remuneration of the Directors for the year 2009 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

### **Resolution 7: Re-appointment of Auditors**

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



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

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 2008, we confirm that, to the best of our knowledge:

- a. The annual consolidated financial statements that are presented on pages 5 to 56:
  - 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 accounts 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 accounts 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	Executive Chairman
Fabrizio Donega	Executive Vice Chairman
Paolo Catani	Independent Non Executive Director
Marios Eliades	Non Executive Director
George Galatariotis	Non Executive Director
Costas Galatariotis	Non Executive Director
Stavros Galatariotis	Non Executive Director
Costas Koutsos	Non Executive Director
Charalambos Panayiotou	Non Executive Director
Leondios Lazarou	Independent Non Executive Director
Maurizio Mansi Montenegro	Non Executive Director

**Company Officials**

George Sideris	General Manager
George Savva	Financial Manager

9 April 2009.



## **Directors' Report**

The Board of Directors of Vassiliko Cement Works Public Company Ltd (the 'Company') presents to the members its annual report together with the audited financial statements for the year ended 31 December 2008.

### **Financial statements**

The consolidated financial statements for the year 2008 include the results of the holding company and its subsidiary and associate companies.

### **Principal activities**

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

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

The construction industry growth continued in 2008, and as a result, the total cement consumption in Cyprus for 2008 reached 1.940 thousand tons compared to 1.790 thousand tons in 2007, recording an increase of 8,4%. The total sales of the Group in cement and clinker reached 1.940 thousand tons in 2008 compared to 1.416 thousand tons in 2007. The domestic sales increased to 1.940 thousand tons from 1.416 thousand tones in 2007. The high domestic demand absorbed the entire production, therefore there were no exports for the year. In 2007 the total exports were 63 thousand tons.

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

### **Financial results**

The results of the Group are presented in the consolidated income statement. The net profit after taxation for the year ended 31 December 2008 amounted to €5679000.0 compared to a net profit of €16898000.0 in 2007. The Board of Directors proposes the payment of a dividend as shown below and the transfer of the net profit for the year to the profit and loss reserve.

### **Dividends**

Following the payment of an interim dividend of €1.439.000 in December 2008, which represents €0,02 per share, the Board of Directors recommends the payment of an additional dividend of €1.079.000 or €0,015 per share, so that the total dividend for 2008 will amount to €2.518.000 or €0,035 per share. The dividend payments out of the profits of 2007 were €0,0596 cents per share and the total amount was €3.823.000.



### **Main risks and uncertainties**

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

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

### **Future developments**

Overall, based on recent trends, markets are expected to decline in 2009 following the general economic environment in Cyprus and internationally.

As far as operating costs are concerned, we expect energy costs to reduce gradually from 2008 levels, however due to market uncertainties and huge fluctuations experienced both in fuels prices and currency rates make such an estimate rather difficult.

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

### **Share capital**

On 1 January 2008, the Company proceeded with the issue of 18.199.794 shares to the Cyprus Cement Public Company Ltd as consideration to acquire its cement, ready-mix concrete and aggregates businesses.

As from 1 January 2008, Euro ("€") is the official currency of the Republic of Cyprus. During 2008, the share capital of the Company was converted from Cyprus Pounds to Euro according to the requirements of the Adoption of Euro Law (Law 33(I)/2007). During the conversion, the resulting rounding was treated in accordance with the aforementioned Law. For the conversion of the share capital of the Company from Cyprus Pounds to Euro the irrevocable conversion rate €1=£0,585274 was used and the provisions in the legislation for rounding, were followed.

On 17 December 2008, at the Extraordinary General Meeting of the shareholders of the Company, it was resolved to convert and increase the nominal value of each of the Company's shares from £0,25 to €0,43.

Additionally, the Extraordinary General Meeting of the shareholders of the Company approved that the authorised and issued share capital of the Company is converted into Euro.

The resulting increase from the conversion of the issued share capital from £ to € amounting to €153.000 is capitalised through the share premium reserve.



### **Branches**

During the year the Group did not operate any branches.

### **Board of Directors**

The members of the Board of Directors on the date of the report appear on page 1. In accordance with the Company's Articles of Association (Article 92), at the annual general meeting of 30 July 2009 Messrs Paolo Catani, Marios Eliades, George Galatariotis and Charalambos Panayiotou retire from office by rotation and, being eligible, offer themselves for re-election.

Mr Maurizio Mansi Montenegro who was appointed by the Board of Directors on 26 January 2009 is subject to retirement (Article 97) at the general meeting of 30 July 2009 and, being eligible, offers himself for re-election.

The Directors who served during the period from 27 June 2008, the date of the last Annual General Meeting, till this date were the following:

Antonis Antoniou  
Fabrizio Donega  
Paolo Catani  
Marios Eliades  
George Galatariotis  
Costas Galatariotis  
Stavros Galatariotis  
Costas Koutsos  
Charalambos Panayiotou  
Leondios Lazarou  
Maurizio Mansi Montenegro (appointed on 26 January 2009)  
Fortunato Zaffaroni (resigned on 26 January 2009)

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.

### **Independent Auditors**

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

9 April 2009.

On behalf of the Board of Directors  
ANTONIS ANTONIOU  
Executive Chairman



## Corporate Governance Report

### Section A

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

### Section B

#### **The Board**

The Company is headed by the Board of Directors which at 31 December 2008 comprised two executive and nine non-executive directors and is responsible to the shareholders for the proper management of the company Tsimentopiia Vassilikou Dimosia Eteria Ltd (Vassiliko Cement Works) 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 26<sup>th</sup> April 2009 the Director Mr. F. Zaffaroni (non-Executive Director) resigned from office, and Mr. M. M. Montenegro (non-Executive Director) was appointed to fill the casual vacancy occurred. The current members of the Board (excluding the Chairman) comprise two independent non-executive directors and eight non-independent directors of which one executive and seven non-executive directors. The independent non-Executive directors of the Board are Messrs P. Catani and L. Lazarou.

The Board of Directors of the Company comprise the following members:

Antonis Antoniou – Executive Chairman  
Fabrizio Donegà – Executive Vice-Chairman  
Paolo Catani – Independent non-Executive Director  
Marios Eliades – non-Executive Director  
George St. Galatariotis – non-Executive Director  
Costas St. Galatariotis – non-Executive Director  
Stavros G. Galatariotis – non-Executive Director  
Costas Koutsos – non-Executive Director  
Charalambos Panayiotou – non-Executive Director  
Leondios Lazarou – Independent non-Executive Director  
Maurizio Mansi Montenegro – non-Executive Director

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

The development of the Board into its current membership and structure was necessitated by the fact that the Company's interests (and in effect the shareholders) were best served by a Board comprised of Directors with an appropriate range of backgrounds, a variety of skills and core competencies, expertise and working experiences who would be most competent in taking the Company through the next 2 years of major challenges especially with regard to merging of two factories, building of a new energy efficient cement plant, and substantial capital expenditure investment.

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 Chairman the Vice-Chairman or the General Manager or for which such contact is inappropriate. The Senior Independent Director will attend sufficient meetings of major shareholders and financial analysts to develop a balanced understanding



of the issues and concerns of such shareholders. The Senior Independent Director can be contacted initially via the Company Secretary at the Registered Office of the Company.

The Board has six scheduled meetings a year, setting and monitoring the Group's strategy, reviewing trading performance, ensuring adequate funding, examining major capital expenditure, formulating policy on key issues and reporting to shareholders where appropriate. The Board of Directors convened 9 times during 2008. In accordance with best practice, the Board has established the Audit Committee, the Remunerations Committee and Nominations Committee as per the requirements of the code. The Company Secretary is responsible to and appointed by the Board and all directors have access to her advice and services. Directors may obtain independent professional advice if necessary, at the Company's expense. Formal agendas, papers and reports are supplied to directors in a timely manner, prior to Board meetings. Briefings are also provided at other times, for example, through operational visits and business presentations.

### **Chairman and General Manager**

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

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

The General Manager of the Company, 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 four other directors, Messrs F. Donegà (Executive Vice-Chairman), M. Eliades (non-Executive Director), C. Koutsos (non-Executive Director) and L. Lazarou (Independent non-Executive Director). 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 at the latest five months after the year end of the Company and 10 days before the date of the Annual General Meeting. Notices of annual general meetings are sent to shareholders at least 21 days before the meeting. The Board of Directors appointed Mr. Georgios Savva as Investor Liaison Officer to facilitate better communication with shareholders and investors.

### **Financial reporting**

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

### **Internal control**

Risk assessment and review is carried out by the executive management with details of significant risks being documented. Periodic reports relating to significant risks and associated controls are prepared from this documentation and presented to the Board for its review. The Board has overall responsibility for the Group's systems of internal control and for reviewing their effectiveness on an annual basis, as well as of the procedures which confirm the accuracy, completeness and validity of the information that is provided to the investors. 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 PEK Ltd, a professional Auditors Firm, who monitors the internal control systems and reports to the management and to the Audit Committee. PEK Ltd perform their duties with the technical assistance of the Italcementi Group Internal Audit Department. Management is responsible for the implementation of the recommendations made by internal audit that carry out post-implementation reviews. The external auditors carry out independent and objective reviews and tests of the internal financial control processes, only to the extent that they consider necessary to form their judgement when expressing their audit opinion on the accounts.

#### **Going concern**

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

#### **Remunerations Committee**

During 2008 the Remunerations Committee comprised of four non-executive directors who have no financial interest in the Group, no personal interest in the Committee's deliberations, and no involvement in the day-to-day management of the Group's operations. The members of the Committee were Messrs Ch. Panayiotou (non-Executive Director), F. Zaffaroni (non-Executive Director), M. Eliades (non-Executive Director) and St. G. Galatariotis (non-Executive Director). Messrs F. Zaffaroni, M. Eliades and St. G. Galatariotis members of the Committee resigned on 20 November 2008 and Messrs P. Catani (Independent non-Executive Director) and L. Lazarou (Independent non-Executive director) were appointed as new members of the Committee. The current 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. 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). 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 13).

#### **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 Marios Eliades (non-Executive Director), Paolo Catani (Independent non-Executive Director) George St. Galatariotis (non-Executive Director), and Charalambos Panayiotou (non-Executive Director) shall retire from office by rotation. Messrs Marios Eliades, Paolo Catani, George St. Galatariotis and Charalambos Panayiotou, being eligible, shall offer themselves for re-election.

Mr. M. Mansi Montenegro, who was appointed by the Board of Directors on 26 January 2009 is subject to retirement (Article 97) at the next General Meeting and, being eligible, offers himself 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.

9 April 2009.



## Remuneration Report

### Remunerations Committee

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

### Remuneration policy

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

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

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

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

In addition to the base salary and incentive plan participation, the 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 2008 compared to the previous year.

The remunerations of the executive directors for the year 2008 under their capacity as executives were as follows:

Earnings	Number of directors
Up to €85.430	1
Between €85.430 and €170.860	1



The total remunerations of the executive directors under their capacity as executives for the year 2008 were €106.000:

	(€000)
<b>Remuneration of Executive Directors</b>	
Salaries and benefits	93
Bonuses	-
Social benefits	5
Provident fund	8
Total Remuneration	<u>106</u>

### 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.

### 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 2008 were €7.000 and €9.000 for the Chairman and €200 per meeting for attendance in person.

The total remuneration of the directors, executives and non-executives, under their capacity as directors of the Company and as members of the Board of Directors' Committees for 2008 were as follows:

	Executives €000	Non- Executives €000	Total €000
Directors' Fees	17	61	78
Attendance Fees	4	17	21
	<u>21</u>	<u>78</u>	<u>99</u>

### Loans and guarantees granted to directors

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



## **Directors Curriculum vitae**

### ***Antonis Antoniou – Executive Chairman***

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

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

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

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

### ***Fabrizio Donegà - Executive Vice Chairman***

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

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

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

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

### ***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.



***Marios Eliades***

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

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

***George St. Galatariotis***

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

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

***Costas St. Galatariotis***

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

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

***Stavros G. Galatariotis***

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

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

***Costas Koutsos***

Mr. Costas Koutsos is the Managing Director of BMS Metal Pipes Industries Group since 1978 and Executive Chairman of KEO Plc and Member of the Board of Directors of Hellenic Mining Company. He is a Financial Consultant, Companies Tax Consultant, Secretary and Member of the Board of Directors of other private companies. Mr. 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 as well as Member of the Board of Directors of Cyprus Metal Industry Association, member of the Cyprus Employers and Industrialists Federation.



***Charalambos P. Panayiotou***

Mr. Charalambos Panayiotou was born on 6<sup>th</sup> 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. He is a Member of the Board of Directors of Hellenic Mining Group Companies. On 1<sup>st</sup> June 2005 he was elected Member of the Board of Directors of Hellenic Bank Public Company Ltd. He is also Member of the Board of Directors of Hellenic Bank (Investments) Ltd, Member of the Risk Management and Remunerations Committees of the Board of Directors of Hellenic Bank as well as a Member of the Board of Directors of KEO Plc.

***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.

***Maurizio Mansi Montenegro***

Mr. Maurizio Mansi Montenegro was born in Florence, Italy, in 1962. He is a graduate of the University of Rome where he received a Bachelors Degree in Statistical Science, and of the SDA Bocconi School of Management where he received diplomas in Strategic Marketing and International Marketing and has completed the International Executive Program of the INSEAD Business School. Mr. M. M. Montenegro is the Managing Director of Interbulk Trading S.A., Member of the Italcementi Group. He joined Italcementi Group in 1990 which he served from the office of the Marketing Analyst Coordinator, Marketing Coordinator, Strategic Planning Manager and Assistant to the Chief Executive Officer of Italcementi Spa, as well as from the office of the Cement Commercial Director of Suez Cement, in Egypt.



**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 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 20 to 56, which comprise the balance sheets of the Group and the Company as at 31 December 2008, and the income statements, statements of recognised income and expense and cash flow statements of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Board of Directors' Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

**Independent Auditor's Report to the Members of  
Vassiliko Cement Works Public Company Ltd (continued)**

*Opinion*

In our opinion, the consolidated and the Company's separate financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2008, and of the financial performance and the cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

**Report on Other Legal Requirements**

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the financial statements of the Group and the Company give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 5 to 7 is consistent with the consolidated and Company's separate financial statements.

**Other Matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap.113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

KPMG  
Chartered Accountants  
Lefkosia, 9 April 2009



**Consolidated Income Statement**  
**For the year ended 31 December 2008**

	Note	2008 €000	2007 €000
Revenue	5	127.732	90.851
Cost of sales		<u>(114.925)</u>	<u>(66.649)</u>
<b>Gross profit</b>		<b>12.807</b>	<b>24.202</b>
Other operating income	6	5.756	1.521
Distribution expenses		(4.560)	(4.160)
Administrative expenses		(3.814)	(2.763)
Other operating expenses		<u>(2.970)</u>	<u>(1.579)</u>
<b>Operating profit before financing costs</b>	7	<b>7.219</b>	<b>17.221</b>
Financial income	9	918	1.254
Financial expenses	9	<u>(1.853)</u>	<u>(75)</u>
<b>Net financing (costs)/income</b>		<b>(935)</b>	<b>1.179</b>
Share of profit from associate		1.087	89
<b>Profit before tax</b>		<b>7.371</b>	<b>18.489</b>
Taxation expense	10	<u>(1.692)</u>	<u>(1.591)</u>
<b>Profit for the financial year</b>		<b>5.679</b>	<b>16.898</b>
<b>Attributable to:</b>			
Equity holders of the parent		5.679	16.898
Minority interest	24	-	-
<b>Profit for the financial year</b>		<b>5.679</b>	<b>16.898</b>
Basic and diluted earnings per share (cents)	11	<u>7,9</u>	<u>31,4</u>



**Parent Company Income Statement**  
**For the year ended 31 December 2008**

	Note	2008 €000	2007 €000
Revenue	5	121.877	88.167
Cost of sales		<u>(109.540)</u>	<u>(64.507)</u>
<b>Gross profit</b>		<b>12.337</b>	<b>23.660</b>
Other operating income	6	5.769	1.521
Distribution expenses		(3.382)	(2.978)
Administrative expenses		(3.569)	(2.433)
Other operating expenses		<u>(2.970)</u>	<u>(1.579)</u>
<b>Operating profit before financing costs</b>	7	<b>8.185</b>	<b>18.191</b>
Financial income	9	2.701	1.301
Financial expenses	9	<u>(1.816)</u>	<u>(24)</u>
<b>Net financing income</b>		<b>885</b>	<b>1.277</b>
<b>Profit before tax</b>		<b>9.070</b>	<b>19.468</b>
Taxation expense	10	<u>(1.641)</u>	<u>(1.574)</u>
<b>Profit for the financial year</b>		<b>7.429</b>	<b>17.894</b>
Basic and diluted earnings per share (cents)	11	<u>10,3</u>	<u>33,3</u>



**Consolidated Statement of Recognised Income and Expense  
For the year ended 31 December 2008**

	<b>Note</b>	<b>2008 €000</b>	<b>2007 €000</b>
Unrealised surplus on revaluation of properties	23	-	20.435
Change in fair value of equity securities available for sale	23	(9.722)	4.502
Decrease/(increase) of deferred tax provision on revaluation	26	10	(3.180)
Special contribution for defence		(1.060)	(632)
<b>Net (expense)/income recognised directly in equity</b>		<b>(10.772)</b>	<b>21.125</b>
<b>Profit for the year</b>		<b>5.679</b>	<b>16.898</b>
<b>Total recognised income and expense for the year</b>		<b>(5.093)</b>	<b>38.023</b>
<b>Attributable to:</b>			
Equity holders of the parent		(5.093)	38.023
Minority interest		-	-
<b>Total recognised income and expense for the year</b>		<b>(5.093)</b>	<b>38.023</b>

As from 1 January 2003, companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies), at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the shareholders.



**Parent Company Statement of Recognised Income and Expense  
For the year ended 31 December 2008**

	<b>Note</b>	<b>2008 €000</b>	<b>2007 €000</b>
Unrealised surplus on revaluation of properties	23	-	20.434
Change in fair value of equity securities available for sale	23	(9.722)	4.502
Decrease/(increase) of deferred tax provision on revaluation	26	10	(3.180)
Special contribution for defence		(1.060)	(632)
<b>Net (expense)/income recognised directly in equity</b>		<b>(10.772)</b>	<b>21.124</b>
<b>Profit for the year</b>		<b>7.429</b>	<b>17.894</b>
<b>Total recognised income and expense for the year</b>		<b>(3.343)</b>	<b>39.018</b>

As from 1 January 2003, companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies), at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the shareholders.



**Consolidated Balance Sheet**  
**As at 31 December 2008**

	Note	2008 €000	2007 €000
<b>Assets</b>			
Property, plant and equipment	12	137.893	119.911
Intangible assets	14	25.210	1.949
Investment property	13	15.286	11.009
Investments in associates	17	8.110	1.247
Other investments	18	3.528	15.024
<b>Total non-current assets</b>		<b>190.027</b>	<b>149.140</b>
Inventories	19	31.074	15.782
Trade and other receivables	20	39.419	11.340
Cash and cash equivalents	21	664	21.130
<b>Total current assets</b>		<b>71.157</b>	<b>48.252</b>
<b>Total assets</b>		<b>261.184</b>	<b>197.392</b>
<b>Equity</b>			
Issued capital	22	30.932	22.953
Reserves	23	188.288	152.679
<b>Total equity attributable to equity holders of the parent</b>		<b>219.220</b>	<b>175.632</b>
<b>Minority Interest</b>	24	-	-
<b>Total equity</b>		<b>219.220</b>	<b>175.632</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	25	13.287	377
Deferred tax liabilities	26	10.960	10.316
<b>Total non-current liabilities</b>		<b>24.247</b>	<b>10.693</b>
Bank overdraft	21	4.981	345
Interest-bearing loans and borrowings	25	86	85
Income tax payable		1.374	1.630
Trade and other payables	27	10.620	8.351
Provisions	28	656	656
<b>Total current liabilities</b>		<b>17.717</b>	<b>11.067</b>
<b>Total liabilities</b>		<b>41.964</b>	<b>21.760</b>
<b>Total equity and liabilities</b>		<b>261.184</b>	<b>197.392</b>

The financial statements were approved by the Board of Directors on 9 April 2009.

ANTONIS ANTONIOU

FABRIZIO DONEGA

} Directors



**Parent Company Balance Sheet**  
**As at 31 December 2008**

	Note	2008 €000	2007 €000
<b>Assets</b>			
Property, plant and equipment	12	133.407	114.878
Intangible assets	14	12.437	161
Investment property	13	15.286	11.009
Investments in subsidiaries	15	20.371	1.592
Investments in associates	17	1	1
Other investments	18	3.528	15.024
<b>Total non-current assets</b>		<b>185.030</b>	<b>142.665</b>
Inventories	19	30.895	15.617
Trade and other receivables	20	46.972	18.306
Cash and cash equivalents	21	423	21.026
<b>Total current assets</b>		<b>78.290</b>	<b>54.949</b>
<b>Total assets</b>		<b>263.320</b>	<b>197.614</b>
<b>Equity</b>			
Issued capital	22	30.932	22.953
Reserves	23	191.815	154.456
<b>Total equity</b>		<b>222.747</b>	<b>177.409</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	25	13.000	-
Deferred tax liabilities	26	11.159	10.400
<b>Total non-current liabilities</b>		<b>24.159</b>	<b>10.400</b>
Bank overdraft	21	4.776	-
Income tax payable		1.376	1.632
Trade and other payables	27	9.606	7.517
Provisions	28	656	656
<b>Total current liabilities</b>		<b>16.414</b>	<b>9.805</b>
<b>Total liabilities</b>		<b>40.573</b>	<b>20.205</b>
<b>Total equity and liabilities</b>		<b>263.320</b>	<b>197.614</b>

The financial statements were approved by the Board of Directors on 9 April 2009.

ANTONIS ANTONIOU

FABRIZIO DONEGA

} Directors



**Consolidated Cash Flow Statement**  
**For the year ended 31 December 2008**

	Note	2008 €000	2007 €000
<b>Cash flows from operating activities</b>			
Profit for the year		5.679	16.898
Adjustments for:			
Depreciation and amortisation charges		14.344	10.112
Impairment in value of investments		1.774	-
Fair value adjustment of investment property		(4.277)	-
Interest income		(370)	(759)
Dividends received		(548)	(495)
Interest expense		91	87
Exchange differences		(12)	(12)
Share of profit of associates		(1.087)	(89)
Loss/(gain) on sale of property, plant and equipment		17	(5)
Gain on sale of other investments		-	(29)
Income tax expense		1.692	1.591
<b>Operating profit before changes in working capital and provisions</b>		<b>17.303</b>	<b>27.299</b>
(Increase)/decrease in trade and other receivables		(28.329)	1.328
(Increase)/decrease in inventories		(15.292)	244
Increase/(decrease) in trade and other payables		2.269	(2.665)
Increase in provisions		-	246
<b>Cash generated from operations</b>		<b>(24.049)</b>	<b>26.452</b>
Interest paid		(91)	(87)
Income taxes paid		(2.217)	(2.881)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(26.357)</b>	<b>23.484</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		51	425
Proceeds from repayments of loan to associate		250	342
Interest received		370	759
Dividends received		2.348	495
Acquisition of subsidiary company, net of cash acquired		(18.778)	-
Acquisition of property, plant and equipment	12	(32.263)	(13.777)
Acquisition of intangibles		(12.328)	(188)
Acquisition of other investments		-	(873)
Proceeds from sale of other investments		-	376
Exchange differences		12	12
<b>Net cash used in investing activities</b>		<b>(60.338)</b>	<b>(12.429)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		52.597	-
Payment of transaction costs		(31)	-
Proceeds from new loans raised		13.000	-
Repayment of loans		(88)	(82)
Dividends paid	30	(3.885)	(3.214)
<b>Net cash used in financing activities</b>		<b>61.593</b>	<b>(3.296)</b>
Net (decrease)/increase in cash and cash equivalents		(25.102)	7.759
Cash and cash equivalents at 1 January		20.785	13.026
<b>Cash and cash equivalents at 31 December</b>	21	<b>(4.317)</b>	<b>20.785</b>

The notes on pages 28 to 56 form an integral part of the financial statements



**Parent Company Cash Flow Statement**  
**For the year ended 31 December 2008**

	Note	2008 €000	2007 €000
<b>Cash flows from operating activities</b>			
Profit for the year		7.428	17.894
Adjustments for:			
Depreciation and amortisation charges		13.804	9.543
Impairment in value of investments		1.774	-
Fair value adjustment of investment property		(4.277)	-
Interest income		(404)	(806)
Dividends received		(2.297)	(495)
Interest expense		54	36
Exchange differences		(12)	(12)
Loss/(gain) on sale of property, plant and equipment		4	(5)
Gain on sale of other investments		-	(29)
Income tax expense		1.642	1.574
<b>Operating profit before changes in working capital and provisions</b>		<b>17.716</b>	<b>27.700</b>
(Increase)/decrease in trade and other receivables		(28.666)	1.181
(Increase)/decrease in inventories		(15.278)	287
Increase/(decrease) in trade and other payables		2.088	(2.864)
Increase in provisions		-	246
<b>Cash generated from operations</b>		<b>(24.140)</b>	<b>26.550</b>
Interest paid		(54)	(36)
Income taxes paid		(2.217)	(2.881)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(26.411)</b>	<b>23.633</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		1	10
Interest received		404	806
Dividends received		2.297	495
Acquisition of subsidiary company, net of cash acquired		(18.779)	-
Acquisition of property, plant and equipment	12	(32.249)	(13.264)
Acquisition of intangibles		(12.366)	(125)
Acquisition of other investments		-	(873)
Proceeds from sale of other investments		-	376
Exchange differences		12	12
<b>Net cash used in investing activities</b>		<b>(60.680)</b>	<b>(12.563)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		52.597	-
Proceeds from new loans raised		13.000	-
Dividends paid	30	(3.885)	(3.214)
<b>Net cash used in financing activities</b>		<b>61.712</b>	<b>(3.214)</b>
Net (decrease)/increase in cash and cash equivalents		(25.379)	7.856
Cash and cash equivalents at 1 January		21.026	13.170
<b>Cash and cash equivalents at 31 December</b>	21	<b>(4.353)</b>	<b>21.026</b>



## Notes to the Consolidated Financial Statements For the year ended 31 December 2008

### 1 Reporting entity and principal activity

"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, the Cyprus Stock Exchange Law and Regulations. The Company's registered office is at 1A Kyriakos Matsis Avenue, Nicosia, Cyprus.

The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates.

The Company and the Consolidated Financial Statements were authorised for issue by the Board of Directors on 9 April 2009.

#### **Principal activities**

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

### 2 Significant accounting policies

#### **a. Statement of compliance**

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

#### **b. Basis of preparation**

The Company's financial statements are for the year ended 31 December 2008 and are presented in Euro (€) (rounded to the nearest thousand) which as from 1 January 2008 is the official currency of the Republic of Cyprus and in the case of the Group is also its functional currency.

They are prepared on the historical cost basis, modified to include the revaluation to fair value of: Land and buildings, Vassiliko port, financial instruments classified as available for sale and investment property.

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

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

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



**c. Adoption of new and revised IFRSs**

As from 1 January 2008, the Company and the Group adopted all the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), which became effective and also were endorsed by the European Union (EU) and are relevant to its operations. The adoption of these Standards did not have a material effect on the financial statements.

All IFRSs issued by the International Standards Board (IASB) which are effective for the year ended 31 December 2008, have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of IFRIC 12: "Service Concession Arrangements" and certain provisions of IAS 39: "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2008:

*i. Standards and Interpretations adopted by the EU*

Improvements to IFRSs – 2008 (effective for annual periods beginning on or after 1 January 2009).

**IFRS 1:** "First Time Adoption of International Financial Reporting Standards" and IAS 27: "Consolidated and Separate Financial Statements" (Amendment): "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" (effective for annual periods beginning on or after 1 July 2009).

**IFRS 2 (Amendment):** "Share Based Payment Vesting Conditions and Cancellations" (effective for annual periods beginning on or after 1 January 2009).

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

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

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

**IAS 32:** "Financial Instruments: Presentation" and IAS 1: "Presentation of Financial Statements" (Amendment): "Puttable financial instruments and obligations arising on liquidation" (effective for annual periods beginning on or after 1 January 2009).

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

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

**IFRS 1 (Revised):** "First Time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 January 2009).

**IFRS 3 (Revised):** "Business Combinations" (effective for annual periods beginning on or after 1 July 2009).

**IAS 27 (Revised):** "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009).

**IAS 39:** "Financial Instruments: Recognition and Measurement" (Amendment): "Eligible Hedged Items" (effective for annual periods beginning on or after 1 July 2009).

**IAS 39 (Amendment):** "Financial Instruments: Recognition and Measurement": "Reclassification of Financial Assets: Effective date and Transition" (effective from 1 July 2008).



**IFRIC 15:** “Agreements for the construction of real estate” (effective for annual periods on or after 1 January 2009).

**IFRIC 16:** “Hedges of a net investment in a foreign operation” (effective for annual periods on or after 1 October 2008).

**IFRIC 17:** “Distributions of Non cash Assets to Owners” (effective for annual periods on or after 1 July 2009).

**IFRIC 18:** “Transfers of Assets from Customers” (effective from 1 July 2009)

The Board of Directors expects that the adoption of these Standards and Interpretations in future periods will not have a material effect on the financial statements of the Company and the Group except from the application of IAS 1 (Revised): “Presentation of Financial Statements” which is expected to have a significant impact on the presentation of the financial statements.

#### **d. Basis of consolidation**

##### *i. Subsidiaries*

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

##### *ii. Associates*

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

##### *iii. Transactions eliminated on consolidation*

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

#### **e. Foreign currency transactions**

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



**f. Property, plant and equipment**

*i. Owned assets*

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

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

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

*ii. Subsequent costs*

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

*iii. Depreciation*

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

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

**g. Intangible assets**

*i. Goodwill*

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see note 14) . Goodwill on acquisition of associates is included in associates. Goodwill on acquisition of subsidiaries is included in 'Intangible Assets'.

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

*ii. Other intangible assets*

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

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

*iii. Subsequent expenditure*

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



*v. Amortisation*

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

Computer software	3 years
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***h. Investments***

*i. Investments in equity securities*

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

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

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

*ii. Investment property*

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

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

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

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

***i. Trade and other receivables***

Trade 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 income statement 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.



***j. Inventories***

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

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

***k. Cash and cash equivalents***

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

***l. Impairment of assets***

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

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

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

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

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

***m. Interest-bearing borrowings***

Interest-bearing borrowings are stated at cost.

***n. Employee benefits***

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

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

***o. Provisions***

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



**p. Trade and other payables**

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

**q. Revenue**

*i. Goods sold*

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

*ii. Rental income*

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

*iii. Government grants*

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

*iv. Finance income*

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

**r. Expenses**

*i. Operating lease payments*

Rentals payable under operating leases are charged to the income statement 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. Net financing costs*

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

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

*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 income statement.

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 income statement, 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.



**s. Income tax**

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

As from 1 January 2003, companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profit of the relevant year at any time. This special contribution for defence is paid by the company for the account of the shareholders and is recognised directly in equity.

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

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

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

**t. Segmental reporting**

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

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

**u. Share capital**

Ordinary shares are classified as equity.

**v. 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.



### 3 Risk management

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

- Interest rate risk
- Credit risk
- Exchange rate risk
- Fair values

The Group also has exposure to the following other risks:

- Market and industry risk
- Operational risk
- Compliance risk
- Litigation risk
- Capital management

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

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

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

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

#### *Interest rate risk*

Interest rate risk results from changes in market interest rates. The Group's income and operating cash flows are not directly related to changes in market interest rates. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly. The interest rate and repayment terms of the loans are disclosed in note 25.

#### *Credit risk*

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

#### *Exchange rate risk*

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



*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.

*Market and 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.

*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 European Union. The risk is limited through the monitoring controls applied by the Group.

*Litigation risk*

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

*Reputation*

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

*Capital management*

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

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



#### 4 Significant Accounting Estimates and Judgments

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

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

##### **a. Income taxes**

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

##### **b. Fair value of financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date. The Group regularly evaluates the methods used to ensure their validity and appropriateness. Changes in the estimations and assumptions used is possible to affect the fair value of the related financial instruments.

#### 5 Revenue

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

Revenue analysis:	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
Local cement sales	119.832	82.390	121.790	85.404
Export cement sales	-	2.679	-	2.679
Concrete sales	7.813	5.698	-	-
Other	87	84	87	84
	<b>127.732</b>	<b>90.851</b>	<b>121.877</b>	<b>88.167</b>



## 6 Other operating income

	Group		Company	
	2008	2007	2008	2007
	€000	€000	€000	€000
Profit on sale of marketable securities	-	29	-	29
Income from Vassiliko Port	805	810	805	810
Rental of investment property	404	381	404	381
Fair value adjustment of investment property	4.277	-	4.277	-
(Loss)/gain on sale of property, plant and equipment	(17)	5	(4)	5
Other	287	296	287	296
	<b>5.756</b>	<b>1.521</b>	<b>5.769</b>	<b>1.521</b>

## 7 Operating profit before financing costs

	Group		Company	
	2008	2007	2008	2007
	€000	€000	€000	€000
This is stated after charging:				
Directors remuneration as directors	99	48	99	48
Directors remuneration as executives	106	203	106	203
Depreciation of property, plant and equipment	13.730	9.977	13.215	9.307
Amortisation of intangible fixed assets	109	135	90	99
Auditors' remuneration	52	43	36	24

## 8 Staff costs

	Group		Company	
	2008	2007	2008	2007
	€000	€000	€000	€000
Wages and salaries	16.596	10.544	15.824	9.742
Social insurance costs	857	560	806	504
Provident fund contributions	1.134	694	1.107	663
Other contributions	796	564	693	431
	<b>19.383</b>	<b>12.362</b>	<b>18.430</b>	<b>11.340</b>
Average number of employees	<b>334</b>	<b>251</b>	<b>318</b>	<b>217</b>



## 9 Net financing (costs)/income

	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
Interest income	370	759	404	806
Dividend receivable	548	495	2.297	495
Financial income	<u>918</u>	<u>1.254</u>	<u>2.701</u>	<u>1.301</u>
Interest expense	(91)	(87)	(54)	(36)
Net foreign exchange differences	12	12	12	12
Impairment of investments available for sale	(1.774)	-	(1.774)	-
Financial expenses	<u>(1.853)</u>	<u>(75)</u>	<u>(1.816)</u>	<u>(24)</u>
Net financing (costs)/income	<u>(935)</u>	<u>1.179</u>	<u>885</u>	<u>1.277</u>

Interest income is earned on bank deposits held in current and short term notice accounts. The interest rate on the above deposits is floating. The average interest rate for 2008 was 3,27% (2007: 4,03%).

## 10 Taxation expense

Recognised in the income statement	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
<b>Analysis of charge in year</b>				
Current year tax:				
Income tax on profits of the year	900	2.324	900	2.324
Special contribution to defence fund	33	55	33	55
Share of tax from associate	166	17	-	-
Deferred tax	653	(726)	768	(726)
	<u>1.752</u>	<u>1.670</u>	<u>1.701</u>	<u>1.653</u>
Adjustments for previous periods	(60)	(79)	(60)	(79)
	<u>1.692</u>	<u>1.591</u>	<u>1.641</u>	<u>1.574</u>

The Group is subject to income tax at 10%.

Factors affecting the income tax charge for the year	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
Profit before tax	<u>7.371</u>	<u>18.489</u>	<u>9.070</u>	<u>19.468</u>
Tax for the year at the applicable tax rates				
Income tax at 10%	737	1.849	907	1.947
Special contribution for defence	33	55	33	55
	<u>770</u>	<u>1.904</u>	<u>940</u>	<u>2.002</u>
Effects of:				
Non-taxable income / expenses	816	(251)	761	(349)
	<u>1.586</u>	<u>1.653</u>	<u>1.701</u>	<u>1.653</u>
Adjustments to tax charge in respect of previous periods	(60)	(79)	(60)	(79)
Share of tax from associate	166	17	-	-
Current tax charge for the year	<u>1.692</u>	<u>1.591</u>	<u>1.641</u>	<u>1.574</u>



## 11 Earnings per share

The calculation of earnings per share was based on the profit attributable to ordinary shareholders of €5679000.0 (2007: €16898000.0) and the weighted average number of ordinary shares outstanding during the year 71935947.0 (2007 : 53736153.0).

## 12 Property, plant and equipment

Group	Land and buildings €000	Vassiliko port €000	Plant and machinery €000	Total €000
<b>Cost</b>				
Balance at 1 January 2007	31.061	24.231	125.569	180.861
Acquisitions	6.424	12	7.333	13.769
Revaluation of assets	16.831	3.602	-	20.433
Transfer to investment property	-	-	-	-
Disposals	-	-	(629)	(629)
Balance at 31 December 2007	<u>54.316</u>	<u>27.845</u>	<u>132.273</u>	<u>214.434</u>
Balance at 1 January 2008	<b>54.316</b>	<b>27.845</b>	<b>132.273</b>	<b>214.434</b>
Acquisitions	1.691	-	30.572	32.263
Disposals	-	-	(287)	(287)
Balance at 31 December 2008	<u>56.007</u>	<u>27.845</u>	<u>162.558</u>	<u>246.410</u>
<b>Depreciation</b>				
Balance at 1 January 2007	3.798	3.135	77.827	84.760
Revaluation of assets	-	-	-	-
Charge for the year on historical cost	302	304	8.138	8.744
Additional charge on revalued amounts	728	484	-	1.212
Disposals	-	-	(193)	(193)
Balance at 31 December 2007	<u>4.828</u>	<u>3.923</u>	<u>85.772</u>	<u>94.523</u>
Balance at 1 January 2008	<b>4.828</b>	<b>3.923</b>	<b>85.772</b>	<b>94.523</b>
Revaluation of assets	-	-	-	-
Charge for the year on historical cost	643	920	11.666	13.229
Additional charge on revalued amounts	987	-	-	987
Disposals	-	-	(222)	(222)
Balance at 31 December 2008	<u>6.458</u>	<u>4.843</u>	<u>97.216</u>	<u>108.517</u>
<b>Carrying amounts</b>				
At 1 January 2007	<u>27.263</u>	<u>21.096</u>	<u>47.742</u>	<u>96.101</u>
At 31 December 2007	<u>49.488</u>	<u>23.922</u>	<u>46.501</u>	<u>119.911</u>
At 1 January 2008	<b>49.488</b>	<b>23.922</b>	<b>46.501</b>	<b>119.911</b>
At 31 December 2008	<u>49.549</u>	<u>23.002</u>	<u>65.342</u>	<u>137.893</u>



Company	Land and buildings €000	Vassiliko port €000	Plant and machinery €000	Total €000
<b>Cost</b>				
Balance at 1 January 2007	29.659	24.231	120.723	174.613
Acquisitions	6.414	12	6.838	13.264
Revaluation of assets	16.831	3.602	-	20.433
Disposals	-	-	(46)	(46)
Balance at 31 December 2007	<u>52.904</u>	<u>27.845</u>	<u>127.515</u>	<u>208.264</u>
Balance at 1 January 2008	<b>52.904</b>	<b>27.845</b>	<b>127.515</b>	<b>208.264</b>
Acquisitions	<b>1.678</b>	-	<b>30.571</b>	<b>32.249</b>
Revaluation of assets	-	-	-	-
Disposals	-	-	<b>(225)</b>	<b>(225)</b>
Balance at 31 December 2008	<u><b>54.582</b></u>	<u><b>27.845</b></u>	<u><b>157.861</b></u>	<u><b>240.288</b></u>
<b>Depreciation</b>				
Balance at 1 January 2007	3.752	3.135	77.096	83.983
Charge for the year on historical cost	258	304	7.670	8.232
Additional charge on revalued amounts	728	484	-	1.212
Disposals	-	-	(41)	(41)
Balance at 31 December 2007	<u>4.738</u>	<u>3.923</u>	<u>84.725</u>	<u>93.386</u>
Balance at 1 January 2008	<b>4.738</b>	<b>3.923</b>	<b>84.725</b>	<b>93.386</b>
Charge for the year on historical cost	<b>592</b>	<b>920</b>	<b>11.215</b>	<b>12.727</b>
Additional charge on revalued amounts	<b>987</b>	-	-	<b>987</b>
Disposals	-	-	<b>(219)</b>	<b>(219)</b>
Balance at 31 December 2008	<u><b>6.317</b></u>	<u><b>4.843</b></u>	<u><b>95.721</b></u>	<u><b>106.881</b></u>
<b>Carrying amounts</b>				
At 1 January 2007	<u>25.907</u>	<u>21.096</u>	<u>43.627</u>	<u>90.630</u>
At 31 December 2007	<u>48.166</u>	<u>23.922</u>	<u>42.790</u>	<u>114.878</u>
At 1 January 2008	<b>48.166</b>	<b>23.922</b>	<b>42.790</b>	<b>114.878</b>
At 31 December 2008	<u><b>48.265</b></u>	<u><b>23.002</b></u>	<u><b>62.140</b></u>	<u><b>133.407</b></u>

#### Property, plant and equipment under construction

During the year ended 31 December 2008, the property plant and equipment under construction were €16.573.000 (2007: €6.956.000).

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.



### 13 Investment property

	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
Balance at 1 January	11.009	11.009	11.009	11.009
Fair value adjustments	4.277	-	4.277	-
Balance at 31 December	<u>15.286</u>	<u>11.009</u>	<u>15.286</u>	<u>11.009</u>

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 2008.

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

### 14 Intangible assets

Group	Goodwill €000	Leasehold property €000	Software €000	Total €000
<b>Cost</b>				
Balance at 1 January 2007	1.170	598	1.126	2.894
Acquisitions	-	-	190	190
Disposals	-	-	(7)	(7)
Balance at 31 December 2007	<u>1.170</u>	<u>598</u>	<u>1.309</u>	<u>3.077</u>
Balance at 1 January 2008	<b>1.170</b>	<b>598</b>	<b>1.309</b>	<b>3.077</b>
Acquisitions	<b>23.348</b>	-	<b>41</b>	<b>23.389</b>
Balance at 31 December 2008	<u><b>24.518</b></u>	<u><b>598</b></u>	<u><b>1.350</b></u>	<u><b>26.466</b></u>
<b>Amortisation and impairment charge</b>				
Balance at 1 January 2007	-	19	979	998
Amortisation for the year	-	19	116	135
Disposals	-	-	(5)	(5)
Balance at 31 December 2007	<u>-</u>	<u>38</u>	<u>1.090</u>	<u>1.128</u>
Balance at 1 January 2008	-	<b>38</b>	<b>1.090</b>	<b>1.128</b>
Amortisation for the year	-	<b>20</b>	<b>108</b>	<b>128</b>
Balance at 31 December 2008	<u>-</u>	<u><b>58</b></u>	<u><b>1.198</b></u>	<u><b>1.256</b></u>
<b>Carrying amounts</b>				
At 1 January 2007	<u>1.170</u>	<u>579</u>	<u>147</u>	<u>1.896</u>
At 31 December 2007	<u>1.170</u>	<u>560</u>	<u>219</u>	<u>1.949</u>
At 1 January 2008	<u><b>1.170</b></u>	<u><b>560</b></u>	<u><b>219</b></u>	<u><b>1.949</b></u>
At 31 December 2008	<u><b>24.518</b></u>	<u><b>540</b></u>	<u><b>152</b></u>	<u><b>25.210</b></u>



<b>Company</b>	<b>Goowill €000</b>	<b>Software €000</b>	<b>Total €000</b>
<b>Cost</b>			
Balance at 1 January 2007	-	1.107	1.107
Acquisitions	-	125	125
Balance at 31 December 2007	-	1.232	1.232
Balance at 1 January 2008	-	1.232	1.232
Acquisitions	12.328	38	12.366
Balance at 31 December 2008	12.328	1.270	13.598
<b>Amortisation and impairment charge</b>			
Balance at 1 January 2007	-	972	972
Amortisation for the year	-	99	99
Balance at 31 December 2007	-	1.071	1.071
Balance at 1 January 2008	-	1.071	1.071
Amortisation for the year	-	90	90
Balance at 31 December 2008	-	1.161	1.161
<b>Carrying amounts</b>			
At 1 January 2007	-	135	135
At 31 December 2007	-	161	161
At 1 January 2008	-	161	161
At 31 December 2008	12.328	109	12.437

#### **Impairment tests for cash-generating units containing goodwill**

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



## 15 Group entities

	Principal Activity	Ownership 2008	2007
Vassiliko (Building Materials) Ltd	Investment company	100,0%	100,0%
AES Atlas Etimo Skirodema Ltd	Concrete production	100,0%	100,0%
Estia Etimo Skirodema Ltd	Concrete production	100,0%	100,0%
Vassiliko Energy Ltd	Electricity generation	100,0%	100,0%
Venus Beton Ltd	Dormant company	51,0%	51,0%
CCC Building Materials Ltd	Investment company	100,0%	-
CCC Aggregates Ltd	Dormant company	100,0%	-

## 16 Acquisition of The Cyprus Cement Public Company Ltd cement related business

	Pre- acquisition carrying amounts €000	Fair value adjustments €000	Recognised values on acquisition €000
<b>Acquisition of The Cyprus Cement Public Company Ltd cement related business</b>			
<b>Acquisition of cement operation assets</b>			
Stocks	10.491	-	10.491
Plant and equipment	14.554	(3.554)	11.000
Goodwill on acquisition of cement business			12.328
<b>Acquisition of CCC Aggregates Ltd</b>			
Trade and other payables	(50)	50	-
<b>Acquisition of CCC Building Materials Ltd</b>			
Investments in associated companies			
Latouros Quarry Ltd (50%)	2.549	-	2.549
Athinodorou Beton Ltd (38%)	3.200	-	3.200
Athinodorou Beton - Estates Ltd (38%)	445	1.232	1.677
Athinodorou Beton - Transport Ltd (38%)	317	-	317
Net identifiable assets and liabilities	<u>31.506</u>	<u>(2.272)</u>	
Goodwill on acquisition of subsidiary			11.035
Consideration paid, satisfied in shares			<u>52.597</u>



## 17 Investments in associates

The Group has the following investments in associates:

	Ownership	
	2008	2007
Pyrga Quarry Ltd	30,0%	30,0%
ENERCO - Energy Recovery Limited	50,0%	50,0%
Latomia Latouros Ltd	50,0%	-
Athinodorou Beton Ltd	38,0%	-
Athinodorou Beton - Transport Ltd	38,0%	-
Athinodorou Beton - Estates Ltd	38,0%	-

The Group's share of post-acquisition total recognised profit or loss in the above associates for the year ended 31 December 2008 was €1087.0.000 (2007 : €89.0.000).

## 18 Other investments

	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
At 1 January	15.024	9.996	15.024	9.996
Additions	-	873	-	873
Disposals	-	(347)	-	(347)
Fair value adjustment at 31 December	(11.496)	4.502	(11.496)	4.502
At 31 December	<b>3.528</b>	15.024	<b>3.528</b>	15.024

  

	Valuation		Valuation	
	2008 €000	2007 €000	2008 €000	2007 €000
<b>Non-current investments</b>				
Equity securities available for sale	3.485	14.981	3.485	14.981
Unquoted equity investments	43	43	43	43
	<b>3.528</b>	15.024	<b>3.528</b>	15.024

## 19 Inventories

	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
Raw materials and work in progress	6.636	4.196	6.534	4.099
Finished goods	5.061	2.575	5.061	2.575
Fuel stocks	10.379	4.111	10.334	4.085
Spare parts and consumables	8.998	4.900	8.966	4.858
	<b>31.074</b>	15.782	<b>30.895</b>	15.617

## 20 Trade and other receivables

	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
Trade debtors	16.809	11.253	14.001	9.700
Amount owed by subsidiary companies	-	-	10.235	8.721
Amount owed by associate companies	3.186	413	3.026	15
Amount owed by related companies	-	31	-	31
Prepayments	19.799	-	19.748	-
	<u>39.794</u>	<u>11.697</u>	<u>47.010</u>	<u>18.467</u>
Less impairment	(375)	(357)	(38)	(161)
	<u>39.419</u>	<u>11.340</u>	<u>46.972</u>	<u>18.306</u>
<b>Impairment movement</b>				
At 1 January	357	280	161	77
Impairment losses recognised	141	77	-	-
Unwind of discounts	(123)	-	(123)	84
At 31 December	<u>375</u>	<u>357</u>	<u>38</u>	<u>161</u>

Concentrations of credit risk with respect to trade receivables are limited due to the Company's large number of customers who have a variety of end markets in which they sell. 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.

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

Prepayments relate to advance payments for the construction of a new production line at Vassiliko which are secured by bank guarantees, issued on behalf of the suppliers.

## 21 Cash and cash equivalents

	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
Bank balances	664	21.130	423	21.026
Cash and cash equivalents	664	21.130	423	21.026
Bank overdrafts	(4.981)	(345)	(4.776)	-
Cash and cash equivalents in the statement of cash flows	<u>(4.317)</u>	<u>20.785</u>	<u>(4.353)</u>	<u>21.026</u>

Bank overdrafts of €1.922.000 are secured by fixed charges on plant and machinery.





## 23 Reserves

Share premium	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
At 1 January	834	834	834	834
Shares issued at premium	44.771	-	44.771	-
Increase of capital for Euro conversion	(153)	-	(153)	-
Expenses of issue	(31)	-	(31)	-
At 31 December	<u>45.421</u>	<u>834</u>	<u>45.421</u>	<u>834</u>

Revaluation reserve	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
At 1 January	45.204	29.162	45.067	29.026
Arising on revaluation during the year	-	20.435	-	20.434
Transfer to deferred tax	10	(3.180)	10	(3.180)
Transfer to retained earnings	(1.236)	(1.213)	(1.236)	(1.213)
At 31 December	<u>43.978</u>	<u>45.204</u>	<u>43.841</u>	<u>45.067</u>

Revaluation of investments available for sale	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
At 1 January	9.722	5.220	9.722	5.220
Revaluation of investments	(9.722)	4.502	(9.722)	4.502
At 31 December	<u>-</u>	<u>9.722</u>	<u>-</u>	<u>9.722</u>

Retained earnings	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
At 1 January	96.919	82.654	98.833	83.572
Profit for the year	5.679	16.898	7.429	17.894
Dividends	(3.885)	(3.214)	(3.885)	(3.214)
Special Contribution for Defence	(1.060)	(632)	(1.060)	(632)
Transfer from revaluation reserve	1.236	1.213	1.236	1.213
At 31 December	<u>98.889</u>	<u>96.919</u>	<u>102.553</u>	<u>98.833</u>
<b>Total reserves at 31 December</b>	<u><b>188.288</b></u>	<u>152.679</u>	<u><b>191.815</b></u>	<u>154.456</u>

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

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



## 24 Minority interest

	2008 €000	2007 €000
At 1 January	-	-
Profit for the year	-	-
Acquisition of minority interest in subsidiary	-	-
At 31 December	<u>-</u>	<u>-</u>

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

## 25 Interest bearing loans and borrowings

	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
<b>Non-current liabilities</b>				
Secured bank loans	<u>13.287</u>	<u>377</u>	<u>13.000</u>	<u>-</u>
<b>Current liabilities</b>				
Current portion of secured bank loans	<u>86</u>	<u>85</u>	<u>-</u>	<u>-</u>
Analysis of maturity of debt:				
Within one year or on demand	86	85	-	-
Between one and two years	85	85	-	-
Between two and five years	3.985	257	3.900	-
After five years	9.217	35	9.100	-
	<u>13.373</u>	<u>462</u>	<u>13.000</u>	<u>-</u>

### Weighted average effective interest rate

The rate of interest payable on the above loans is floating and is determined for periods of three months based on EURIBOR. At 31 December 2008 the prevailing rate of interest for these loans was on average 5,18% (2007: 5,34%). As at the date of the financial statements the average rate was 2,48%. The loans are secured by mortgages and fixed charges on plant and machinery.



## 26 Deferred taxation

	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
Accelerated capital allowances	5.564	1.097	5.951	1.502
Revaluation of fixed assets	5.243	8.958	5.208	8.898
Tax losses carried forward	153	261	-	-
	<u>10.960</u>	<u>10.316</u>	<u>11.159</u>	<u>10.400</u>
	2008 €000	2007 €000	2008 €000	2007 €000
At 1 January	10.316	7.866	10.400	7.950
Deferred tax charge in income statement	654	(730)	769	(730)
Transfer to revaluation reserve	(10)	3.180	(10)	3.180
At 31 December	<u>10.960</u>	<u>10.316</u>	<u>11.159</u>	<u>10.400</u>

## 27 Trade and other payables

	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
Trade creditors	7.142	7.085	6.148	6.254
Amounts owed to related companies	1.439	263	1.439	263
Other creditors	2.039	1.003	2.019	1.000
	<u>10.620</u>	<u>8.351</u>	<u>9.606</u>	<u>7.517</u>

## 28 Provisions for liabilities and charges

	Group		Company	
	Non-current 2008 €000	2007 €000	Non-current 2008 €000	2007 €000
Provision for quarry environmental restoration	<u>656</u>	<u>656</u>	<u>656</u>	<u>656</u>

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



## 29 Transactions with related companies

The Company has entered into an agreement with Hellenic Mining Company, the scope of which is the provision of consultancy services and other services. The fees payable by the Company for these services are €205.000 per annum. The duration of the agreement is 5 years and expires on 30 June 2009. Further, the Company enters into various other transactions with the Hellenic Mining Company Group. These transactions, which are entered into at mutually agreed prices, include the provision of port facilities, hiring of machinery and the purchase and sale of spare parts and other goods.

The Company has entered into an agreement with Italcementi, S.p.A Italy, holding company of Italmed Cement Company Ltd and Compagnie Financiere et de Participations (Cofipar), the scope of which is the provision by Italcementi to the Company of consultancy services of technical nature. The duration of the agreement is 5 years and expires on 31 December 2010. The fees payable by the Company for these services are €600.000 per annum. Apart from this agreement, the Company purchased from Italcementi equipment and spare parts 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	
	2008 €000	2007 €000	2008 €000	2007 €000
Hellenic Mining Group	150	258	586	451
Italcementi Group	-	2.257	22.762	1.920
KEO Plc	-	-	95	67
Athinodorou Beton Ltd	10.920	-	-	-
Latouros Quarry Ltd	-	-	222	-
	<u>11.070</u>	<u>2.515</u>	<u>23.665</u>	<u>2.438</u>

## 30 Dividends

	2008 €000	2007 €000
Interim dividend paid at €0,02 (2007:€0,0256) cents per share	1.439	1.377
Additional dividend paid at €0,034 (2007:€0,034) cents per share	2.446	1.837
	<u>3.885</u>	<u>3.214</u>

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



### 31 Directors' shareholdings

At 31 December 2008 and the date of the approval of the financial statements, the proportions of shares held directly or indirectly by the Directors and their related parties were as follows:

	Fully paid shares	
	31 Dec 2008	9 April 2009
Leondios Lazarou	0,0001%	0,0001%
Costas Koutsos	0,0186%	0,0186%
Stavros Galatariotis	0,0168%	0,0168%
	<u>0,0355%</u>	<u>0,0355%</u>

At 31 December 2008 the Company had no material agreements in which Directors of the Company, or their related parties, had a direct or indirect interest.

### 32 Shareholders holding at least 5% of the issued share capital

At 31 December 2008 and the date of approval of the financial statements the following shareholders were holding at least 5% of the nominal value of the issued share capital.

	Fully paid shares	
	31 Dec 2008	9 April 2009
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%
	<u>79,58%</u>	<u>79,58%</u>

### 33 Capital commitments

	Group		Company	
	2008	2007	2008	2007
	€000	€000	€000	€000
Amounts contracted for but not provided in the accounts	<u>87.500</u>	<u>513</u>	<u>87.500</u>	<u>513</u>

The Company has entered into various contracts for the installation of a new production line at Vassiliko which is expected to reach a total cost of €170 million. The €87,5 million above represents the contracted amounts less any payments made by the Company.



### 34 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 €1.272.000 (2007: €769.000).

### 35 Operating leases

#### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2008 €000	2007 €000	2008 €000	2007 €000
Less than one year	80	77	77	73
Between one and five years	178	166	167	154
More than five years	335	360	277	301
	<u>593</u>	<u>603</u>	<u>521</u>	<u>528</u>

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	
	2008 €000	2007 €000	2008 €000	2007 €000
Less than one year	390	376	390	376
Between one and five years	1.033	617	1.033	617
More than five years	492	446	492	446
	<u>1.915</u>	<u>1.439</u>	<u>1.915</u>	<u>1.439</u>

During the year ended 31 December 2008, €404.000 was recognised as net rental income in the income statement (2007 : €381.000) and €5.000 in respect of repairs and maintenance that was recognised as an expense in the income statement relating to investment property (2007 : €5.000).



## 36 Financial instruments

### Credit risk

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

	Group Carrying amount		Company Carrying amount	
	2008 €000	2007 €000	2008 €000	2007 €000
Trade and other receivables	16.809	11.253	14.001	9.700
Amount receivable from related parties	3.186	444	3.026	46
Prepayments	19.799	-	19.748	-
Equity securities available for sale	3.485	14.981	3.485	14.981
Cash and cash equivalents	664	21.130	423	21.026
Total credit risk exposure	<u>43.943</u>	<u>47.808</u>	<u>40.683</u>	<u>45.753</u>

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

Prepayments relate to advance payments for the construction of a new production line at Vassiliko which are secured by bank guarantees, issued on behalf of the suppliers.

### Currency risk

Exposure to currency risk was as follows:

Group	USD'000	USD'000	EUR'000
	31 December 2008	31 December 2007	
Trade receivables	440	4	214
Trade payables	(1.586)	(269)	(430)
Net exposure	<u>(1.146)</u>	<u>(265)</u>	<u>(216)</u>

  

Company	USD'000	USD'000	EUR'000
	31 December 2008	31 December 2007	
Trade receivables	440	4	214
Trade payables	(1.586)	(269)	(415)
Net exposure	<u>(1.146)</u>	<u>(265)</u>	<u>(201)</u>

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2008	2007	2008	2007
USD	0,692120	0,425076	0,692120	0,400400
EUR	1,000000	0,584492	1,000000	0,585274



### Liquidity risk

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

#### Liquidity risk

The following are the contractual maturities of financial liabilities, including

#### Group

Non-derivative financial liabilities	Carrying amount €000	Contractual cash flow €000	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
<b>31 December 2008</b>							
Secured bank loans	13.373	13.373	43	43	85	3.985	9.217
Secured bank overdrafts	1.922	1.922	1.922	-	-	-	-
Unsecured bank overdrafts	3.059	3.059	3.059	-	-	-	-
Trade and other payables	10.620	10.620	10.620	-	-	-	-
	<u>28.974</u>	<u>28.974</u>	<u>15.644</u>	<u>43</u>	<u>85</u>	<u>3.985</u>	<u>9.217</u>
<b>31 December 2007</b>							
Secured bank loans	462	436	37	36	119	164	80
Secured bank overdrafts	345	345	345	-	-	-	-
Trade and other payables	8.351	8.351	8.351	-	-	-	-
	<u>9.158</u>	<u>9.132</u>	<u>8.733</u>	<u>36</u>	<u>119</u>	<u>164</u>	<u>80</u>

#### Company

Non-derivative financial liabilities	Carrying amount €000	Contractual cash flow €000	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
<b>31 December 2008</b>							
Secured bank loans	13.000	13.000	-	-	-	3.900	9.100
Secured bank overdrafts	1.717	1.717	1.717	-	-	-	-
Unsecured bank overdrafts	3.059	3.059	3.059	-	-	-	-
Trade and other payables	9.606	9.606	9.606	-	-	-	-
	<u>27.382</u>	<u>27.382</u>	<u>14.382</u>	<u>-</u>	<u>-</u>	<u>3.900</u>	<u>9.100</u>
<b>31 December 2007</b>							
Trade and other payables	7.517	7.517	7.517	-	-	-	-
	<u>7.517</u>	<u>7.517</u>	<u>7.517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 37 Changes from indication of results

The net profit of the Group for the year ended 31 December 2008 is €5.679.000 while the indication of the financial results originally announced was €6.369.000. The reason for the change is the following:

	<b>2008</b> <b>€000</b>
Profit as per indication of results	6.369
Decrease in share of profit from associate	(760)
Decrease in income tax provision	85
Other	(15)
Audited net profit	<u>5.679</u>