ANNUAL REPORT 2007

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sfs GROUP

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of shareholders of SFS Group Public Company Limited (the "Company") will be held at the Hilton Hotel at Nicosia, on the 28th May 2008 at 6.00pm with the following agenda:

1. Review of the Annual Report and the Financial Statements for the year 2007.
2. Approval of the dividend for the year 2007 of €0,1196 per share of nominal value €1,03.
3. The retirement of three Board Members who are offering themselves for re-election as members of the Board of Directors pursuant to articles 78 and 79 of the Company's Articles of Association. The Board Members retiring and offering themselves for re-election are Mr. Philip Larkos, Dr. John Pitsillos and Mr. Kevork Mahdessian.
4. Determination of the remuneration of the non-executive members of the Board of Directors for 2008. The proposition of the Board of Directors for the remuneration of the non-executive directors as members of the board for the year 2008 is to increase the fixed amount to €10.000 (2007: €8.543) for each director and additional remuneration of €400 (2007: €342) for each director per meeting of the Board which they attend.
5. Re-appointment of the Company's auditors, Deloitte & Touche Limited, and authorisation of the Board of Directors to determine their fees for the year 2008.
6. Any other matters, which, according to the Company's Articles of Association, can be discussed at the Annual General Meeting.

By order of the Board of Directors

SFS Custodian & Trust Services Limited
Secretary

Nicosia, 6th May 2008

Notes:

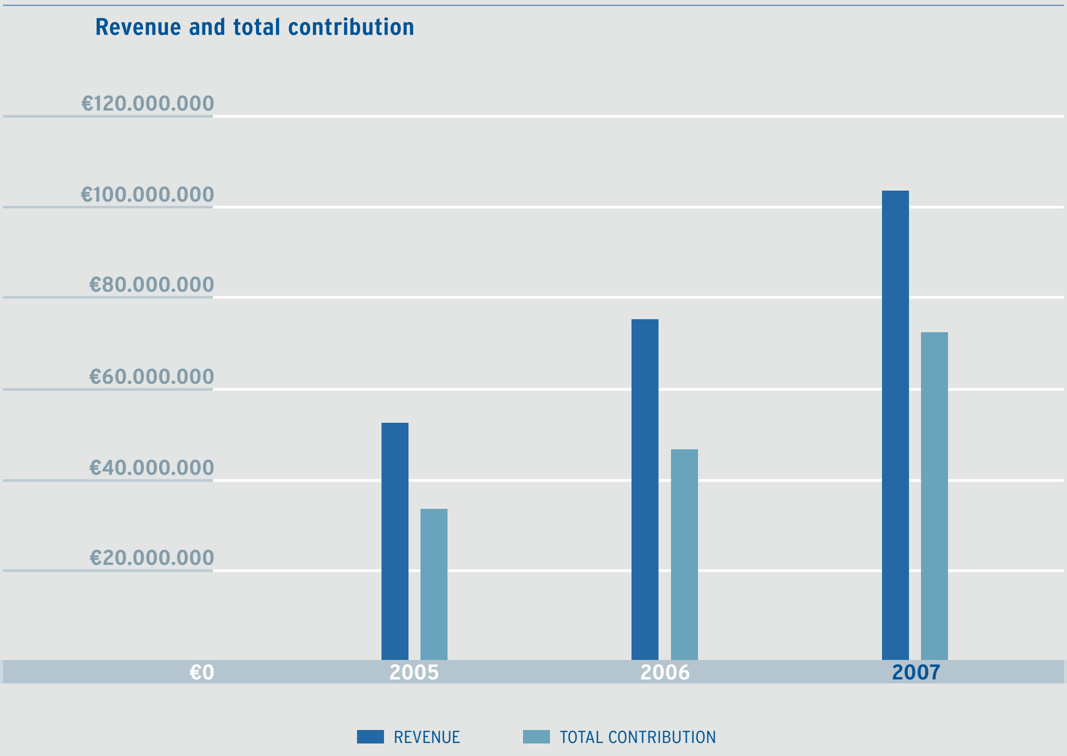
A. The issued share capital of the Company comprises of 62.398.097 ordinary shares of nominal value €1,03 each. Each share has one voting right and therefore the voting rights correspond exactly to the issued capital of the Company.

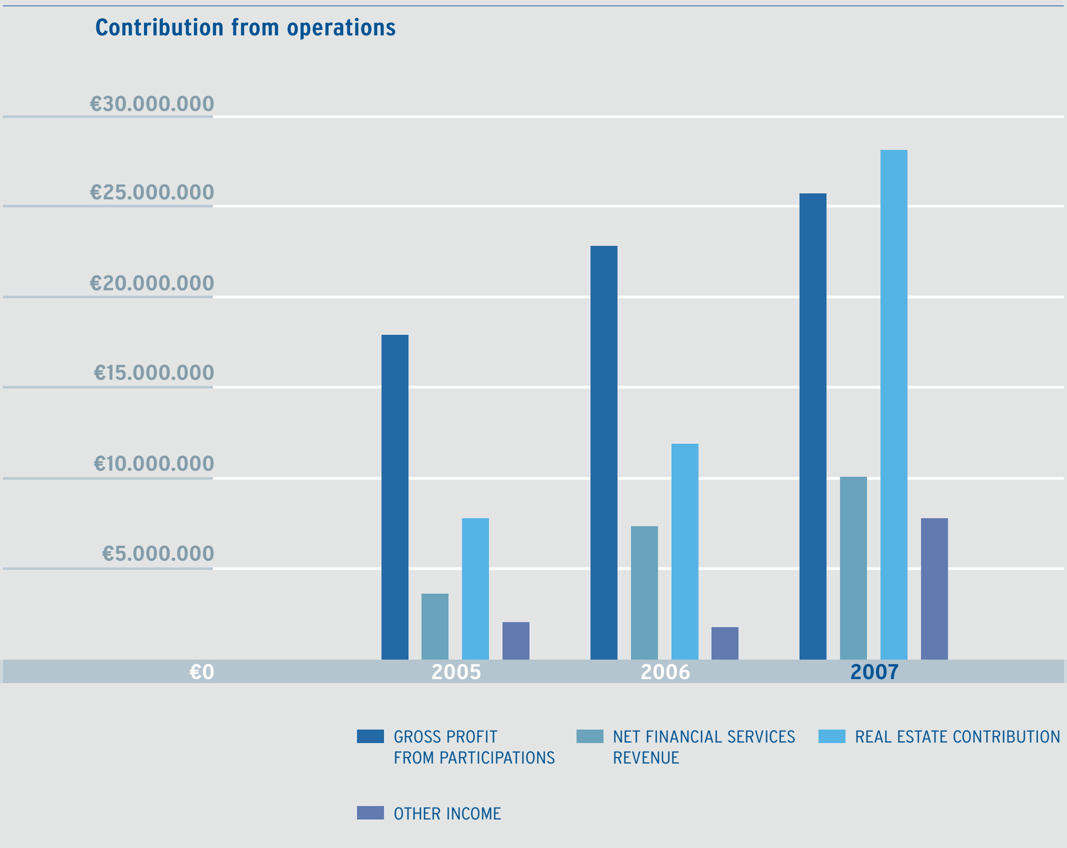
B Every member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a shareholder. The proxy form must be in accordance with the provisions of the Company's Articles of Association and must be delivered to the registered office of the Company in Nicosia (Ellinas House, 2nd floor, 6 Theotokis Street, P.O.Box 22379, 1521 Nicosia) at least 48 hours before the time that has been set for the Annual General Meeting.

FINANCIAL HIGHLIGHTS

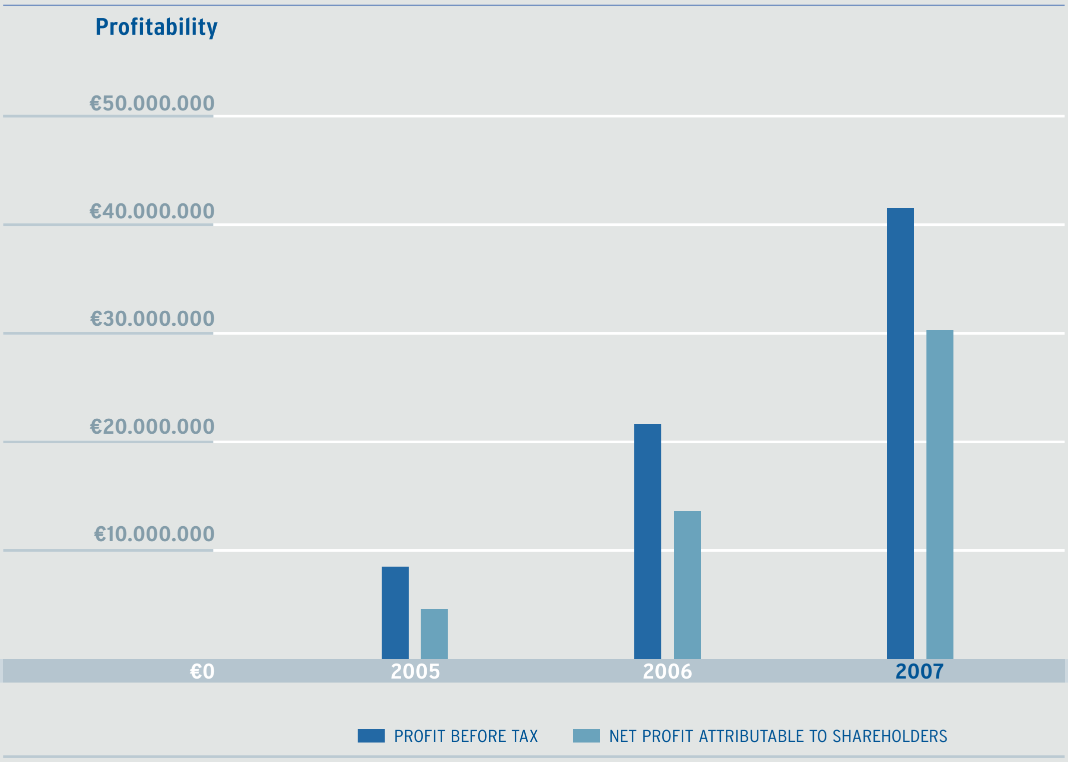
Financial data (€)	2004	2005	2006	2007
Total revenue	40.461.109	52.367.127	74.778.234	**102.959.571**
(Loss)/profit from proprietary trading	(1.363.188)	1.897.241	2.398.231	**152.247**
Profit on disposal and revaluation of investment properties	9.235.613	7.882.339	11.930.262	**28.104.573**
Total contribution from operations	28.791.388	33.311.605	46.363.301	**72.023.900**
Cash contribution from operations	22.631.524	21.504.339	33.398.524	**51.013.390**
Cash operating costs	(13.447.987)	(15.468.494)	(17.698.900)	**(23.158.916)**
Cash operating profit	9.183.537	6.035.845	15.699.624	**27.854.494**
Financial expenses	(7.880.791)	(8.321.700)	(8.378.228)	**(6.966.337)**
Depreciation, amortisation and impairment loss of assets	(4.061.028)	(3.932.787)	(5.004.148)	**(3.974.084)**
Profit from operations	3.401.582	5.588.624	15.282.025	**37.924.563**
Share of (loss)/profit of associates	(1.384.243)	2.918.549	6.364.626	**4.858.454**
Profit on disposal of associates/subsidiaries	1.009.516	-	104.207	**1.527.886**
Impairment loss of goodwill	-	-	-	**(2.313.901)**
Decrease/(increase) in provision for doubtful debts	3.135.910	-	-	**(512.580)**
Profit for the year before taxation	6.162.765	8.507.172	21.750.858	**41.484.422**
Taxation	(1.678.317)	(555.794)	(1.926.551)	**(4.440.404)**
Minority interest	(2.685.533)	(3.369.504)	(6.027.409)	**(6.752.417)**
Profit attributable to equity holders of the parent	1.798.915	4.581.874	13.796.898	**30.291.601**
Total assets	220.509.650	251.688.979	294.457.741	**319.208.333**
Cash flow (used)/provided by operations before working capital changes	(1.044.660)	3.663.387	12.864.272	**14.599.811**
Cash in hand and at banks	4.508.584	9.982.273	8.749.757	**23.983.762**
Short term loans, current portion of long term loans and bank overdrafts	24.457.555	29.429.825	36.625.607	**33.148.710**
Long term loans	84.478.224	93.787.943	88.827.298	**69.446.346**
Total net debt	104.427.196	113.235.495	116.703.148	**78.611.294**
Shareholders equity	36.927.280	47.837.502	64.158.039	**113.668.337**
Total equity	85.254.698	93.444.600	112.483.034	**145.582.283**
Stockmarket capitalisation	19.133.027	29.589.448	67.567.433	**101.084.917**
Per share data (€ cent)				
Earnings per share (EPS)	4,2	10,7	30,1	**55,7**
Dividends per share (DPS)	-	1,0	7,2	**15,4**
Net asset value per share (NAV)	85,1	110,2	136,7	**182,2**
Market price at year end	44	68	144	**162**
Financial ratios				
Staff costs/Total revenue	21%	17%	13%	**10%**
Total net debt/Total assets	47%	45%	40%	**25%**
Average cost of debt	7,0%	7,2%	6,7%	**6,1%**
Weighted average cost of capital (WACC)	10,4%	9,8%	9,3%	**9,2%**
Interest cover from cash operating profit	117%	73%	187%	**400%**
Return on weighted average shareholders equity	5,0%	10,8%	24,6%	**34,1%**

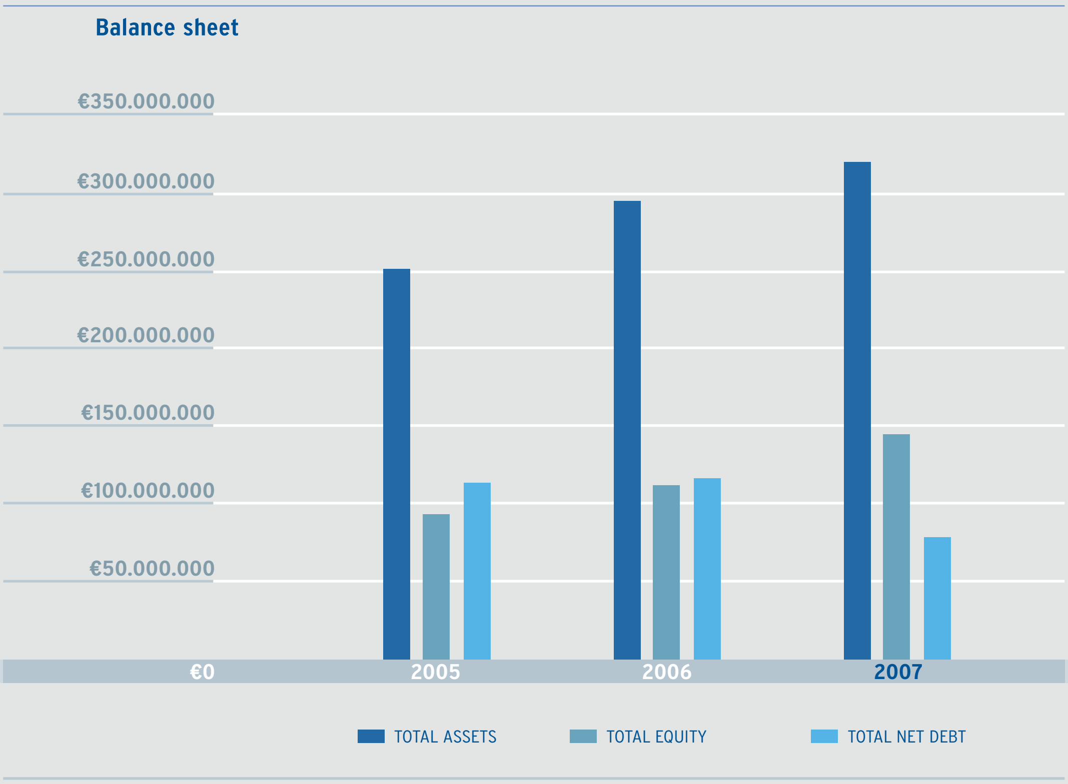
FINANCIAL HIGHLIGHTS





FINANCIAL HIGHLIGHTS





GROUP STRUCTURE

[MAJOR COMPANIES]

	DESCRIPTION OF SERVICES/ACTIVITIES
HOLDING COMPANY	
SFS Group Public Company Ltd	Management and support, investments, holding and participations, treasury management and proprietary trading
SUBSIDIARY COMPANIES	
Sharelink Securities & Financial Services Ltd	Regulated financial services company in Cyprus (KEPEY)
M.H. Value Added Online Ltd	Brokerage transactions through internet
First Elements Ventures Ltd	Venture capital management and business consulting
SFS Custodian & Trust Services Ltd	Custodian and trust services, share registry and company secretarial services
Sharelink Administration Management Ltd	Company administration services
SFS Corporate Management Ltd	Private equity management
AAA United Property Consultants Ltd	Real estate agency
CyPensions Ltd	Private pension plans management
White Knight Holdings Public Company Ltd	Holding and private equity participations, investments, turnaround investments and treasury management
Lemissoler Shipping Group Public Company Ltd	Ship owning, ship management and container liner service
CyVenture Capital Public Company Ltd	Venture capital investments
Triena Investments Public Company Ltd	Approved investment company
ASSOCIATED COMPANIES	
Ellinas Finance Public Company Ltd	Investor margin accounts and other financing activities
TFI Public Company Ltd	Trade finance and foreign exchange services
Dot.Cy Developments Ltd	Financial and internet software developer

BOARD OF DIRECTORS, BANKERS AND OTHER PROFESSIONAL ADVISERS

BOARD OF DIRECTORS

Christodoulos Ellinas	Chairman and Chief Executive Officer
Philip X. Larkos	Vice-Chairman and Chief Financial Officer
Dr. John Pitsillos	Executive Director Risk management and strategy
Loizos A. Loizou	Non-executive Director
Kevork Mahdessian	Independent, non-executive director
Vangelis Georgiou	Independent, non-executive director
Sotos Zakhaios	Independent, non-executive director
Kyriacos Koutsoftas	Independent, non-executive director

COMPANY SECRETARY

SFS Custodian & Trust Services Limited

BANKERS

Bank of Cyprus Public Company Ltd
Marfin Popular Bank Public Company Ltd
HSH Nordbank AG
Bayeriche Hypo-und Vereinsbank AG
Aegean Baltic Bank SA
Barclays Bank Plc
Hellenic Bank Public Company Ltd
Universal Bank Public Ltd
Piraeus Bank SA

AUDITORS

Deloitte & Touche Limited

LAWYERS

Georgiades & Pelides
Pamboridis & Associates
L. Papaphilippou & Co.
LICA LAW PARTNERS Orphanides
Chrysis Demetriades, A.Mousiouttas & Co.
Papacharalambous & Angelides
George L. Savvides & Co.
A.N. Papageorgiou & Associates
Patrikios Pavlou & Co.
George A. Papaioannou

REGISTERED OFFICE

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Tel: +357 22 554200, Fax: +357 22 433038, Webpage: www.sfsnet.com

CHAIRMAN'S STATEMENT

Dear shareholders,

The commitment and devotion to hard work demonstrated by all the Group's staff during 2007 has established SFS Group as the pioneering, non-banking financial group in Cyprus with excellent results which exceeded both our initial and revised profit targets for the year. Net profits attributable to shareholders increased by 120% compared to 2006 and exceeded €30 million. Our set target of strengthening our balance sheet was also achieved with Shareholders' Equity increasing to €114 million compared to €64 million the previous year and total net debt falling to €79 million at 31st December 2007 compared to €116 million at the end of 2006.

Staying focused and committed to our strategy, which targets a steady growth in the areas of competency coupled with smart asset allocation aimed at reducing overall risks, has resulted in all our major activities recording exceptional results.

Our Group today, has set all the foundations (both human and financial) on which to implement its new strategy which involves the significant increase of funds under management in its core competency areas. Committed to its strategic priorities, during 2007 the Group prepared the exit from its direct shipping investments which was successfully completed during the first four months of 2008 and paves the way for the launch of the $200 million SFS Ocean Challenge Shipping Fund.

In its real estate activities, the Group prepared its local property fund, SFS Ledra Properties Ltd which will concentrate on property investments within central Nicosia and primarily within the historic Venetian city walls. This company will raise a total of €100 million and will be listed on the Cyprus Stock Exchange. The Group has also expanded its geographic span and is preparing real estate funds which will target property investments within eastern European countries such as Ukraine, Russia etc.

2007 has been a very special year for the Group's financial services activity with record revenues and net profits. Our strategic priority remains the further strengthening of our leading position in Cyprus despite the increased imported competition, by providing clever, innovative and personalised solutions to our local and international client base.

The year 2008, which is the 20th anniversary of the Group's successful presence in the local economy, finds us facing new challenges within the negative global economic outlook. The argument that the global economic crisis will not affect the Cypriot economy does not stand. There are no easy solutions to the problems facing the global economy and Cyprus. Our commitment and dedication in overcoming these challenging times is granted.

The ongoing success of the Group is dependent primarily on its human capital. I would like to take this opportunity to express my deepest gratitude and appreciation to the entire Group's staff for their continuous effort and contribution to the Group's success and the consistent high quality of work they deliver.

Together, as one team, management and staff, we are committed to continue providing the best service to our clients with the objective of maximising our shareholders and clients wealth.

Despite the negative global economic outlook, we remain very confident about the Group's prospects, given the trust of our shareholders, the commitment of our staff and the preference of our clients.

Nicosia, April 2008.

Christodoulos Ellinas
Chairman and Chief Executive Officer

The Group-Introduction

The SFS Group Public Company Ltd ("SFS", "the Group", "the Company") is a unique, pioneering, non-banking financial group of companies which concentrates in the following five main areas of activity:

- Provision of financial and other related services in Cyprus and abroad;
- Proprietary trading of listed stocks as well as strategic holdings and investments in associated and venture capital related companies in Cyprus, Greece and the Middle East;
- Real estate management, trading and development of properties (land and buildings) owned by the Group in Cyprus;
- Ship management and ownership as well as other shipping related activities mainly abroad; and
- Private equity investments and management in the commercial, manufacturing and processing sectors in Cyprus.

A more detailed description and analysis of the above areas of activity follows in later parts of this Management Commentary report.

Some of the statements contained in this Management Commentary, including those relating to our strategy for the three years 2008 to 2010 and other statements that are predictive in nature, that depend on or refer to future events or conditions or that include words such as "expects", "anticipates", "intends", "plans", "believes", "targets", "estimates" and similar expressions are forward looking statements. These statements are not historical facts but instead represent only management's expectations, estimates and projections regarding future events. Similarly, these statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. As a financial group of companies with diversified activities both in Cyprus and abroad, our results have varied significantly in the past and may vary in the future as well in response to global economic and market trends and geopolitical events. The nature of some of our businesses and activities makes predicting the future trend of our results difficult. Our actual results and financial condition may differ, perhaps materially, from the anticipated results and financial condition and, accordingly, readers of this Management Commentary are cautioned not to place undue reliance on such forward looking statements, which speak only as of the date on which they are made. We undertake no obligation to update any forward looking statements, whether as a result of new information, future events or otherwise.

Group results 2007

Financial Highlights [in €'000]	**Change compared to 2006**	**2007**	2006	2005
Total revenue	**Increase 38%**	**€102.960**	€74.778	€52.367
Total contribution from operations	**Increase 55%**	**€72.024**	€46.363	€33.312
Net profits attributable to equity holders of the Company	**Increase 120%**	**€30.292**	€13.797	€4.582
Total net debt	**Decrease 33%**	**€78.611**	€116.703	€113.235
Shareholders equity	**Increase 77%**	**€113.668**	€64.158	€47.838
Earnings per share (basic) [€ cents]	**Increase 86%**	**55,73c**	29,97c	10,70c
Total annual dividends	**Increase 181%**	**€9.469**	€3.367	€474
Return on shareholders' equity (ROE)	**Increase 9,5 percentage points**	**34,1%**	24,6%	10,8%

Net profits attributable to shareholders of the SFS Group recorded a 120% increase for the year 2007 compared to 2006, reaching the all time record figure of €30,3 million [2006: €13,8 million] and exceeding management's revised profit target of €27,3 million by just over 10%. The continuing improvement of quality of earnings and selective diversification of sources of revenue continue to deliver better financial results year after year. Contributing factors to the improved financial results were the positive climate on the Cyprus Stock Exchange (CSE) which resulted in improved financial services revenue and the further expansion of and improvement in revenues from the shipping and real estate investment activities despite the reduced contribution from our investment activities which was effected by the spill over from the subprime crisis in the USA.

A substantial performance indicator for the SFS Group is Total Contribution from Operations ("TCO") which measures the gross contribution of all the Group's operations which are directly controlled (as subsidiaries) and excludes the contribution from associated companies where the Group has a significant influence but not a controlling stake. TCO recorded an increase of 55% in 2007, the second highest since 2003 and reached €72,0 million compared to €46,6 million in 2006.

Basic earnings per share reached 55,73 cents in 2007 compared to 29,97 cents in 2006 resulting in an increase of 86% despite the substantial increase (almost 33%) in the number of shares during 2007 following the share for share takeover of White Knight Holdings PCL ("WKH") and the exercise of all the remaining Share Warrants 2005-2007.

Return on average shareholders equity (ROE) exceeded by far management's target of over 20% and reached an impressive 34,1% in 2007 compared to 24,6% in 2006. This return clearly sets SFS Group as a leading performer in the diversified financials sector in Cyprus and Greece.

Cash provided before working capital changes in 2007 reached €14,6 million compared to €12,9 million in 2006. Cash flow before financing reached €36,8 million during 2007 compared to a negative cash flow of €4,6 million for 2006.

The Board of Directors of the Company proposed the payment of a final dividend of 12 cents per share following the Annual General Meeting in May 2008 which together with the interim dividend of 3,4 cents per share paid in October 2007 brings the total dividend payout to €9,5 million or a total payout ratio of 31,3% of 2007 profits compared to management's target of 30%. During 2006 the company paid €3,4 million in dividends which represents a pay out ratio of 24,4%.

Comparing the 2007 results with the Strategy and Targets Guidance set by management in February 2007 which were subsequently revised upwards in June 2007 indicates to a large extent a substantial over performance:

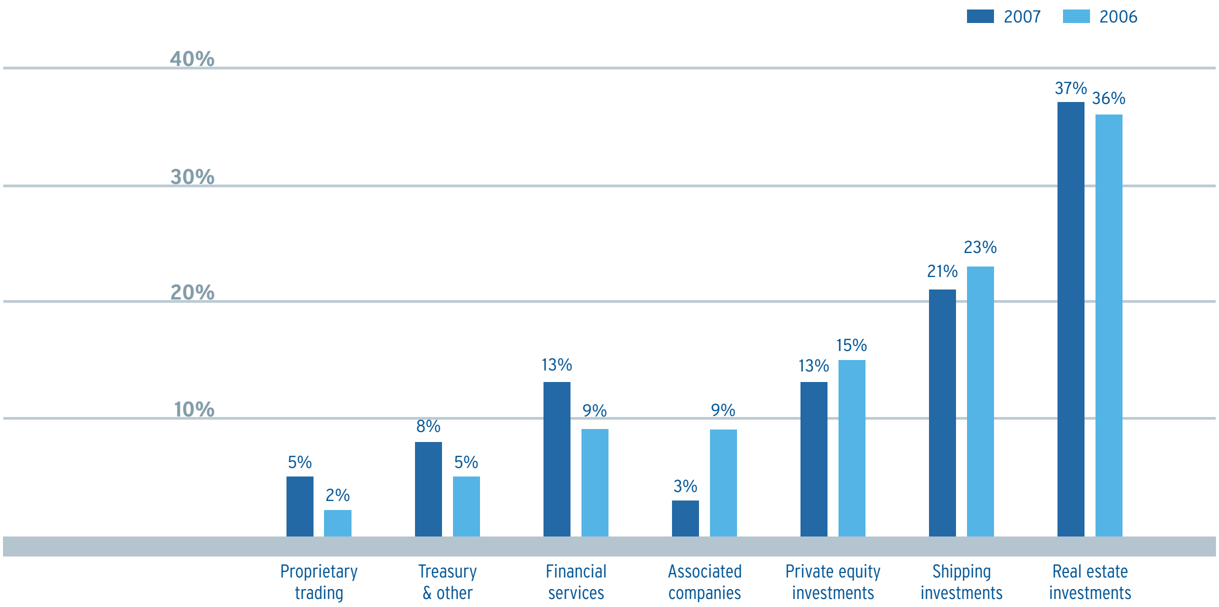
2007 Target	**2007 Result**
Profit target of €27,3 million	Actual: €30,3 million, increased by 11%
Revenue growth rate over 20%	Increase in revenues by 38%
Change in the mix of revenues [increase the proportion of revenue from financial services, shipping and real estate investments at the cost of reduced proportion of revenue from private equity activities	Financial services: 13,2% [2006: 9,4%] Shipping: 31,8% [2006: 34,2%] Real estate: 23,6% [2006: 19,6%]
Substantial reduction in total net bank debt by end of 2008	Total net bank debt reduced by 33% from €117 million to €79 million
Increase shareholders equity to €100 million by early 2008	Shareholders equity reached €113,7 million at end of 2007
Sustain return on average shareholders equity (ROE) above 20%	Actual ROE was 34,1%

Financial position

The Group's financial position as at 31st December 2007 continues to be satisfactory and depicts its financial strength and stability as well as its future potential. Total assets reached €319,2 million compared to €294,5 million at 31st December 2006, recording an increase of 8,3%. Net working capital increased substantially to €41,2 million at end of 2007 compared to €5,1 million at end of 2006. Total equity attributable to equity holders of the parent reached €113,7 million compared to €64,2 million at end of 2006, recording a substantial increase of 77%.

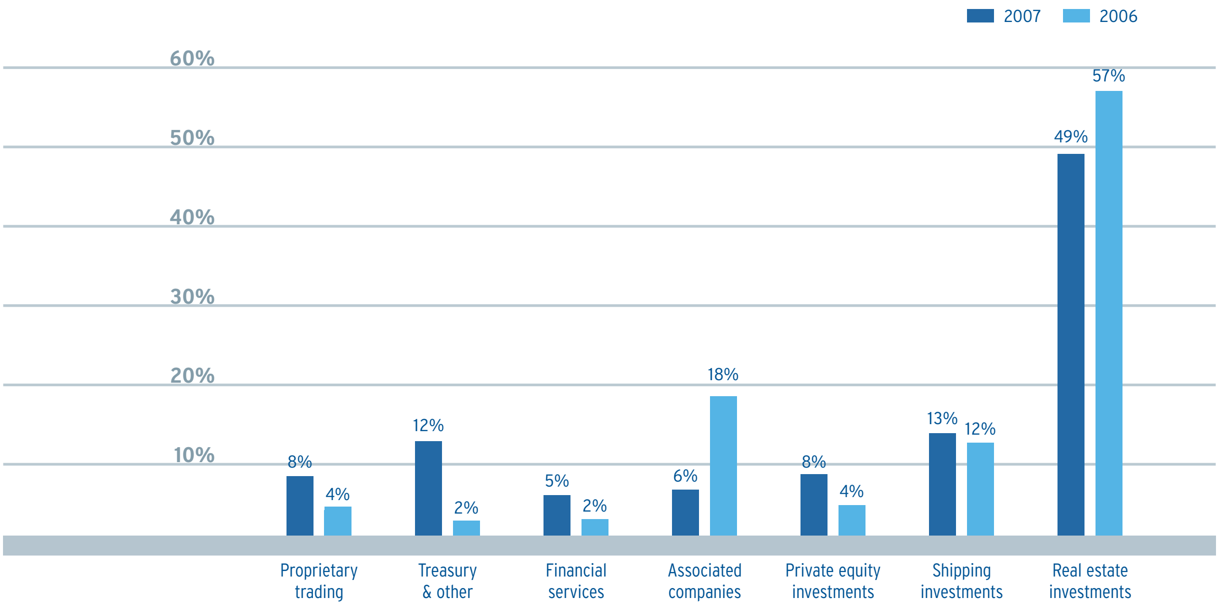
The Group's total assets allocation as presented in the chart below highlights the significant corporate actions that took place during 2007. The increase in the proprietary trading book is primarily a result of the takeover of Triena Investments PCL. The increase in treasury reserves is primarily due to the sale of the Group's 20% stake in Athina Cyprus PCL. The increase in financial services is primarily due to increased profitability. The drop in associated companies is due to the sale of Athina Cyprus PCL and the acquisition of Triena Investments PCL which is now consolidated as a subsidiary. Shipping investments decreased as a proportion and in absolute figures due to the depreciation in value of the USD.

Total assets allocation



The Group's net assets allocation as presented in the chart below highlights the substantial unleveraged exposure to real estate investments in Cyprus. The Group's substantial debt exposure is on its shipping and private equity investments. Financial services are also unleveraged but show substantial assets and liabilities due to the significant clients' money held at banks. Proprietary trading, associated company holdings and treasury are substantially unleveraged activities.

Net assets allocation



Key performance measures and indicators for the Group

The Group, due to its significant exposure to almost all asset classes, its until recently relatively high leverage which was used to finance longer term assets (such as investment properties, shipping assets and private equity investments) and its provision of financial and other services which do not deploy substantial financial capital but rather human capital, has resulted in measuring separately the performance of each business activity in order to better analyse its results and set measurable specific performance indicators. These specific performance measures and indicators are analysed in later sections of this Management Commentary.

Further to the above comments, the Group as a listed public company on the Main Market of the Cyprus Stock Exchange (CSE) which reports quarterly results, has set generic performance measures and indicators which are used both by management and analysts to gauge the Group's performance. These performance measures and indicators are derived from Consolidated Income Statement, Balance Sheet, Cash Flow Statement and other financial indicators.

Performance indicator	Description	2007	2006	2005
Cash flow contribution from operations (CCO)	This indicator measures the cash flow contribution from all the Group's operations which are under its direct control, except for associated companies. This is the main source of Group cash flow (more than 90%) and as a result, the CCO growth rate must be greater than that of COC.	**€51,0 million**	€33,6 million	€21,5 million
Cash operating costs (COC)	This indicator measures all the Group's operating costs (head office, administrative, selling & distribution) which are of a cash nature, fixed to a large extent and monitored by the Group's management.	**€20,1 million**	€16,2 million	€15,5 million
Interest cover from cash operating profits	This measure indicates the cash flow financial strength the Group has in servicing all its debt related financial expenses (FE) from operations under its control. This measure should always exceed by far the 100% mark. [Calculated as: (CCO-COC)/FE]	**400%**	187%	73%
Operating costs as a proportion of total revenue	This measure indicates the proportion of operating costs to total revenue at Group level. The target set is for this measure not to exceed 30% which implies increased productivity, especially in the service provision activities as well as activities that require relatively low fixed operating costs.	**22,5%**	23,7%	29,5%
Leverage ratio	The leverage ratio is computed by dividing total assets by total equity. This ratio indicates the Group's capability to leverage (or enlarge) its balance sheet by using its equity and debt. Based on total equity at end of 2007, the leverage ratio should not exceed 3,0 during 2008 [i.e. total bank debt and other creditors should not exceed two times total equity].	**2,2**	2,6	2,7
Total net debt to total equity ratio	This ratio compares total net debt (after deducting cash in hand and at banks) to total equity. Total equity is used as the denominator due to the high debts levels that exist in the Group's shipping investments where there is a substantial minority interest of around 48,5%.	**0,54**	1,04	1,21
Return on average shareholders' equity (ROE)	ROE is calculated by dividing net profit attributable to equity holders of the parent company (SFS) by average equity. Average equity is computed by taking the average of the opening and closing equity in the year.	**34,1%**	24,6%	10,8%

Strategy and targets guidance for 2008-2010

The SFS Group has set its strategic priorities for 2008-2010 with the target of continuously creating value for its shareholders whilst maintaining the best possible levels of client service throughout the Group. The Group's strategy is targeted at maximising shareholders return by utilising the Group's core competencies in the areas of financial services, venture and capital markets investments, real estate investments and shipping investments.

The Group's strategic targets are split in two parts:

Qualitative strategic targets

- Increase further our presence in the local financial services market with special emphasis on the brokerage, asset management and investment banking activities.

  Our target is to sustain and increase further our market share with the provision and introduction of pioneering and innovative products and services to retail and institutional investors and corporate clients. We will pay particular attention to the better service of our clients which will require the continuous training, recruitment and maintenance of skilled professional staff as well as continuous investment in state of the art technology and financial software.

  Geographical expansion of our presence in Greece and South East Europe.

- Increase of Venture Capital funds under management and gradual decrease of own Private Equity funds which will reposition the Group into achieving higher returns on investment with slightly higher risk taking. This increase will be achieved to a large extent by raising of third party funds for the SFS Ventures A Fund.

- Increase of shipping investments under management through new strategic partnerships in the sector and raising of third party funds for the SFS Ocean Challenge Shipping Fund.

  Expansion of our container liner service in North Europe through acquisitions and/or mergers in the region. Consolidate further our Inter Marine Container Lines presence in the market.

  Increase third party ships under management.

- Rebalance our investment property portfolio to achieve even better performances over the next three years to allow rollover of remaining properties into new property fund structures where the Group will maintain a significant minority stake.

  Replace mature investment properties in Cyprus with seed capital investments in a new South East Europe Property Fund with an investment horizon of five to seven years.

  Increase exposure to investment properties that provide good rental income yields coupled with good capital appreciation in selected areas in Nicosia. Listing of SFS Ledra Properties (Nicosia Fund) on the CSE within 2008 where the Group will maintain a significant minority stake.

  Acceleration in the construction of existing holiday homes development at Larnaka Bay Resort.

Quantitative strategic targets

- Maintain revenue growth rates of over 20% per annum in continuing operations.
- Contain fixed cash overheads at below inflation rate plus 3%.
- Sustain annual return on shareholders equity over 20%
- Significant reduction in bank debt by end of 2008:

  Target is for the parent company (SFS) to repay all its bank debt by end of 2008. This will be achieved through profitability and sale of select investments.

- Maintain shareholders equity around €100 million.
- Minimum dividend payout ratio of 30% of annual net profits.

Prerequisite assumptions for achievement of above targets

- Maintenance of current volumes (both brokerage and M&A activity) on the Athens Stock Exchange and increased volumes on the Cyprus Stock Exchange.
- Maintenance of today's growth rates for the global economy.
- Containment of energy and commodity costs.
- Containment of inflationary pressures in the Eurozone.
- Flat or slightly declining interest rates for the Euro in 2008.
- Continuation of interest from foreign investors for holiday homes and investment properties in Cyprus.

Key resources of the Group

The Group, as a diversified financial group is a service provider and also a substantial investor of its own capital in a diversity of asset classes and as such relies on two key resources; its human capital and its financial capital. These two resources are complimentary but necessary ingredients in a group such as SFS and must be present from the outset of any business activity.

Human capital
Our capabilities as a diversified financial group are totally dependent on our ability to attract, motivate, develop and retain competent employees. The number of professional staff (excluding associated companies and White Knight Holdings group) at the end of 2007 was 88 compared to 80 for 2006.The total number of employees within the SFS Group (including White Knight Holdings group) at the end of 2007 was 376 compared to 371 at the end of 2006.

Group staff and management employment costs totalled €10,2 million during 2007 compared to €9,4 million during 2006. These costs were restricted to 44% of operating costs during 2007 compared to 53% for 2006. In addition, these costs were restricted to 9,9% of total revenues during 2007 compared to 12,6% for 2006. The average cost per employee reached €27.040 during 2007 compared to €25.354 for 2006.

Group staff and management will be paid a bonus of €3,08 million for 2007 in three instalments up to 31st December 2009 [2006: €1,45 million up to 31st December 2008].

Financial capital
The Group sources financial capital from its shareholders in the form of share capital and from banking institutions in the form of loan capital. In addition, the Group has retained profits which have not been distributed to its shareholders.

During 2007, the Group raised €25,3 million from its shareholders. An amount of €19,6 million was raised from the issue of 11.782.410 shares at a fair value of €1,66 per share to the shareholders of White Knight Holdings PCL who accepted the Public Offer of SFS Group in June 2007. A further amount of €5,7 million was raised from the final exercise of the SFS Warrants 2005-2007 at an exercise price of €1,54 per share. Shareholders will receive in total €9,5 million as dividends for the year 2007 which equates to €0,154 per share and a payout ratio of 31%. The dividend yield for SFS shareholders during 2007, based on the closing price of €1,62 at 31st December 2007 was 9,5% [2006: 5,0%]. The share price appreciation during 2007 was 12,5% compared to an increase of 23,6% for the CSE General Index.

The Group maintains banking relationships with the major local banks operating in Cyprus and with a number of European banks, especially for its international shipping investments.

During 2007, the Group reduced substantially its total net debt by 33% to €78,6 million from €116,7 million at the end of 2006. The Group repaid loans totalling €61 million during 2007 and drew down new loans totalling €38 million. Average cost of debt was restricted to 6,1% during 2007 compared to 6,7% for 2006.

In an effort to use less expensive forms of capital to finance future expansion and assets, and being more in line with international practice, the Group reduced the ratio "Total Net Debt/Total Assets" to 25% for 2007 compared to 40% for 2006. This well balanced financing strategy not only ensures that we have access to "cheaper" capital but also helps reduce our weighted average costs of capital (WACC) which for 2007 was 9,2% compared to 9,3% for 2006.

Key relationships of the Group

At Group level, the key relationships are centred on the human capital, business associates that introduce income and work, cooperating international investment banks, local and international banking institutions, partners in subsidiary and associated companies, the Cyprus and Athens stock exchanges, the Securities and Exchange Commissions of Cyprus and Greece and the public at large.

The above relationships need continuous monitoring and maintenance to allow the Group to operate normally and effectively. The Group maintains open channels of communication at all levels of the above listed relationships using members of the Board of Directors, all the members of the Executive Committee, Heads, Managers and staff.

We recognise and accept that our Group has important responsibilities towards our economy, our society and our country. An area in which we feel we can do this most effectively is in the creation of employment opportunities and development of people.

In addition, during 2007 the Group maintained the level of social investment spending and committed additional management resources by becoming more directly involved in projects which are of special interest and importance to the Group.

Key risks of the Group

The key risks faced by the Group are analysed in detail in the Risk Management Review section that follows this Commentary. The main risks to which the specific activities of the Group are exposed are referred to in more detail in the activity sections that follow in this Commentary.

The Group as a listed company on the Main Market of the CSE is exposed to the following main risks:

Reputational risk
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, loss of interest from existing or potential investors and possible legal actions against the Group. The Group applies procedures to minimize this risk.

Compliance risk
Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Group Compliance Officer, as well other monitoring controls applied by the Group.

Liquidity risk
Liquidity risk is the risk that arises when the maturity dates of the assets and liabilities do not match. When the maturity dates do not coincide, financial performance may improve, but at the same time, the risk of losses may rise. This risk is restricted at Group level due to the high proportion of its assets that can be liquidated immediately and unutilised credit lines from banking institutions.

Other risks
The general economic environment prevailing in Cyprus and internationally may affect the Group's operations to a great extent. Factors such as inflation, unemployment, the GDP growth, changes in investor sentiment or consumer spending are all directly linked to the economic outlook of each country and any variation in these and the general economic environment may create chain reactions in all areas of activity affecting the Group's performance.

Financial services-Introduction

The Group has been providing financial services since its inception back in 1988. From March 1996, the Group provided financial services in Cyprus through its wholly owned subsidiary Sharelink Securities & Financial Services Ltd (Sharelink) which has been a member of the Cyprus Stock Exchange (CSE) since its inception in 1996. Sharelink retained its position as one of the prominent market leaders in the Cyprus financial services industry (excluding banking activities). Sharelink secured its licence back in 2003 from the Cyprus Securities & Exchange Commission to operate as a fully fledged, regulated financial services provider in Cyprus. During 2006, Sharelink also became a remote member of the Athens Stock Exchange (ASE) and retained its dominant position as the leading remote member in terms of market share on the ASE. In addition, during 2006 Sharelink acquired an 80% stake in M.H. Value Added Online Ltd, a specialised online brokerage provider serving the Cyprus and Greek markets.

Sharelink provides five main activities:

Brokerage and execution
Is one of the oldest brokerage service providers in Cyprus since 1988. Since 1997 it has also been providing execution services through co operations with international brokers and financial institutions in equities, corporate and government bonds, derivative instruments, commodities and FX trading. Its clientele includes institutional investors (such as pension funds, investment companies and insurance companies), corporates (such as local and international asset managers, foreign banks and hedge funds) and private clients (which include retail and high net worth individuals, HNWIs).

Asset management
Has been active in asset management since 1997, both in the local and international markets. Clientele includes institutional, corporate and private investors, primarily from the local market with international clients increasing steadily each year. All types of asset management are offered including structured products, primarily for retail clients, and portfolio management for institutional clients and HNWIs.

Investment banking
Since 1996, a pioneer in this area which includes corporate finance, mergers and acquisitions, initial and secondary public offerings. Retained its prominent leading position during 2007, having advised on numerous acquisitions and disposals for listed clients, restructurings, underwritings and selling of secondary public offerings.

Private wealth management
Since 2004, this division offers total wealth management solutions to HNWIs with specific and often complicated needs. Built on the basis of an open architecture model, it is in a position to advice on asset allocation and international investment products that are suitable for the client and managed by some of the most reputable financial institutions in the world. Clientele includes both local and international HNWIs.

Research and analysis
The oldest and most dedicated research team in Cyprus since 1996 it covers companies representing over 85% of the market capitalisation of the CSE. Reports produced include Daily and Weekly reviews of the Cyprus, Athens and international markets, company and sector reports, and an annual Cyprus Market report.

Financial services results for 2007

	Description/comments	2007 €'000	2006 €'000	2005 €'000
Revenue	Increase of 114% primarily from significant increase in investment banking fees and to a lesser extent brokerage commissions [table see below]	**17.363**	8.111	2.443
Direct costs	Increase of 413% primarily from sub-contract work, commissions and introductory fees paid on brokerage and investment banking.	**8.847**	1.726	261
Contribution from activity	Increase of 33% due to comments on direct costs above. Contribution margin fell to 49,0% in 2007 compared to 78,7% in 2006 and 89,3% in 2005.	**8.516**	6.385	2.182
Staff costs	Increase of 26% primarily due to substantially increased staff bonus and slight increase in number of employees.	**2.128**	1.674	1.049
Operating costs	Increase of 58% primarily due to non-refundable VAT and increased activity.	**1.094**	694	562
Depreciation/amortisation	Increase of 22% as expected.	**127**	104	248
Operating profit	Increase of 33%	**5.167**	3.913	323
Revenue breakdown:		**2007 €'000**	2006 €'000	2005 €'000
Brokerage commissions	Increase of 65% due to increased activity on CSE and ASE.	**7.615**	4.603	822
Asset management	Decrease of 38% due to drop in management fees following disposal of Athina and lower incentive fees due to stock market performance.	**1.015**	1.630	924
Investment banking	Increase of 1507% primarily due to substantial M&A activity and sizeable secondary public offerings.	**7.800**	485	121
Other income	Decrease of 33% primarily due to lower administration fees.	**933**	1.393	576
Total financial services revenue	Increase of 114%	**17.363**	8.111	2.443

Key performance measures and indicators for financial services

The Group uses the following ratios and indicators to measure productivity and performance of the financial services activity:

Performance indicator	**Description/comments**	**2007**	2006	2005
Staff costs/Contribution from activity	This ratio indicates the proportion of staff costs to the contribution from activity [revenue less direct costs]. Target set is for this ratio not to exceed 35% which implies increased productivity and better quality of earnings.	**25,0%**	26,2%	48,1%
Total operating costs/Contribution from activity	This ratio indicates the proportion of total operating costs [which includes staff costs] to the contribution from activity. Target set is for this ratio not to exceed 45% which implies increased productivity and an increase in revenues that require relatively low fixed operating costs.	**37,8%**	37,1%	73,8%
Fee income/Total revenue	This ratio indicates the proportion of fee income [which includes asset management and investment banking] as a proportion of total revenue. Target set is for this ratio to always exceed 50% in an attempt to improve quality of earnings and reduce reliance on stock markets activity.	**50,8%**	26,1%	42,8%
Brokerage market share on the CSE	Ranked third in 2007 out of 26 members of CSE.	**12,0%** **Ranked 3rd**	13,6% Ranked 4th	11,2% Ranked 5th
Brokerage market share on the ASE	Ranked first remote member in 2007 and 2006 out of a total of 75 members of ASE.	**0,20%** **Ranked 38th**	0,02% Ranked 68th	-

The revenue and net operating result of the Group's financial services activity clearly demonstrate its dominant role in the local, non baking related financial services industry. The activity's results are considered very satisfactory and have been achieved through dedication to customer service, substantial working hours and good teamwork by all the staff of Sharelink.

The financial services activity's results for 2008 are expected to be lower than those of 2007 but similar to those of 2006.

Financial position

Sharelink's financial position at 31st December 2007 continues to be satisfactory and depicts its financial strength and stability. Shareholders equity stood at €6,4 million [2006: €5,2 million] and its cash liquidity at €7,1 million [2006: €3,4 million] with no bank borrowings and no leveraged assets.

Strategy and targets for financial services activity

Capital market conditions and developments in Cyprus, Greece and internationally offer substantial challenges and opportunities that could be taken by the Group's financial services activity.

The Group intends to increase further its presence in the local financial services market with special emphasis on brokerage, asset management and investment banking.

Our target is to sustain and increase further our market share with the provision and introduction of pioneering and innovative products and services to retail and institutional investors, and corporate clients. We will pay particular attention to the better service of our clients which will require the continuous training, recruitment and maintenance of skilled professional staff as well as continuous investment in state of the art technology and financial software.

We will increase our presence in the Dubai International Financial Centre (DIFC) and use this as a gateway to access potential clients in the general Gulf area through our regulated subsidiary Gulflink International Securities. We expect to have a physical presence in Athens, Greece before the end of 2008.

Key resources of the financial services activity

The financial services activity relies heavily on its human capital, proper procedures and manuals for executing and delivering its services, suitable financial and back-office systems software, suitable hardware, networks and connectivity and finally suitable in-house and third-party investment products to cater for clients' investment needs. Financial capital is also of paramount importance as this dictates the level of brokerage orders and transactions that can be executed at any given point in time as well as the level of underwriting that can be committed.

Human capital
Our capabilities as a financial services business are totally dependent on our ability to attract, motivate, develop and retain competent employees. During 2007 new professional staff was recruited within this activity. Sharelink has been the largest employer of professional staff within the non-banking related financial services industry during 2006 and 2007. A substantial training programme is scheduled for all the staff during 2008.

Operations manuals
A financial services company must have proper documented manuals for all its front, middle and back office operations in line with best international practice and in accordance with the rules and regulations dictated by the Cyprus Financial Services Law, the Cyprus Securities & Exchange Commission, the Cyprus Stock Exchange and the Athens Stock Exchange. Management pays particular attention to these procedures and ensures that all manuals and procedures are kept up to date.

Operating software, hardware and networks
After human interaction and creativity, the next most important "tool" required in order to complete a service or transaction is the operating software, hardware (both at a personal and corporate level), and the internal and external connectivity (staff, exchanges, clients, associates etc). Management pays particular attention to these resources and invests continuously in state of the art software, hardware and networks and ensures that these are properly maintained and protected from unauthorised use.

Investment products
A financial services company must have a suitable range of in-house and third-party investment products to offer its existing retail and institutional clientele and prospective clients. This implies research into new in-house product development and appraisal of third-party products which can satisfy the investment needs of all the clients. A dedicated team of professionals is involved developing and appraising investment products.

Key relationships of the financial services activity

At the financial services level, the key relationships are centred on the human capital, business associates that introduce income and work, cooperating international investment banks, local and international banking institutions, the Cyprus and Athens stock exchanges, and the Securities and Exchange Commissions of Cyprus and Greece.

The above relationships need continuous monitoring and maintenance to allow the Group to operate normally and effectively. The Group maintains open channels of communication at all levels of the above listed relationships using members of the Board of Directors, all the members of the Executive Committee, Heads, Managers and staff.

Key risks of the financial services activity

The key risks faced by the Group are analysed in detail in the Risk Management Review section that follows this Commentary. The specific main risks to which the financial services activities are exposed are listed below:

Credit risk
Credit risk arises when the inability of the contractual parties to settle their obligations could result in the decrease of the amount of future cash inflows from financial assets as at balance sheet date. For this activity, credit risk is limited to the risk of non-settlement within the stock exchange clearing system and in particular to the failure of any counterparty (stockbroker) to settle its trades within the predefined settlement period. In this case the credit risk is minimized by procedures followed by the Cyprus and Athens stock exchanges and the Cyprus Securities and Exchange Commission.

Operational risk
Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error, health and safety risks, fire and major hazard risks and risks from natural disasters. The Group's systems are evaluated, maintained and upgraded continuously in order to mitigate operational-type exposures. The Group takes specific measures applicable to individual operational risks such as the recent establishment of a Health and Safety Committee.

Compliance risk
Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as other monitoring controls applied by the Group.

Reputational risk
The risk of loss of reputation arising from the negative publicity relating to the activity's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and possible legal actions against the Group. The Group applies procedures to minimize this risk.

Other risks
Additional risks directly linked to the financial services sector are generated from the operation of the common CSE-ASE trading platform and the overall interdependence between the local market and other markets, considering the general susceptibility of capital markets to foreign influences in terms of volatility through liberalization, regional relations and even simple contagion. There are also risks that relate to the intensification of competition and of the possible decrease in profit margins. The activity, through investments in new systems, experienced personnel and continuous training of human capital aims at practicing better risk management and thus maintaining its competitiveness in the business world.

Investments-Introduction

The Group's investment activities fall within two major categories as follows:

Proprietary trading in the capital markets

The Group's proprietary trading activity has traditionally been carried out by SFS (the parent), Sharelink, White Knight Holdings PCL and CyVenture Capital PCL. Following the takeover of Triena Investments PCL (Triena) towards the end of 2007, the majority of the proprietary trading activity is now carried out by Triena and SFS. This activity's result is shown in the Consolidated Income Statement under the heading: "Profit on disposal and revaluation of financial assets at fair value through income statement". The prime objective of proprietary trading is capital appreciation and dividend yield.

Strategic investments in associated companies

The Group maintains strategic stakes in a number of associated companies where its shareholding ranges from 20% to just under 50%, has board representation or has management agreements in the case of investment companies and as a result exercises significant influence over the management of these companies. Venture capital investments that are equity accounted also fall with this activity.

The Group's major associated companies during 2007 were:

Associated company	Description of activities	Group's shareholding	Group's share of profit/(loss) €'000	Group's share of net assets €'000
Athina Cyprus Public Company [disposed on 31st May 2007]	Diversified investment company with investment on the CSE, international capital markets and venture capital.	Nil% [2006: 20,9%]	€ 501 [2006: €2.844]	€ Nil [2006: €14.052]
TFI PCL	Provision of trade finance (forfeiting) in emerging markets and FX services locally and internationally.	36,9% [2006: 39,2%]	(€ 667) [2006: €670]	€ 6.140 [2006: €7.490]
Ellinas Finance PCL	Provision of investor margin accounts, short term loans, cheque discounting and international money transfers.	26,9%	€ 747 [2006: €497]	€ 3.648 [2006: €3.296]
Triena Investments PCL [up to 31st October 2007, thereafter a Group subsidiary]	Approved investment company.	Nil% [2006: 27,4%]	€ 242 [2006: €953]	€ Nil [2006: €2.908]
Cypra Ltd	Modern, state-of-the-art abattoir (slaughter house) and meat trading.	30,0%	(€ 613) [2006: € Nil]	€ 156 [2006: €769]
Dot.Cy Developments Ltd	Software developer specialising in financial systems (online trading platforms, real-time price systems, back-office systems), Microsoft CRM and web technologies.	25,9%	€ 43 [2006: €30]	€ 247 [2006: €213]

Investment activities results for 2007

	Description/comment	**2007 €'000**	2006 €'000	2005 €'000
Profit from proprietary trading	Decrease of 94% due to substantially lower returns on the CSE and ASE in 2007 compared to 2006 and more emphasis given to higher yields and less volatility.	**152**	2.399	1.897
Dividends from proprietary trading	Increase of 101% due to better yielding investments [see comment above].	**395**	196	118
Capital (assets) employed in proprietary trading	Increase of 107% following acquisition of Triena at 31st October 2007].	**14.538**	7.007	6.103
Share of profit from associated companies	Decrease of 96% due to substantial losses incurred by TFI and Cypra.	**203**	5.201	2.344
Dividends received from associated companies	Increase of 29% due to higher dividends based on good 2006 results.	**1.668**	1.292	196
Capital (assets) employed in associated companies	Decrease of 63% due to disposal of Athina and takeover of Triena.	**11.102**	30.223	26.682

The investment activity's results for 2007 are not considered satisfactory and were substantially below the targets set by Management. Proprietary trading results were marginally positive and in line with Management's target to reduce volatility of earnings from capital markets and increase dividend yields.

Associated companies results were also marginally positive primarily due to the negative contribution from TFI which recorded its first ever loss in its eight year history as a result of substantial capital losses on its emerging markets fixed income proprietary trading book. These losses arose due to spill-over of the USA subprime crisis into the emerging markets in which TFI operates. Cypra also contributed negatively despite an outstanding operating profit margin due to a substantial bad debt provision that was necessary for a Greek meat trading customer. Ellinas Finance and DotCy Developments both recorded good profitability.

The investments activity's results for 2008 are expected to be much better than those of 2007.

Financial position

All the associated companies' financial position at the end of 2007 is considered adequate to allow them to continue trading profitably during 2008.

Key performance measures and indicators for investments activity

The Group uses the following ratios to measure the return on its investment activities. In addition, other more industry specific measures of performance are used by Management to assess individual associated company performance.

Performance indicator	Description/comments	2007	2006	2005
Return on proprietary trading investments	Compares the total proprietary return (including dividends) on adjusted capital employed at the beginning of each year	**6,6%**	42,5%	41,8%
Dividend yield from proprietary trading investments	Compares dividends received during the year on adjusted capital employed at the beginning of each year.	**4,8%**	3,2%	2,4%
Return on associated companies	Compares share of profit from associated companies on adjusted capital employed at the beginning of each year.	**0,9%**	19,5%	10,0%
Dividend yield from associated companies	Compares dividends received during the year on adjusted capital employed at the beginning of each year.	**5,5%**	4,8%	0,8%

Key resources of the investments activity

The investments activity and in particular the associated companies relies heavily on its human capital, its business associates that introduce income and work, local and international banking institutions, and our partners in the associated companies.

The above relationships need continuous monitoring and maintenance to allow the associated companies to operate normally and effectively. The Group maintains open channels of communication at all levels of the above listed relationships using members of the Board of Directors, all the members of the Executive Committee, Heads, Managers and staff.

Key risks of the investments activity

The key risks faced by the Group are analysed in detail in the Risk Management Review section that follows this Commentary. The key risks faced to which the investments activity is exposed and in particular the associated companies are diverse and are fully disclosed in the above mentioned Risk Management Review.

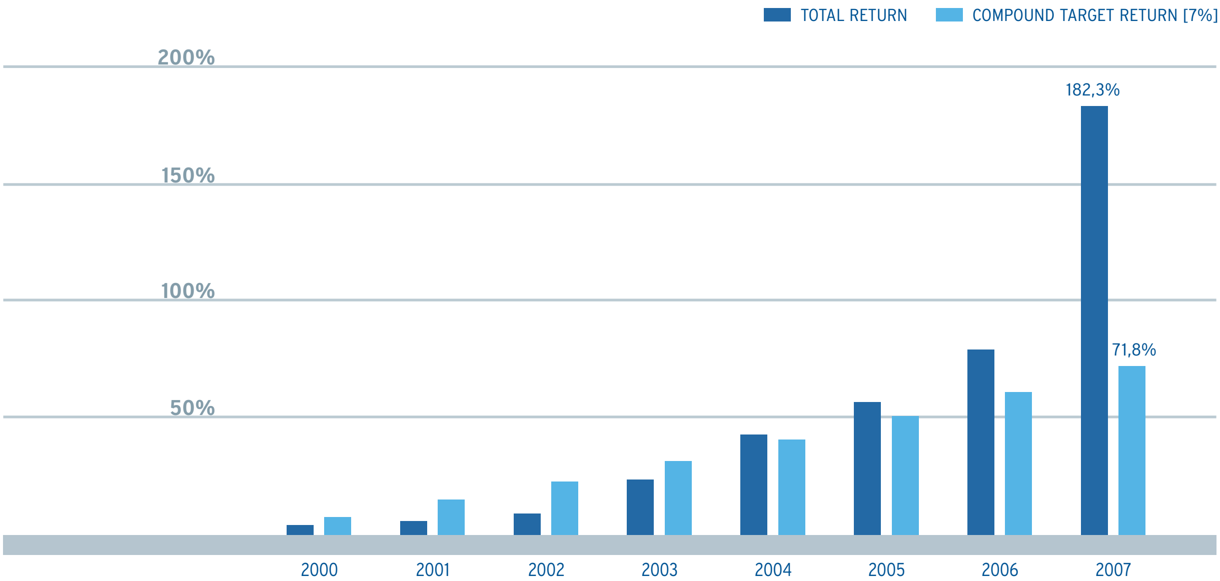
Real estate activity-Introduction

The Group possesses one of the largest portfolios of prime properties in Cyprus, whose values, as confirmed by independent property valuers have increased significantly compared to their original cost. This portfolio of investments has helped protect the Group and acted as a hedge against the volatility of the capital markets and other macro economic factors impacting on our business activities, and has also proved to be a prudent and profitable allocation of capital.

The property portfolio is primarily comprised of buildings and prime beachfront tourist development land in the towns and districts of Nicosia, Larnaka, Limassol and Pafos. These properties were acquired with the intention of tourist, residential, commercial and warehousing development as well as for their rental income and capital appreciation for trading purposes. In addition, the Group through an associated company, owns, rents and manages a large number of listed and other properties within the historical Nicosia city walls.

The chart below shows the cumulative total returns achieved by the real estate activity over the last eight years compared to the target return of 7% that was set by Management in 2000. Cumulative annual average return for the eight year period was 12%. Total return includes profits from disposal and revaluations of investment properties in accordance with IAS 40 plus gross rental income. Total returns shown below do not include profits from property developments. The Internal Rate of Return (IRR) on realised property transactions for the period 2000 to 2007 was 21,8%.

SFS Group real estate total returns record



The Group's real estate activities fall within three major categories as follows:

Property development

The prime development activity is Larnaka Bay Resort which is a 62 house beachfront residential development in Pyla, Larnaka district. Construction started in the summer of 2003 and again in the second half of 2007. A total of 31 houses have been completed to date and a further 31 will be completed towards by early 2009. Sales have been satisfactory and selling prices have risen considerably over the last three years.

Rental properties

The Group maintains a number of properties in Nicosia, Larnaka and Limassol which are rented. These properties include offices, shops, restaurants, apartments and parking plots.

Investment property land bank

The largest part of the real estate activity is the investment property land bank which is close to 80% of the activity's total assets. The land bank consists of sizeable plots of prime land, the majority beachfront, city centre or suburb properties which can be developed for tourist, residential or commercial (offices) purposes. The land portfolio mix is such that every year, mature properties representing around 25% of the land bank are available for immediate development or sale, other properties representing around 25% of the land bank will mature in two to three years and the balance, around 50% will mature in the next four to five years.

Real estate activities results for 2007

	Description/comment	**2007 €'000**	2006 €'000	2005 €'000
Revenue from development sales [villas/bungalows]	Revenue recognition from properties delivered to buyers at Larnaka Bay Resort.	**2.590**	4.827	-
Cost of development sales	Cost includes cost of land transferred at fair value in 2003 from investment properties.	**1.594**	3.321	-
Gross development profit	Gross margin of 38,5% on development sales in 2007 [2006: 31.2%].	**996**	1.506	-
Operating costs	Includes marketing costs and commissions paid to estate agents.	**107**	113	-
Operating profit from developments	Improved margin in 2007 due to cost containment and higher selling prices.	**889**	1.393	-
Capital (assets) employed in property development	Includes land at Pyrgos Tillirias valued at €2,1 million in 2003 for which a 41 plot development permit has been secured. Second phase of Larnaka Bay Resort was transferred in 2007 with a fair value of €9,2 million.	**18.643**	8.567	9.789
Rental income	Increase of 6,7% from properties in Nicosia, Larnaka and Limassol.	**379**	355	328
Operating costs	Primarily insurance costs, repairs and maintenance.	**103**	92	150
Operating profit from property rentals		**276**	263	178
Capital (assets) employed in rental properties		**6.202**	5.946	5.527
Profit on disposal of investment properties	Sale of substantial plots of land in Pafos district during 2007.	**7.792**	924	-
Profit on revaluation of investment properties	Substantial increase in values at Pyrgos Tillirias, Pyla in Larnaka and Limassol, all sea-front properties.	**20.312**	11.005	7.882
Share of profit from associated property company	Increase of 295% due to substantial increase in value of properties in the historical Nicosia city walls.	**4.598**	1.164	572
Operating profit on investment properties before finance costs	Increase of 150% compared to 2006.	**32.702**	13.093	8.454
Finance costs	Increase of 112% due to higher leverage.	**685**	323	391
Operating profit from investment properties	151% increase compared to 2006.	**32.017**	12.770	8.063
Capital (assets) employed in investment properties	2,9% decrease due to substantial disposals net of profit on revaluation during 2007.	**93.105**	95.861	66.854
Total profit from real estate activities	130% increase compared to 2006.	**33.182**	14.424	8.241
Total capital (assets) employed in real estate activities	6,9% increase compared to 2006.	**117.950**	110.374	82.170

During 2007, the real estate activity secured new bank debt totalling €37 million and repaid old bank debt totalling €34 million.

The results of the real estate activity are considered very satisfactory and confirm Management's decision back in 2000 to allocate a large proportion of the Group's assets to this activity.

The real estate activity's results for 2008 are expected to be in line with those of 2007.

Key performance measures and indicators for real estate activity

The Group uses the following ratios to measure the performance of its real estate activities:

Performance indicator	Description/comment	2007	2006	2005
Net profit margin from development sales	Target set by Management is for this margin to exceed 25%. In calculating the apportioned cost of land sold, cost should be the fair value of the land at which it was transferred from investment properties.	**35%**	29%	-
Rental yield of rented properties at fair value	Compares the annual rental yield of properties to their current market values. Yields in the region of 6% are in line with prevailing market yields.	**6,1%**	6,0%	5,9%
Annual fair value appreciation of rented properties	Compares the annual profit from revaluation of rented properties. Historically, these have been in the region of 7% per annum.	**4,3%**	7,6%	7,0%
Annual return from investment properties [includes profits from disposal and revaluation]	Compares the annual profit from disposal and revaluation of investment properties to capital (assets) employed in investment properties. Target set by Management is a rolling 3-year annual average of 15%.	**33,4%**	19,1%	13,8%
Total annual return of real estate activity	Compares the total annual profit from all real estate activities to total capital (assets) employed in real estate. Target set by Management is a rolling 3-year annual average of 15%.	**30,1%**	17,6%	11,1%

Strategy and targets for real estate activity

The Group's strategic priorities and targets for the real estate activity are:

To rebalance the investment property portfolio to achieve even better results over the next three years and thus allow rollover of remaining properties into new property fund structures where the Group will maintain a significant minority stake.

To replace mature investment properties in Cyprus with seed capital investments in a new South East Europe Property Fund and a Russian Region Property Fund with investment horizons of five to seven years.

Increase exposure to investment properties that provide good rental income yields coupled with good capital appreciation in selected areas of Nicosia. Listing of SFS Ledra Properties (Nicosia Fund) on the CSE within 2008 where the Group will maintain a significant minority stake of at least 30%.

Complete the construction of the existing holiday homes development at Larnaka Bay Resort and accelerate the sale of completed houses.

Key resources of the real estate activity

The real estate activities rely heavily on human capital, proper procedures and manuals for executing its operations, a large land bank of investment properties and a continuous deal flow of new investment property opportunities at suitable price levels. Financial capital is also a significant resource since it dictates size of new additions to the land bank and the in-house development prospects of existing investment properties.

Human capital

Our capabilities as a real estate business are totally dependent on our ability to attract, motivate, develop and retain competent employees. During 2007 new professional staff was recruited within this activity and further recruiting will follow in 2008. A substantial training programme is scheduled for all the staff during 2008.

Operations manuals

A real estate management activity must have proper documented manuals for all its operations in line with best international practice. Management pays particular attention to these procedures and ensures that all manuals and procedures are kept up to date.

Land bank and continuous deal flow

The real estate activity already has a large land bank of investment properties at differing stages of maturity allowing it to achieve the targets set by Management. It also maintains relationships with numerous estate agents and uses in-house staff to secure a continuous deal flow of new investment property opportunities.

Financial capital

Without adequate financial capital, new investment properties cannot be acquired and existing ones cannot be in-house developed. The real estate activity draws financial capital from the parent (SFS) and from retained profits to contribute as equity in new acquisitions or developments. It also maintains banking relationships with local banks to provide leverage on its equity contributions in new acquisitions or developments.

Key relationships of the real estate activity

At real estate activity level, the key relationships are centred on the human capital, estate agents that introduce clients for sale of properties, houses and rentals, local banking institutions and estate agents that introduce new investment property opportunities.

The above relationships need continuous monitoring and maintenance to allow the real estate activity to operate normally and effectively. The Group maintains open channels of communication at all levels of the above listed relationships using members of the Board of Directors, all the members of the Executive Committee, and management and staff of the real estate activity.

Key risks of the real estate activity

Market price risk

Market price risk is the risk that the value of real estate investments may fluctuate as a result of changes in the market prices. Investment properties are valued at fair value through the Income Statement. The Group manages market price risk by investing in a diversified portfolio of properties in terms of type of property, location and maturity.

Interest rate risk

Interest rate risk is the risk that the value of real estate investments may fluctuate as a result of changes in the interest rates. The Group monitors the fluctuations of interest rates on a continuous basis and acts accordingly.

Credit risk

Credit risk arises when the inability of the contractual parties to settle their obligations could result in the decrease of the amount of future cash inflows from financial assets as at balance sheet date. The credit risk is limited as the amount of debtors is presented net of the provision for bad and doubtful debts and furthermore there is no concentration of credit risk since the real estate debtors arise from property sales and rentals and a detailed review is performed on the creditworthiness of such counterparties. In addition, property tiles are not transferred until full settlement of the consideration.

Liquidity risk

Liquidity risk is the risk that arises when the maturity dates of the assets and liabilities do not match. When the maturity dates do not coincide, financial performance may improve, but at the same time, the risk of losses may rise. This risk is restricted at Group level due to the high proportion of its assets that can be liquidated immediately and unutilised credit lines from banking institutions.

Litigation risk

Litigation risk is the risk of financial loss, 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 consequentially of lawsuits. The risk is restricted through the contracts used by the Group to execute its operations and internal legal compliance procedures.

Shipping activities-Introduction

The Group has been active in shipping investments since 2000, after it established a team of experienced shipping investment professionals.

The Group's shipping activities are carried out through its wholly owned subsidiary, Ocean Challenge, a ship holding company, which has the following two sub-holding subsidiaries:

Waverland Investments

A 51% subsidiary from July 2000 through which the Group's initial shipping investment was undertaken. The investment involved the construction of four new Handy size Bulk Carriers (27.000 DWT each) in China for a total cost of USD 62 million. The first vessel was delivered in February 2002 and the fourth in August 2003.

All four vessels have been bare-boat chartered for 12 years to one of the largest shipping operators in Canada at a fixed charter of USD 5.400 per day per vessel. There are provisions within the shareholders agreement for a Put/Call option on the minority shareholder and charterer to buy back the vessels at the end of the 12 year period at a fixed price of USD 9 million per vessel.

Lemissoler Shipping Group PCL (Lemissoler)

On 28th April 2005, Ocean Challenge acquired 51,9% of Lemissoler through the exercise of a convertible loan it had granted to its major shareholders back in 2000. Lemissoler is a public non-listed shipping group headquartered in Limassol, Cyprus with offices in Hamburg, Germany, Gdynia, Poland and Odessa, Ukraine. Lemissoler is a diversified shipping group involved in ship ownership, ship management and container feedering.

Lemissoler owned five Paper Carriers at the end of 2007 which were time-chartered for a period ranging from two to five years. Full ship management services are carried out through its subsidiary Lemissoler Shipmanagement based in Limassol, is ISM certified and manages a large number of third party ships.

Through its subsidiary IMCL Holdings, it shipped 160.000 TEU containers in 2007 [2006: 120.000 TEU] in the north Europe continent [North and Baltic seas] and is the leading shipper of containers into Poland with a market share approaching 35%.

Shipping activities results for 2007

	Description/comment	**2007 €'000**	2006 €'000	2005 €'000
Revenue	Increase of 41% due to acquisition of BCL in September 2007 and full year for the four paper carriers in 2007.	**41.709**	29.619	18.120
Direct costs	Increase of 53%, higher than revenue increase due to higher fuel and lubricant costs.	**27.527**	17.997	9.484
Gross contribution from activity	Increase of 22% due to above comments.	**14.182**	11.622	8.635
Staff costs	Increase of 45% due to BCL acquisition and full year for the four paper carriers.	**1.587**	1.092	747
Operating costs	Increase of 47% due to above comments.	**1.370**	933	736
EBITDA	Increase of 17%	**11.225**	9.597	7.152
Depreciation/amortisation	Decrease of 6% due to change in useful life of five paper carriers.	**2.686**	2.872	2.001
Finance costs	Increase of 22%	**1.575**	1.290	1.181
Operating profit	Increase of 28%	**6.964**	5.435	3.970
Annual income from time chartering and bare-boat chartering of owned ship vessels	Decrease of 12% primarily due to USD weakness against the EUR.	**10.431**	11.871	7.890
Total equity of shipping activities	Increase of 7% from retained profits in 2007 exceeding USD weakness	**24.242**	22.583	22.277

The results of the shipping activity are considered very satisfactory and confirm Management's decision back in 2000 to allocate a large proportion of the Group's assets to this activity.

The shipping activity's results for 2008 are expected to be significantly better than those of 2007.

Financial position

The shipping activity's financial position at the end of 2007 is considered very adequate and will allow this to continue trading profitably during 2008. During 2007, the shipping activity repaid old bank debt totalling €2,6 million.

Key performance measures and indicators for shipping activity

The Group uses the following ratios to measure the performance of its shipping activities:

Performance indicator	Description/comment	2007	2006	2005
Total operating costs/Gross contribution	This ratio indicates the proportion of total operating costs [staff costs and operating costs] to gross contribution [revenue less direct costs]. Target set by Management is a minimum of 20% which implies improved productivity and the provision of more third party services.	**20,9%**	17,4%	17,2%
Interest cover from operating cash flows	This ratio indicates the cash generating strength of the shipping activity to service its finance costs from operating cash flows. This ratio should always exceed 300% to allow the shipping activity to service its bank debt [interest and capital repayments].	**713%**	744%	605%
Annual income from owned ship vessels/Cost of owned ship vessels	This ratio indicates the proportion of annual income from time chartering and bare-boat chartering of owned ship vessels to the original cost of the owned ship vessels. Since all the owned ship vessels are on medium to long term charters there is no change from 2006 to 2007.	**26,8%**	26,8%	14,8%
Total annual return on total equity of shipping activities	This ratio indicates the proportion of annual profits after tax [before minority interests] to total equity of the shipping activities. Target set by Management is a minimum of 15%.	**29,7%**	23,7%	19,6%

Strategy and targets for shipping activity

The Group's strategic priorities and targets for the shipping activity are:

To increase our shipping investments under management through new strategic partnerships in the sector and raising of third party funds for the USD 200 million SFS Ocean Challenge Shipping Fund. Gradually dispose all existing direct ship vessel holdings and participate in the above shipping fund [with a minimum of USD 20 million] and future funds as a major minority stakeholder in line with our declared new strategic direction of "Investing Together" with our clients.

Further expansion of our container liner service in North Europe (North & Baltic seas) through acquisitions and/or mergers in the region. Consolidate further our Inter Marine Container Lines presence in the polish and other North European markets.

Increase third party ships under management.

Prepare Lemissoler for listing on a suitable stock exchange where the Group will unlock further shareholder value from its significant stake.

Key resources of the shipping activity

The shipping activities rely heavily on human capital, proper procedures and manuals for executing its operations and a continuous deal flow of new ship investment opportunities or opening of new container liner markets. Financial capital is also a significant resource since it dictates size of new ship investments or expansion of existing container liner operations.

Human capital
Our capabilities as a shipping business are totally dependent on our ability to attract, motivate, develop and retain competent employees. During 2007 new professional staff was recruited within this activity and further recruiting will follow in 2008. A substantial training programme is scheduled for all the staff during 2008.

Operations manuals
A shipping activity must have proper documented manuals for all its operations in line with best international practice. Management pays particular attention to these procedures and ensures that all manuals and procedures are kept up to date.

Financial capital
Without adequate financial capital, new ship vessels cannot be acquired and existing operations cannot be expanded further. The shipping activity draws financial capital from the parent (SFS) and from retained profits to contribute as equity in new investments, acquisitions and expansions. It also maintains banking relationships with international banks to provide leverage on its equity contributions in new acquisitions of ship vessels.

Key relationships of the shipping activity

At shipping activity level, the key relationships are centred on the human capital, the ship operators chartering our vessels, deep sea carriers for which we feeder containers, suppliers of fuel and lubricants for ships we manage, international banking institutions, our partners (other minority shareholders) in our shipping subsidiaries and the new investors in the shipping fund.

The above relationships need continuous monitoring and maintenance to allow the shipping activity to operate normally and effectively. The Group maintains open channels of communication at all levels of the above listed relationships using members of the Board of Directors, all the members of the Executive Committee, and management and staff of the shipping activity.

Key risks of the shipping activity

Market price risk
Market price risk is the risk that the value of shipping investments may fluctuate as a result of changes in the market prices. All shipping investments are valued at cost in the balance sheet and are depreciated over their useful life to their residual value. The Group manages market price risk by investing in a diversified portfolio of shipping investments with attached long term charters.

Interest rate risk
Interest rate risk is the risk that the value of shipping investments may fluctuate as a result of changes in the interest rates. The Group monitors the fluctuations of interest rates on a continuous basis and acts accordingly.

Credit risk
Credit risk arises when the inability of the contractual parties to settle their obligations could result in the decrease of the amount of future cash inflows from financial assets as at balance sheet date. The credit risk is limited as the amount of debtors is presented net of the provision for bad and doubtful debts and furthermore there is no concentration of credit risk since the shipping debtors arise primarily from deep sea carriers and to a lesser extent from ship operators chartering our vessels. A detailed review is always performed on the creditworthiness of such counterparties.

Liquidity risk

Liquidity risk is the risk that arises when the maturity dates of the assets and liabilities do not match. This risk is minimised due to the long-term structuring of the ship finance which is adequately covered by chartering income.

Exchange rate risk

The exchange rate risk is the risk that the value of the financial assets will fluctuate as a result of foreign exchange rate movements. The Group foresees the possibility of foreign exchange risk and has adopted a policy for management of such risks. Within this initiative, the Group reacts by hedging the exchange rate exposure arising from company assets denominated and reported in foreign currency (mainly US dollar). The incurred foreign exchange risk is hedged with proportional borrowing in that currency in an effort to eliminate any unmatched balance sheet exposure. The degree and size of the foreign exchange risk is reviewed by the Executive Committee of the Group on a continuous basis. Action is taken to minimize the foreign exchange risk in relation to short-term transactions.

Operational risk

Operational risk is the risk that derives from the deficiencies relating to information technology and control systems, ship vessels, ports, the risk of human error, health and safety risks, environment risks, fire and major hazard risks and risks from natural disasters. The systems and procedures are evaluated, maintained and upgraded continuously in order to mitigate operational-type risk exposures.

Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the shipping activity management, as well as by other monitoring controls applied by the Group.

Litigation risk

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

Reputational risk

The risk of loss of reputation arising from the negative publicity relating to the shipping activities (whether true or false) may result in a reduction of its clientele, reduction in revenue and law suits. The Group applies procedures to minimize this risk.

Private equity-Introduction

The Group has been active in private equity investments since 2000 as an alternative investment asset class following the excessive bull market experience on the CSE during 1999. The investment objective at the outset was to use our financial capital and know-how together with our human capital to transform or turnaround medium-sized local businesses into financially strong market leaders, in their local industries, capable of withstanding the imminent competition that would be imported to Cyprus, primarily from Greece, following Cyprus' accession to the European Union.

After eight years of hard work, both by Group staff and management, and our partners (minority shareholders) and their staff in the Group's private equity subsidiaries, the overall results have fallen well below Management's targets and expectations. Of the five remaining main businesses within the private equity activity in 2007, two were performing well with good profitability, two were marginally profitable and one was still incurring losses.

The main private equity businesses of the Group which employ over 200 staff are carried out by the following companies and their subsidiaries:

Carmount Group (with a Group participation of 70%)

Comprises four main subsidiaries involved in the import and wholesale of light machinery, tools, paints, insulating sealants and other consumables used primarily by the local construction industry. Carmount Group is a market leader in its product range.

Chrikar Group (with a Group participation of 70%)

Comprises three main subsidiaries involved in the import and wholesale of foodstuff and raw materials for food manufacturers, supermarkets, bakeries etc. Chrikar Group is a market leader in its product range.

Regis Milk Industries (with a Group participation of 51%)

Ice-cream, yoghurt and fresh milk manufacturer. Regis is the market leader in the local impulse ice-cream market, despite strong competition from leading European brands.

Coyio (with a Group participation of 70%)

Producer and wholesaler of dried nuts and confectionary products. Ranked fourth in terms of market share in Cyprus.

Forumfront-Monte Caputo (with a Group participation of 81%)

Owner and operator of one of the largest multi-function halls in Cyprus, outside the town of Limassol.

Private equity results for 2007

	Description/comment	**2007 €'000**	2006 €'000	2005 €'000
Sales	Increase of 6,6%	**31.405**	29.448	28.252
Cost of sales	Increase of 7,8%	**21.113**	19.594	19.328
Gross profit	Increase of 4,4%	**10.292**	9.854	8.924
Staff costs	Increase of 2,2%	**4.820**	4.717	4.275
Operating costs	Increase of 5,6%	**3.176**	3.007	2.643
EBITDA	Increase of 7,8%	**2.296**	2.130	2.006
Depreciation/amortisation	Increase of 2,1%	**985**	965	1.087
Finance costs	Increase of 25% due to increase of bank overdrafts to finance increased working capital requirement	**1.965**	1.570	1.449
Operating loss	Increase of 61%	**(654)**	(405)	(530)

The results of the private equity activity continue to fall short of Management's targets and expectations despite the fact that they are overall cash flow positive for the last three years. As mentioned above, some of the companies are producing good results but are being overshadowed by the poor performers within this activity.

Financial position

The overall financial position of the private equity activity is not considered satisfactory and is a major concern to Group Management. Due to local market trading conditions, it requires increased working capital in the form of increased bank overdraft facilities or temporary credit facilities from the parent (SFS). Its free cash flow generation is not sufficient to cover its increased working capital requirements. As mentioned above, some of the companies are producing significant cash generation and paying annual dividends to the parent.

Key performance measures and indicators for private equity activity

The Group uses the following ratios and indicators to measure the performance of the private equity activities:

Performance indicator	Description/comment	2007	2006	2005
Total operating costs/Gross profit	This ratio indicates the proportion of total operating costs [staff costs and operating costs] to gross profit. Target set by Management is a maximum of 60%, a target that has never been achieved by the management of this activity.	**78%**	78%	77%
Gross profit margin	This ratio indicates the ability of the private equity management to purchase overseas goods at lower prices than competitors and to sell at higher prices in the local market. This is a qualitative measure only and needs to be compared with the absolute gross profit figure which should always be greater than the sum of total operating costs and finance costs to result in an operating profit.	**32,8%**	33,5%	31,6%
Interest cover from operating cash flows	This ratio indicates the cash generating strength of the private equity activity to service its finance costs from operating cash flows. This ratio should always exceed 200% to allow the private activity to service its bank debt [interest and capital repayments].	**117%**	139%	144%
Net working capital (NWC)	Includes stocks and trade debtors of the private equity activity	**€22,4 million**	€21,5 million	€22,6 million
NWC/Sales	Target set by Management is for this ratio not to exceed 60% which implies debtor days below 100 and maintaining stock levels around 150 days of sales. There is considerable scope for improvement in debtor days whilst stock levels are much in line with targets set by Management.	**71%**	73%	80%
Net working liabilities (NWL)	Includes bank overdrafts and trade creditors [suppliers] of the private equity activity.	**€11,6 million**	€14,0 million	€12,6 million
NWL/Sales	Target set by Management is for this ratio not to exceed 50% which implies payment of suppliers at around 90 days and maintaining bank overdraft balances within 90 days of sales.	**37%**	48%	45%

Strategy and targets for private equity activity

The Group's strategic priorities and targets for the private equity activity are:

The improvement of the operating results during 2008 through improved margins and operating cost savings. Loss making businesses will be closed or sold/absorbed by similar businesses within the private equity activity that have a proven profitable history and their management is more dynamic. Group Management will monitor very closely each company's net working capital and bank overdraft facilities to ensure adherence to set limits.

Group Management's target is to start a gradual exit from within 2008 from all the private equity activities. The exits will be achieved primarily through management buyouts, trade sales or listing on the CSE. By the end of 2009, the Group will have totally exited from all private equity activities.

Key resources of the private equity activity

The private equity activities rely heavily on human capital, a large goods/product range for sale, manufacturing/processing know-how for the relevant industries as well as good contacts with overseas factories, manufacturers and suppliers for sourcing of finished goods and raw material supplies. Financial capital is also a significant resource since it dictates size of working capital required to trade or operate.

Human capital
Our capabilities as a private equity business are totally dependent on our ability to attract, motivate, develop and retain competent employees.

Product range
The private equity businesses have a large and diverse products range for the industry sectors within which they operate. They are also continuously researching the local and international markets to identify new products for which there will be demand in the local market.

Financial capital
Without adequate financial capital the private equity businesses would not have sufficient working capital to finance their imports and local supplies, their stock holdings and their trade debtors.

Key relationships of the private equity activity

At private activity level, the key relationships are centred on the human capital, the customers, the overseas suppliers and our partners (other minority shareholders) in our private equity subsidiaries.

The above relationships need continuous monitoring and maintenance to allow the private equity activity to operate normally and effectively. The Group maintains open channels of communication at management level of the above listed relationships using members of the Executive Committee, the Head of Private Equity and other Group management.

Key risks of the private activity

Credit risk

Credit risk arises when the inability of the contractual parties to settle their obligations could result in the decrease of the amount of future cash inflows from financial assets as at balance sheet date. The credit risk is limited as the amount of debtors is presented net of the provision for bad and doubtful debts and furthermore there is no concentration of credit risk since the activity's debtors are derived from diversified sectors of the market and a detailed review is performed on the creditworthiness of debtors.

Liquidity risk

Liquidity risk is the risk that arises when the maturity dates of the assets and liabilities do not match. This risk is increased for the private equity activities due to the high proportion of its assets that cannot easily be liquidated.

Exchange rate risk

The exchange rate risk is the risk that the value of the financial assets will fluctuate as a result of foreign exchange rate movements. The Group foresees the possibility of foreign exchange risk and has adopted a policy for management of such risks. Action is taken to minimize the foreign exchange risk in relation to short-term transactions.

Operational risk

Operational risk is the risk that derives from the deficiencies relating to information technology and control systems, the risk of human error, health and safety risks, environment risks, fire and major hazard risks and risks from natural disasters. The systems and procedures are evaluated, maintained and upgraded continuously in order to mitigate operational-type risk exposures.

Introduction

In an era where globalization and diversification is not an isolated phenomenon but the reality of today's world, the operating environment of many companies is expanding at rapid rates. This dramatic expansion has as a consequence the multiplication and magnification of known and new risk factors. The SFS Group, operating under such an environment, is pioneering in its effort to confront these risks and believes that in order to be able to cope with the new economic and market reality, it must have and be able to use advanced risk management tools.

It is within this framework that the SFS Group proceeded towards the setup of its risk management department whose objective is: **"the systematic and universal identification of critical risks and the assessment of the potential loss due to these risk factors so as to be able to develop appropriate risk management policies and strategies".**

The framework which enables the Group to collect and prioritize the appropriate information relating to its exposures and uncertainties is based on three necessary conditions that are critical for laying the foundation of the risk management function. These conditions are:

a) an awareness of the risk appetites of stakeholders;

b) a commitment to align the Group's risk appetite embedded in its strategic objectives, strategies and other initiatives with those of the stakeholders; and

c) a common understanding for business risks and processes which facilitates the basis for ongoing adoption and implementation of risk management processes.

Risk management framework

The Group's risk management function consists of several sequential components. On an ongoing basis the Group explores its internal environment and sets the basis for how risk is viewed and addressed by the Group's people, including risk management philosophy and risk appetite, integrity and corporate values, and the environment in which the Group operates. The objective setting by the management of the Group takes place before the identification of any potential events affecting those objectives' achievement. This approach ensures that the management has a process in place to set objectives and that the chosen objectives support and are aligned with the Group's mission.

Internal and external events affecting the achievement of the Group's objectives are constantly examined, to distinguish between risks and opportunities. Opportunities are channeled back to the strategic planning or objective-setting process. The critical steps of risk assessment and risk responding are the subsequent steps in the overall function. In practice, the risk management team utilizes models and methodologies that at first stage aim at identifying and prioritizing risks through risk mapping. The assessment and measurement stages are those that enable the Group's management to decide whether to accept or reject risks based on the Group's risk appetite.

The formulation of business risk management response is the final stage where the necessary actions (avoid, retain, reduce, exploit or transfer) are applied to individual risks. Risk management is an ongoing and dynamic process throughout the Group, and is designed to identify potential events that exist or might later arise in the Group's business processes.

The Group's objective is to set up a complete system without the entanglement of bureaucratic procedures that would hinder the functions of the various departments. The most crucial component for the successful implementation of the risk management process is the devotion to a culture that consciously realizes, comprehends and takes seriously the existence of risks and is ready to take action towards managing these risks.

The Group's approach to risk management aims at creating value since it enables the Group to increase its capability to undertake risks by better risk management. This enhances the Group's credibility to the public and the investing community, and thus offers the Group a competitive advantage against its competitors.

Risk management governance structures

Great attention is given on the validation role of risk management, compliance and internal audit functions. Even though these are distinct units in the Group's structure and they perform very specific functions in the overall area of risk management, there is a considerable degree of overlap and intersect present.

The independent external auditors, Financial Control Department, Internal Audit Department and Compliance Department work in concert to further enhance the accuracy and overall effectiveness of the Group's risk management and monitoring structure. The external auditors are responsible for the statutory audit of the Group's financial statements under the Company Law, other relevant rules and regulations, and IFRSs. The Financial Control Department is responsible for the day-to-day recording of all financial information, control of all receipts and payments, internal management reporting and external financial reporting. The Internal Audit Department is responsible for conducting independent appraisals of the Group's activities, functions and operations to ensure that an adequate framework of internal controls has been established and is operating effectively. The Compliance Officer has the responsibility for ensuring that structures and procedures are in place to ensure compliance with laws and regulations, which relate to carrying out business transactions, internal policies and procedures as well as fostering standards of behavior to protect and enhance the reputation of the Group.

Internal audit function

The Internal Audit Department operates as an independent support unit. The fact that functionally it reports to the Audit Committee and the Board of Directors, and administratively to the Chief Executive Officer, enhances its independence. When the company decided to fully adopt the CSE Corporate Governance Code and subsume its shares in the Main Market of the CSE, it had undertaken the legal responsibility to maintain an internal audit function, which operates according to the provisions of the CSE Corporate Governance Code.

The Internal Audit Department collects all information and documents required in order to formulate its opinion on the effectiveness of the existing, or the need for more internal controls. The Head of the Department is in close contact and in coordination with the external auditors of the Group's companies for the avoidance of work duplication and the maximum possible audit coverage. The Department prepares and submits, initially to the Audit Committee and then the Board of Directors, internal audit reports for all individual engagements undertaken, as well as an annual internal audit report. It also undertakes the supervision of the implementation of decisions taken by the Group's governing bodies, once instructed to do so.

The efficiency and effectiveness of the activities of the Internal Audit Department are evaluated on an annual basis by the Audit Committee and the Board of Directors.

Compliance function

The Compliance Department operates as an independent support unit that functionally reports to the Board of Directors and the Audit Committee, and administratively to the Chief Executive Officer.

The Compliance Department has the responsibility for ensuring that structures and procedures are in place to ensure compliance with laws and regulations, which relate to carrying out business transactions, internal policies and procedures as well as fostering standards of behavior to protect and enhance the reputation of the Group. The Compliance Department is not involved in any operational matters of the Group's companies, thus maintaining its integrity in its judgment and suggestions. Furthermore the duties of the Compliance Department include special tasks assigned by the Board of Directors and the Audit Committee.

The Group has fully adopted (since July 2004) and applies the CSE Corporate Governance Code. The Compliance Officer of the Group co-operates with the Audit Committee in the drafting of the Corporate Governance Report which is included in every Annual Report and both functions work in tandem in order to ensure that the Group complies with the provisions of the Code.

Risk Management Department

The Risk Management (RM) department is established with the primary objectives of ensuring there are clear responsibilities and a consistent framework for the definition, assessment, monitoring and control of risk throughout the Group. The aim of the department is to provide an independent and objective assessment of the risk-return relationship on all business activities and thus is independent from all risk-generating functions of the Group.

The Group is making an effort to outline basic regulations for risk management, governing the types of risk, the risk management framework, and risk management policies, as well as regulations for delineating detailed stipulations for individual risk categories. Specifically, risks are classified into categories – credit risk, market risk, liquidity risk, processing risk, systems risk and other risks – and measures developed opt to effectively manage each type of risk. Quantifiable risks are calculated using common approaches (e.g. value-at-risk), and currently the efforts are focused on risk-adjusted return assessments, based on specific business performance evaluation.

The RM department has, since its inception, made significant progress in achieving its objectives. Specifically, it has achieved identifying, measuring and assessing the Group's market risk exposure. Additionally, the department is working on the formalization of a risk management system for monitoring and assessing the Group's indirect exposure to market risk, via its subsidiaries and associated companies. At the same time, the Group focuses on the identification of all other risks that affect the Group, as they are presented below, and procedures have progressed to the assessment stage.

Under the current approach, a prioritization process is followed by the Group, whereby the risks with the greatest impact and the greatest probability of occurring are handled primarily, and risks with lower probability of occurrence and lower loss are handled on a priority scale. In practice the process can be quite difficult, and balancing between risks with a high probability of occurrence but lower loss versus risks with high loss but lower probability of occurrence can often present tough choices.

It is widely accepted that in dynamic organizations, the risk management function is an ongoing process. Managing existing risk as well as new risk is a continuous function that requires constant monitoring and improving. Having this in mind, the risk management department is committed to continue its activity focusing on the accomplishment of its objectives, as these are outlined in the introduction of this review.

Oversight Risk Management Structures

The current oversight structure includes senior management working committees, a senior executive responsible for enterprise wide risk management, formal charters and job descriptions, clear authorization levels and reporting lines. Within the risk management organizational structure there are the following bodies:

Board of Directors
The Board of Directors is the decision making authority regarding risk management. It formulates the Group's philosophy, framework and risk management structure, i.e. it provides an oversight role, comprehends the critical risks, and approves risk management policies and strategies. The Board of Directors approves all risk undertakings within or beyond the pre-specified risk limits. The Risk Management Executive Committee (RMEC) and Executive Committee reviews risk levels and exposures on a regular basis.

Board Committees
Board committees have been established to facilitate the Board of Directors with the allocation of some of its activities. These committees are staffed by executive directors as well as senior management and key functional staff that relate to the role of the committees. Two of the crucial committees within the risk management function are the RMEC and the Asset and Liability Committee (ALCO).

Types of Risk Factors

Through its activities, the Group is exposed to market price risk, interest rate risk, credit risk, liquidity risk, exchange rate risk, operational risk, compliance risk, litigation and reputation risks, risks arising from share ownership and other risks. The description of these risks as well as the Group's policy on them is briefly presented in the following section:

Market price risk

Market risk is the risk that the value of an investing or trading position will decrease due to fluctuations in market factors (i.e. the risk of loss due to changes in position's value associated with market moves). Typical market risk factors are changes in equity prices, interest rates, foreign exchange rates, commodity prices or any other changes or other events that impact large portions of the market.

The Group's market risk is defined as the potential that changes in the market prices of its holdings may have an adverse effect on its financial condition. Market risk is common to several classes of assets or liabilities (equities, bonds, property assets, shipping assets and any other type of investments). The Group has guidelines and procedures in place to control and mitigate market risk mainly based on asset allocation and diversification principles and continuous monitoring of limits, risk-return parameters and Value-at-Risk analysis.

Market risk management is overseen by the RMEC and the Executive Committee of the Group. The market risk management works in partnership with the business segments to identify market risks throughout the Group and to refine and monitor market risk policies and procedures.

The RM department uses various metrics, including Value-at-risk ("VaR"), risk adjusted performance measures and other tools to measure capital market's risk. VaR is the Group's primary statistical risk measure which estimates the potential loss from adverse market moves in an ordinary market environment and provides a consistent measure of risk profile and level of diversification. To calculate VAR, the RM department uses historical simulation and the parametric approach which measures risk across instruments and portfolios in a consistent and comparable way.

To evaluate the soundness of its VAR model, the RM department conducts annual back-testing to evaluate the quality of the forecast of the risk model by using the Ex-Post Validation method i.e. testing the validity of VaR models by comparing the forecast of the risk estimate with the realized profit & loss over time (based on daily observations).

Property and Shipping Market risk

The Group is also exposed to market related risk in property and shipping assets.

Property Assets
Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations may differ substantially from market prices and very often due to the illiquid nature of their market, be subject to substantial uncertainty.

The Group implements a very conservative policy on property asset valuations, and recent historical data from actual sale transactions indicates that downside risk from valuations recorded in balance sheet is low.

However, during adverse market conditions, there is no assurance that the estimates resulting from the valuation process will reflect the actual sales price. The performance of the Group would be adversely affected by a downturn in the property market in terms of higher capitalization rates/yields or a weakening of rent levels. Any future property market recession could materially adversely affect the value of Group's property assets.

Shipping Assets
Over time, vessel values may fluctuate substantially and, if these values are lower at a time when the Group is attempting to dispose of a vessel, losses may be incurred. Prevailing economic conditions on oil and energy markets, substantial or extended decline in demand for commodities, increases in the supply of vessel capacity, and the cost of retrofitting or modifying existing vessels, as a result of technological advances in vessel design or equipment, changes in applicable environmental or other regulation or standards, or otherwise may affect vessel prices negatively.

Inability to dispose of a vessel at a reasonable value when its charter terminates, and/or inability to re-deploy the vessel at attractive charter rates could result in a loss on its sale and, as a result, adversely affect the operating results and financial condition of the Group.

Property and shipping assets' market risk management is overseen by the Executive Committee of the Group which works in partnership with both business units (shipping and property) to identify market risks throughout the Group's activities and to monitor market risk policies and procedures.

Share ownership risk

The risk of share ownership arises from the investment in shares/participation of the Group and is a combination of credit, price and operational risk as well as the risk of compliance and loss of reputation. The Group applies procedures of analysis, measurement and evaluation of this risk in order to minimize it.

Interest rate risk

Interest rate risk is the risk that the value of financial assets or liabilities may fluctuate as a result of changes in the market interest rate environment which might include changes in the overall level of interest rates, the volatility of interest rates and the interest rate spreads.

The RM department in cooperation with the Treasury of the Group are responsible for measuring the Group loans' sensitivity to interest rates in order to assess the impact of potential changes in interest rates on the Group's cash outflows and thus, by extension the impact on Group's liquidity and value.

Monitoring of interest rate risk includes simulation of interest rate changes, analysis of maturity of interest rate sensitive liabilities, modified-duration modelling of liabilities and Value-at-Risk for interest rate risk. The results of the interest rate risk monitoring are communicated to the RMEC and Executive Committee of the Group.

Exchange rate risk

The exchange rate risk is the risk that the value of the financial assets will fluctuate as a result of foreign exchange rate movements. The Group foresees the possibility of foreign exchange risk and has adopted a policy for management of such risks. Within this initiative, the Group reacts by hedging the exchange rate exposure arising from company assets denominated and reported in foreign currency (mainly US dollar). The incurred foreign exchange risk is hedged with proportional borrowing in that currency such that it eliminates any unmatched balance sheet exposure. The degree and size of the foreign exchange risk is reviewed by the Executive Committee of the Group on a continuous basis. Action is taken to minimize the foreign exchange risk in relation to short-term transactions.

Credit risk

Credit risk is risk due to uncertainty in a counterparty's ability to meet its obligations. Credit risk exposure for the Group may arise due to a debtor's non-payment of a loan or other line of credit (either the principal, interest or both). This type of credit risk is limited as the amount of debtors is presented net of the provision for bad and doubtful debts and furthermore there is no concentration of credit risk since the Group's debtors are derived from diversified sectors of the market and a detailed review is performed on the creditworthiness of debtors. In addition and wherever applicable, the Group attempts to further reduce credit risk with certain counterparties by entering into agreements that enable the Group to obtain collateral from a counterparty on a contingent basis.

Credit risk exposures may also arise in the financial services activity of the Group in the form of settlement and clearing risk. Settlement risk (delivery risk), as a particular form of counterparty credit risk, arises from a non-simultaneous exchange of payments (when one of the two counterparties fails to meet its obligations). In such a case, the credit risk exposure is dealt with the safeguard provisions of the applicable laws of CSE, ASE and the Securities and Exchange Commission.

Liquidity risk

Liquidity risk arises from the general funding needs of the Group's activities and in the management of its assets and liabilities. SFS Group's liquidity management framework is intended to maximize liquidity access and minimize funding costs. Through active liquidity management the Group seeks to preserve stable, reliable and cost-effective sources of funding. This access enables the Group to replace maturing obligations when due and fund assets at appropriate maturities and rates. To accomplish this, management monitors liquidity and related risks, taking into consideration market conditions, prevailing interest rates, liquidity needs and the desired maturity profile of liabilities, among other factors.

Operational risk
Operational risks can be divided in four major areas, i.e. People, Processes, Information Technology Systems, and Other.

In managing the risk in the area of "People", the Group uses the in-house Human Resources department and the services of external human resource consultants in order to safeguard the employment of the best in the market with regard to their professional and ethical standards.

For mitigating the risks arising from executing erroneous "Processes", the Group makes use of written procedures and manuals for its various functions and departments. These procedures have to be strictly adhered to by all personnel, and the corresponding manuals are being periodically reviewed and updated.

In the area of "IT Systems", the underlying risks are managed and mitigated through the constant maintenance, evaluation and upgrading of the systems. Due to the increasing importance of information technology systems in today's business activities, the Group not only has the continuous support of its systems vendors, but also maintains an internal Information Technology Systems Administration Department with full-time staff.

The category of operational risks described as "Other" includes health and safety risks, environmental risks, reputational risks, fire and theft risks, as well as risks from natural disasters. The Group manages these risks by taking specific measures applicable to each one of them, e.g. the establishment of a Health and Safety Committee, insurance etc.

Compliance risk
Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by Group Compliance, as well as by other monitoring controls applied by the Group.

Litigation risk
Litigation risk is the risk of financial loss, 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 consequentially of lawsuits. The risk is restricted through the contracts used by the Group to execute its operations and internal legal compliance procedures.

Reputational risk
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, loss of interest from existing or potential investors and possible legal actions against the Group. The Group applies procedures to minimize this risk.

Other risks
The general economic environment prevailing in Cyprus and internationally may affect the Group's operations to a great extent. Factors such as inflation, unemployment, the GDP growth, changes in investor sentiment or consumer spending are all directly linked to the economic outlook of each country and any variation in these and the economic environment in general may create chain reactions in all economic areas, hence affecting the Group's performance. A significant reassessment of risk internationally could lead to huge capital flows into and out of economies, volatile currency swings, big fluctuations in stock and bond prices, and rising alarm among investors and economic agents.

Additional risks directly linked to the financial services sector are generated from the performance of the local Banking sector, the demand and supply forces in the financial services industry and the overall interdependence between the local market and other markets, considering the general susceptibility of capital markets to foreign influences in terms of volatility through liberalization, regional relations and even simple contagion. There are also risks that relate to the intensification of competition and of the possible decrease in profit margins. The Group, through investments in new systems, experienced personnel and continuous training of human capital aims at practicing better risk management and thus maintaining its competitiveness in the business world.

PART A

The SFS Group Public Company Ltd (the "Company"), recognising the need of establishing principles of corporate governance that aim to protect the investors, to adopt transparency and provide timely information, as well as to sufficiently safeguard the independence of the Board of Directors in its decision-making process, adopts and fully complies with the Code of Corporate Governance, as this has been issued by the Cyprus Stock Exchange (the "CSE") for the public companies that have titles listed on the CSE (the "Code").

PART B

The Board of Directors of the Company states that the Company implements fully the Code and follows all its principles.

BOARD OF DIRECTORS

The Company is governed by a Board of Directors, that meets at regular intervals, and at least six times every year, in order to be informed, consider and take decisions on all matters that are in its area of responsibility according to the provisions of the Memorandum and the Articles of Association of the Company, the Companies Law, Cap. 113, and the Securities and Cyprus Stock Exchange laws and regulations and retains the exclusive decision taking at least for the following matters:-

- The targets and the strategy of the Company and its subsidiary companies (the "Group")
- Annual budgets
- Significant capital expenditure transactions
- Extraordinary transactions
- Mergers, acquisitions and disposals of substantial assets
- The adoption of and/or any changes in the application of the accounting policies
- The appointment and/or dismissal of Executive Directors
- The determination of the retirement policy for Directors

During 2007 the Board of Directors held 15 meetings.

The Board of Directors functions on the basis of the principle of collective responsibility, and no category of director may absolve itself of responsibility towards another and all directors exercise independent and unbiased judgment in carrying out their duties. Each director dedicates the necessary time and attention when performing his duties and restricts his other business activities so that he can perform his duties.

The Board of Directors receives timely, reliable and detailed information that allows the Board to carry out its duties, particularly as regards factors or events that have changed or might change the prospects or the financial position of the Company. Additionally, each director receives appropriate information and training from the Company regarding his rights and responsibilities as well as the responsibilities of the Company according to the Companies Law, Cap 113, the Securities and Cyprus Stock Exchange laws and regulations and other relevant regulations. Independent professional advice may also be available to the Directors when this is deemed necessary.

The Company's Secretary is SFS Custodian & Trust Services Ltd and all directors have access to the advice and services of the Secretary. The Company's Secretary is responsible to the Board for ensuring that Board procedures are properly followed and that applicable rules and regulations are complied with.

The composition of the Company's Board of Directors during 2007 was the following:-

1. Christodoulos Ellinas	(Chairman and Chief Executive Officer)
2. Philip X. Larkos	(Vice-Chairman and Chief Financial Officer)
3. John Pitsillos	(Executive Director)
4. Loizos A. Loizou	(Non-Executive Director)
5. Kevork Mahdessian	(Non-Executive /Independent Director)
6. Vangelis Georgiou	(Non-Executive /Independent Director)
7. Sotos Zackheos	(Non-Executive /Independent Director) – appointed on 22nd January 2007
8. Kyriakos Koutsoftas	(Non-Executive /Independent Director) – appointed on 24th January 2007
9. Marios St. Joannides	(Executive Director) – until 30th June 2007

The composition of the Board of Directors fully complies with the provisions of the Code that sets the minimum number of the executive directors and the balance between the independent non-executive directors and the total number of directors. Fifty precent of the Board, excluding the Chairman, is represented by independent non-Executive Directors. The independence of the non-executive directors from the management is set according to the criteria stated by the principles of the Code.

In accordance with provision A.2.5, the Board of Directors has appointed Mr. Kevork Mahdessian in the position of Senior Independent Director, who will be available to listen to any shareholders' concerns that have not been resolved through the normal channels of communication.

As far as provision A.2.6 of the Code is concerned, Mr. Christodoulos Ellinas holds the positions of the Chairman of the Board of Directors and that of Chief Executive Officer of the Company. The Board of the Company has appointed Mr. Ellinas to both positions considering that in this way the Company's interests are best served.

The Board also thinks that by the powers vested in the Executive Committee, the purpose of this provision has been achieved to a greater extent as the consent of all three Executive Directors is needed in order to take any decision.

Additionally, most diversified financial groups and investment banks in the USA and Europe do not separate the two positions of the Chairman of the Board of Directors and the Chief Executive Officer, due to the nature of the business and the complexity of issues that need to be addressed at the Board level of such companies. Practice indicated that it is very difficult, if not impossible, to find a suitable individual that has the relevant experience and knowledge in order to be able to chair the Board of Directors as a non-executive chairman.

Short Curriculum Vitae of the members of the Board of Directors

1. Christodoulos Ellinas (Co-founder, Chairman and Chief Executive Officer)
The Chairman and the Chief Executive Officer of the Company since 12th February 1998. He holds an Honours degree in Finance & Accounting and achieving the title of Chartered Accountant, he became a Member of the Institute of Chartered Accountants in England & Wales. He is also a member of the Institute of Marketing, the Institute of Sales & Marketing Management and the Institute of Certified Public Accountants in Cyprus. In 1988, he founded Share Link Stockbrokers & Investment Consultants, in association with Philip X. Larkos. He was a practicing stockbroker in Cyprus from 1988 to 2002 and also served as a Chairman of the CSE Members Council for the period from 1999 to 2001. Specializing himself in corporate brokerage and corporate finance, he held the position of the Chairman and the Managing Director of Sharelink Securities and Financial Services Ltd for the period 1996 until 2002. Currently, he is the Chairman of the Cyprus Financial Services Firms Association and the Vice-Chairman of the Investors Compensation Fund (appointed by the Council of Ministers). He is also the Chairman of the Board of

Directors and licensed broker of Sharelink Securities & Financial Services Ltd, the Chairman and Managing Director of SFS Custodian & Trust Services Limited and USFS Overseas Services Limited, as well as, director of TFI Public Company Limited, CapitalAsset Link Limited and of a number of other companies. Furthermore, he is the Vice-Chairman of the Cyprus-China Business Association, a founding member and Ex-Chairman of the Rotary Club Nicosia – Aspelia and Assistant Governor of the Region 2450. Finally, he holds the Certificates of professional competence of the head of an Investment Firm's underwriter section or department, the head of an Investment Firm's section or department for carrying out transactions on own account, and the head of an Investment Firm's section or department for customer portfolio management.

2. Philip X. Larkos (Co-founder, Vice-Chairman and Chief Financial Officer)

Vice-Chairman and Chief Financial Officer of the Company since 12th February 1998. He holds a Bachelor's degree (BSc (Hons)) in Electronics and Electrical Engineering from the University of Manchester. Next he obtained the qualifications of the Chartered Accountant and the Certified Accountant and he became a member of the Institute of Chartered Accountants in England & Wales, the Chartered Association of Certified Accountants and the Institute of Certified Public Accountants in Cyprus. For the period from 1982 until 1989 he was working in Grant Thornton, Chartered Accountants - Birmingham's and London's offices, where he mainly concentrated on the audit of large companies, listed on the London Stock Exchange. In 1988, he founded Share Link Stockbrokers & Investment Consultants in association with Christodoulos Ellinas. From September 1989 he attended for nine months in London Business School the Investment Management Programme. In 1990, he formed the Larkos & Partners Audit firm in London and Bristol and co-founded with Christodoulos Ellinas the Larkos, Ellinas & Co Audit firm in Cyprus. His expertise is in the sectors of investment banking, corporate finance, private equity/venture capital and asset/risk management. Currently, he is the Chairman of TFI Public Company Limited, CyVenture Capital Public Company Limited, Dot.Cy Developments Limited and CyPensions Limited. Furthermore he is a member of the Board of Directors of White Knight Holdings Public Company Ltd, Lewis Charles Securities Ltd and of a number of other companies. Finally, he holds the Certificates of professional competence of the head of an Investment Firm's underwriter section or department, the head of an Investment Firm's section or department for carrying out transactions on own account, and the head of an Investment Firm's section or department for customer portfolio management.

3. John Pitsillos (Executive Director)

Executive Director of the Company since 12th February 1998. He studied in Australia and he obtained a BE(Hons) and a Ph.D. in Chemical Engineering, an MBA degree and a Graduate Diploma in Applied Finance and Investments. He is a member of the Global Association of Risk Professionals (GARP), the Strategic Planning Society (SPS), the Professional Risk Managers' International Association (PRMIA) and the Institute of Directors (IoD) of UK. He is also a fellow member of the Financial Services Institute of Australasia (FINSIA). His professional career started in finance when he joined Credit Swiss First Boston as an analyst of public firms listed on the Australia Stock Exchange. Later on, he worked for two years as a researcher and lecturer at the University of Melbourne, Australia (Department of Chemical Engineering), which strengthened and enriched his research experience. Since October 1996 he is being employed by the SFS Group and holding various posts in the financial sector, with main responsibilities in the areas of research and analysis, asset management, management of shipping investments, management of property investments and property portfolios, venture capital & private equity, as well as, risk management & strategic planning. Currently he is a director of CyVenture Capital Public Company Limited and Ellinas Finance Public Company Limited that are listed in the CSE. He is also the Chairman of the Board of Directors of White Knight Holdings Public Company Ltd. Finally, he holds the Certificates of professional competence of the head of an Investment Firm's underwriter section or department, the head of an Investment Firm's section or department for carrying out transactions on own account, and the head of an Investment Firm's section or department for customer portfolio management.

4. Loizos A. Loizou (Non-Executive Director)
Director of the Company since 12th February 1998. He is the Chairman of the Audit Committee of the Company since July of 2004 and also a member of the Remuneration and the Nomination Committees of the Company. He studied business administration and he specializes in finance and personal financial markets. He is a holder of a BA (Hons) degree in Business Studies from the Philips College and a Master of Business Administration (MBA) from Keele University in UK. He holds the Certificate of professional competence of the head of an Investment Firm's section or department for customer portfolio management. Additionally, he has been approved from the Council of the Cyprus Stock Exchange for registering in the special lists of Assistant Brokers, according to the Cyprus Securities and Stock Exchange laws and regulations. He is one of the co-founders of Sharelink Securities and Financial Services Ltd. From 1995 until the end of 1999 he was an investment advisor and the Manager of the branch of Sharelink Securities and Financial Services Ltd located in Paralimni, in Ammochostos District. From 2000 until mid 2002 he was employed by Share Link Administration Management Ltd, as an asset manager of the local market. For a number of years he served also as a director of Sharelink Securities and Financial Services Ltd and Share Link Administration Management Ltd. From August 2002 until September 2006 he was employed by A. Zorbas & Sons Public Company Ltd, in the position of the Factory Manager. From October 2006 until today he is offering advisory services to companies. Finally, he is a member of the board of directors of his family's company Adamos Loizou & Sons Ltd.

5. Kevork Mahdessian (Non-Executive / Independent Director)
Director of the Company since 7th July 2004. He has been appointed in the position of the Senior Independent Director of the Company since July of 2006 and he is a member of the Audit and the Remuneration Committees of the Company. He is a graduate of the English School, Nicosia and furthermore he achieved a degree in Mechanical Engineering from the CAAE of London and later on, a postgraduateship on Institutional Management from the University of Turin in Italy. He worked as a Chief Engineer with M.F. in Lebanon and as a Services Manager with M.E.L.K. in Nigeria. He was the Head of the Vocational Training Centres of the Cyprus Productivity Centre in the Ministry of Labour in Cyprus. He represented Cyprus at specific UNDP programmes on the application of new technologies for the former Eastern European Republics and took part in missions as an adviser/expert with ILO, UNHCR and the Commonwealth Secretariat. He was a Member of the Cyprus Apprenticeship Board, and one of the founding Board Members of the Cyprus Resource Centre. He served as a Board Member of the English School and later Chaired the Board of the English Institute in Cyprus. Today, he offers advisory services and is a Director of various family and other companies. He was also a member of the Board of Directors of the listed company CyVenture Capital Public Company Limited. Finally, he is a founding member and former Chairman of the Rotary Club of Nicosia - Aspelia and he is currently the Deputy Governor for Georgia and Armenia and Ass. Deputy Governor for Cyprus.

6. Vangelis Georgiou (Non-Executive / Independent Director)
Director of the Company since 3rd October 2005. Currently, he is the Chairman of the Remuneration Committee of the Company. He graduated the State University of New York and he holds a Bachelor of Science in Business Administration. Afterwards, he worked as an internal auditor in a commercial organisation and then as a Secretary /Manager in a large Co-operative Credit Company. For the period of 1999 until 2005 he was a member of the Board of the Pancyprian Co-operative Confederation. Currently, he is a member of the Board of Directors of Demetra Investment Public Ltd, of Unifast Finance & Investments Public Company Ltd, of Latomio Farmakas Ltd and also of A. Panayides Contracting Public Limited, company in which he holds the position of the Executive Vice-Chairman.

7. Sotos Zackheos (Non-Executive / Independent Director)
Director of the Company since 22nd January 2007. Currently he is a member of the Nominations Committee of the Company. Until February 2007 he was the Permanent Secretary of the Ministry of Foreign Affairs. Currently he is director of the private consulting company "S. Zackheos and Associates Ltd", a member of the Board of Directors and advisor to the CEO of the Russian Commercial Bank. Furthermore he holds the position of the Chairman of the Board of Directors of Donalink Ltd and a member of the Board of Directors of OTKRITIE UES CAPITAL PARTNERS FUND PLC. He is also an advisor of J&P Group, and a member of the Advisory Board and special advisor of the Chairmen of EP GLOBAL ENERGY LTD. He is also a Special Envoy of the President of Cyprus for Middle East, Russia, China and Central Asia on an *ad hoc* basis and the Chairman of the newly established European Arab Interactive Forum. He holds a Bachelor's Degree in Law, as well as Bachelor's Degree in Economic and Political Sciences from the University of Athens, Greece and a post-graduate degree (M.A. in Political Science) at Stanford University in the United States. In 1974 he joined the Ministry of Foreign Affairs and after rising in all the ranks of the Diplomatic Service he was appointed Ambassador in China, Geneva and New York. On 2nd June 2003 he was appointed as Permanent Secretary of the Ministry (deputy Foreign Minister of the Foreign Affairs) and he served until 30th September 2006. In the course of his service, he participated in conferences abroad and represented Cyprus in sessions of the UN General Assembly, the Council of Europe, the Commonwealth and the Non-Aligned Movement. He played a substantial role in the formulation of Cyprus' foreign policy on the Middle East, Eastern Europe and the developing help towards developing countries. He was honoured by the Greek Republic with the Grand Cross of the Order of the Phoenix. He was also honoured by the Slovenian Republic with the Golden Order for Services in the Diplomatic and International Field.

8. Kyriakos Koutsoftas (Non-Executive / Independent Director)
Director of the Company since 24th January 2007. Currently, he is a member of the Audit Committee of the Company. He studied in London and obtained the qualification of the Chartered Certified Accountant in 1995. He is a member of the Institute of Certified Public Accountants in Cyprus as well as member of the Association of Chartered Certified Accountants in England. Since 2003 he is a member of the Institute of Financial Consultants after obtaining the relevant degree. He is one of the founding members and director of the audit and consulting firm PEK Ltd. He is a member of the board of directors of a number of companies in Cyprus and abroad. He has experience in audit matters and companies' evaluations and he specializes in financial advisory services.

Executive Committee

The powers that are ceded to the Company's Executive Committee, which comprises from the Executive Directors of the Company, are the following:-

- The management of the day-to-day ordinary business of the Company and the Group
- The implementation of the decisions of the Board of Directors
- Recruitment or dismissal of members of staff of the Group
- Capital expenditure for ordinary business of the Company and the Group that do not exceed 1% of the total assets of the Group annually
- New investments, acquisitions, mergers that in total do not exceed 5% of the total assets of the Group before these are approved by the Board of Directors
- Disposal of assets of the Group that in total do not exceed 5% of the total assets of the Group before these are approved by the Board of Directors
- Undertaking new borrowings that in total do not exceed 3% of the total assets of the Group before these are approved by the Board of Directors

During 2007 the Executive Committee held 36 meetings.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of the Company, implementing the principles of the Code, proceeded with the establishment and operation of the following three committees:

1. NOMINATIONS COMMITTEE

The Board of Directors having in mind that there should be a formal and transparent procedure for the appointment of new directors and that the Board should be made up of suitable and competent individuals, with extensive and successful business activity, suitable training, integrity and good judgment, so that they may contribute positively to the achievement of the objectives of the Company, has established and is operating a Nominations Committee.

According to provision A.4.1 of the Code, the majority of the members of the Nominations Committee are non-executive directors and the Chairman of the Committee is the Chairman of the Board.

The composition of the Nominations Committee during 2007 was as follows:-

Chairman:	Christodoulos Ellinas	
Members:	Loizos A. Loizou	
	Kevork Mahdessian	(until 17th May 2007)
	Sotos Zackheos	(since 17th May 2007)
Secretary:	SFS Custodian & Trust Services Ltd	

The Committee is appointed for one year until next Annual General Meeting (the "AGM") of the Company.

The Committee recommends to the Board of Directors capable and suitable individuals to be appointed to the Board of Directors. The Committee determines the required qualifications that an individual should possess in order to be considered as a competent candidate member of the Board, examines proposals for the nomination of new members of the Board on the basis of the required qualifications and submits a relevant report with its opinion to the Board, which will take the final decision. The Committee can also examine other subjects related with nominations, as these may be determined by the Board of Directors.

The Nominations Committee convenes whenever matters of its competency arise. During 2007 the Committee held two meetings. During these meetings the Committee decided and suggested to the Board of Directors the appointments of Mr. Sotos Zackheos and Mr. Kyriakos Koutsoftas to the Board of Directors.

Retirement and re-election of Directors

According to article 76 of the Memorandum and Articles of Association of the Company the number of directors will not be less than three and there is no restriction as to the maximum number of directors. According to article 78 of the Memorandum and Articles of Association, in each Annual General Meeting one third of the Directors or, if the total number of Directors is not three or a multiple of three, the nearest number to one third, retires.

The annual retirement of the members of the Board of Directors shall be by rotation, those that have been members for the longest period, since their previous election retiring first. Any director that retires, is eligible for re-election, if he so wishes. The names of the board members that offer themselves for election or re-election are accompanied by their CVs, so that the shareholders are in position to decide on their election.

At the AGM of the Company that will be held on 28th May 2008, the Board members that will retire and offer themselves for re-election are Messrs Kevork Mahdessian, Philip Larkos and John Pitsillos. Short Curriculum Vitae of all the members of the Board are set out above.

2. REMUNERATION COMMITTEE

In order to avoid potential conflicts of interest, and to introduce a formal and transparent procedure for the development of the Company's policy on the remuneration of the Executive Directors, the Board of the Company has established and operates a Remuneration Committee which submits proposals to the Board of Directors on the structure and on the level of the remuneration of the Executive Directors.

The members of the Remuneration Committee are non-executive directors, and most of them are independent from the management and have no business or other close relationship with the Company, that could substantially affect their independent and unbiased judgment.

The composition of the Remuneration Committee during 2007 was as follows:

Chairman:	Vangelis Georgiou
Members:	Loizos A. Loizou Kevork Mahdessian
Secretary:	SFS Custodian & Trust Services Ltd

The Committee is appointed for one year until the next AGM of the Company.

The Remuneration Committee considers and makes recommendations to the Board on matters relating to the remuneration and the contracts of employment of the Executive Directors. The Committee submits to the Board of Directors recommendations for the level of remuneration of the non-Executive Directors. Furthermore, the Committee prepares an Annual Remuneration Report for the Board of Directors, which will be submitted to the shareholders, and is in accordance with provisions B.3.3. and B.3.4. of the Code as well as the Appendices 1 and 2 of the Code.

During 2007, the Remuneration Committee held two meetings. During their meetings, the Committee, inter alia, prepared the Remuneration Policy Report for 2007 and considered matters that concern the remuneration of the Executive Directors and made recommendations to the Board for these matters.

Each year the Remuneration Policy Report is included in the Annual Corporate Governance Report of the Company, which is announced to the CSE, posted on the web page of the Company (www.sfsnet.com) and sent to the shareholders, as it is included in the Annual Report of the Company. This report, that comprises the Remuneration Policy Report for 2007, will be taken to the shareholders of the Company at the Company's AGM for 2007 for perusal. It is further noted that during 2007 there has been no change with regards to the remuneration policy of the Company.

Non-executive directors' remuneration policy

The remuneration policy, as far as the non-executive directors are concerned, is related to the time devoted by the directors for meetings and decision-making. Their remuneration should not be related to the Company's profitability and they are not allowed to participate in any share option, insurance or pension scheme.

The annual remuneration of the non-executive directors is approved by the AGM of the Company. For the financial year 2007 the remuneration that was approved by the AGM of the Company, on 17th May 2007, comprises a fixed amount of €8.543 for each director and additional remuneration of €342 for each director per meeting of the Board which they attend. Further, the Board of Directors decided additional remuneration for the non-executive directors of €342 for each director per meeting of the committees of the Board which they attend.

The total remuneration of the non-executive Directors during 2007 was €72.098.

Executive directors' remuneration policy

The basic principles of the remuneration policy regarding the executive directors are the following:

1. Fixed-term employment contracts for a term not exceeding a period of five years, with a notice period of not more than one year, are preferred.
2. The notice period for new open-term contracts should not exceed one year.
3. Any undertakings as to compensation should also make provision for exemption in cases of improper behavior, criminal action and poor performance.
4. The employment contracts should not contain any prohibitive clauses in the event of acquisition or merger of the Company.
5. Fines imposed on a director cannot be paid by the Company on the basis of a contractual undertaking.

The level of remuneration of the executive directors is set considering the following factors:

1. To attract, retain and give incentives to executive directors that have the required knowledge and experience, while at the same time avoiding paying more than is necessary for this purpose.
2. The responsibilities they have, especially the legal liability that they may incur in protecting the Company's interests.
3. The volume of work, the complexity of management issues, the diversity of the Group's activities, and the working hours.
4. Their qualifications, both academic and professional, as well as their continuous professional development.
5. Their theoretical and practical experience in relation to the activities of the Group, as well as their performance.
6. Their commitment in the promotion and protection of the Group's interests before their own personal interests.
7. The general economic environment and the level of remuneration that is paid by comparable companies in Cyprus or abroad, to the executive management of Groups of similar size, diversity and complexity of operations.

Contracts of employment of the executive directors

The contracts of employment of the Executive Directors (the "Contracts") are related to a period of three years, from 1st January 2007 until 31st December 2009 (the "Employment Period") with a one year notice of termination, without any prohibitive poison pills. According to the Contracts for the period of 1st January 2007 until 31st December 2009 the annual gross salary of Messrs Ellinas, Larkos, Joannides and Pitsillos amount to €213.575, €205.032, €196.489 and €187.946, respectively. For each following year, from 1st January 2008 until 31st December 2009, the salary of each Executive Director will be increased by €8.543 annually.

The employment of Mr. Joannides has been terminated on 30th June 2007, as he resigned due to other professional obligations and in order to avoid any conflict of interest. The Company decided that Mr. Joannides did not have to give the 12 months written notice for his intention to terminate his employment with the Company and accepted his immediate resignation. This way both parties' interests were better served, as Mr. Joannides was able to carry out his new professional duties avoiding any potential conflict of interest. The Board of Directors also decided, even though there was no such contractual obligation, to give to Mr. Joannides an ex-gratia payment amounting to €170.860, as an expression of appreciation for his good character, honesty and integrity.

Restrictive clause

Each executive director undertakes that:

(A) during his Employment Period and for a period of six months after the termination of his employment with the Company, for any reason, will not undertake any other business or be engaged in or concerned directly or indirectly in any capacity in any business (of any kind) in the area of financials or in any other business (of any kind) which competes with the Company.

(B) for a period of six months after the termination of his employment with the Company howsoever caused, either personally or by an agent directly or indirectly:-

- either on his own account or for any other person, will not solicit or serve or interfere with or endeavor to entice away from the Company any person, firm or company, that at the date of such termination or within six months prior to the date of such termination was a customer of, or was dealing with the Company and with whom the Executive Director had contact or about whom he became aware or informed in the course of his employment.
- either on his own account or for any other person, firm or company will not solicit or interfere with or endeavor to entice away from the Company any employee, manager or director of the Company.
- will not represent himself as being in any way connected with or interested in the business of the Company.

Termination of employment

The employment of each Executive Director may be terminated:

- By the Executive Director himself, giving to the Company a written notice of his intention at least twelve months prior to the termination of his employment.
- By the Company by giving to the Executive Director a written notice of its intention at least twelve months prior to the termination of his employment or such longer notice, as provided by the Termination of the Employment Law (as it has or may be amended from time to time).
- By the Company, without any notice or payment against notice, in case of serious misconduct or continuing negligence of the Executive Director in exercising his duties or breach of the Company's regulations.
- By the Company by giving to the Executive Director at least a three weeks written notice and compensation equal to the amount of six months gross salaries, if for any reason the Executive Director becomes incompetent to perform his duties for a period longer than 120 working days within 12 consecutive months.

Consequences of employment termination

Under the aforesaid circumstances of the employment termination, the Executive Director may not have any claim for any amount further to the accruing remuneration and what is due to him by the Company until the termination date.

Reorganisation or merging of the Company

If the termination of the employment of the Executive Director is a consequence of the dissolution of the Company for the purpose of reorganisation or merging and provided that the Executive Director has been offered a position in any other company, firm or any other organisation which will be created as a result of the aforementioned reorganisation or merging, under terms not less favorable than those of the Contract, then the Executive Director will not have any claim for the termination of his employment under the Contract.

Remuneration and other benefits

The total remuneration of the Executive Directors comprises salary, that is set in their Contracts and increases by €8.543 annually, and a bonus, the level of which is set by the Remuneration Committee of the Board of Directors of the Company according to the Bonus Scheme of the Group, that is currently in effect, based on the performance of each Executive Director and the profits of the Group during the relative year. The bonus will be paid (in case that the Company decides its payment) according to the timetables that are set by the effective Bonus Scheme of the Group.

The Executive Directors during their Employment Period are entitled to participate:

(A) in the Share Option Scheme, being in effect, for the executive management, middle management, staff and associates of the Group (the "Share Option Scheme") according to the terms and rules of the Share Option Scheme;
(B) in the medical scheme and the provident fund of the Company, according to the terms and rules that are in effect for the schemes from time to time; and
(C) in a private pension scheme (CyPensions Unit Trust).

The Executive Directors are not paid any additional fees for their services as members of the Board of Directors.

During 2007 the total remuneration of the four Executive Directors (including the contributions of the Company to the pension scheme) was €1.182.660, and it is analysed in the following categories:

A.1. Remuneration of Executive Directors

		Christodoulos Ellinas €	Philip Larkos €	Marios Joannides €	John Pitsillos €	**Total €**
i.	Remuneration of Executive Directors as per their service contracts	213.575	205.032	108.011	187.946	**714.564**
ii.	Remuneration and other benefits from Group companies (subsidiaries and associates)	1.290	4.805	1.733	2.734	**10.562**
iii.	Bonuses	54.106	51.258	-	37.020	**142.384**
iv.	Additional payments to the Directors for extraordinary services that were outside the scope and the operation of the Board of Directors	Not applicable				
v.	Amounts paid to retired Directors in relation to the termination of their employment			170.860		**170.860**
vi.	Estimate of the total value of benefits that are considered as remuneration and have not been included above (contributions paid by the Company to the Group Provident Fund, the Group medical scheme and other contributions)	22.271	21.617	10.716	18.287	**72.891**
	Total	**€291.242**	**€282.712**	**€291.320**	**€245.987**	**€1.111.261**

The amount of the bonus paid to each Executive Director is set by the Board of Directors following a recommendation of the Remuneration Committee of the Company, according to the Bonus Scheme of the Group, being in effect, and according to the performance of each Executive Director and the profits of the Group during the relative year.

According to the current Bonus Scheme of the Personnel and the Executive Directors that is in effect, and has been approved at the Extraordinary General Meeting of the Company on 13th January 1999 and amended at the Extraordinary General Meeting on 25th of May 2005, the Company may distribute to the staff and to the executive directors, at the discretion of the Board of Directors of the Company, up to 25% of the Group's profits before bonuses and tax, but after the deduction of the minority's interest, based on the consolidated financial statements. The bonuses for each financial year may not exceed 50% of the dividends or other benefits and/or payments to the shareholders, of the relevant financial year.

According to the aforesaid and taking into account that the 2006 profits of the Group based on the consolidated financial statements of the Company before bonuses and tax, but after the deduction of the minority interests amounted to €17,1 million, and that during 2006, interim dividends amounting to €0,96 million and final dividends amounting to €2,41 million were paid to the shareholders, the Board of Directors on 27th June 2007, decided the payment of €1,45 million as bonus to the staff and Executive Directors for the year 2006. From this bonus an amount of €427.150 has been distributed to the Executive Directors as follows: €162.317 to Mr. Christodoulos Ellinas, €153.774 to Mr. Philip Larkos, and €111.059 to Mr. John Pitsillos. In accordance with the board decision, this bonus is paid in three equal installments. During 2007 only the first installment has been paid, representing 1/3 of the total amount (note A.1.iii above). The second installment will be paid in April 2008 and the third, in December 2008, provided that at the due date the executives are still under employment by the Company.

Following the abovementioned and taking into account that the 2007 profits of the Group based on the consolidated financial statements of the Company before bonuses and tax, but after the deduction of the minority interests amounted to €37,6 million, and that during 2007, interim dividends amounting to €2,0 million have been paid and a final dividend amounting to €7,46 million has been declared, the Board of Directors on 27th March 2008, decided the payment of €3,08 million as bonus to the staff and Executive Directors for the year 2007. From this bonus an amount of €1.025.160 has been distributed to the Executive Directors as follows: €358.806 to Mr. Christodoulos Ellinas, €341.720 to Mr. Philip Larkos, and €324.634 to Mr. John Pitsillos. In accordance with the board decision, this bonus is paid in three equal installments. The first installment will be paid in April 2008, the second installment in April 2009, while the third, in December 2009, provided that at the due date the executives are still under employment by the Company.

A.2. Remuneration of non-executive Directors

	Loizos A. Loizou €	Kevork Mahdessian €	Vangelis Georgiou €	Sotos Zackheos €	Kyriakos Koutsoftas €	**Total €**
Fixed amount	8.543	8.543	8.543	8.051	8.005	**41.685**
Remuneration for the meetings of the Board of Directors which they attended	3.417	3.417	2.393	3.759	3.417	**16.403**
Remuneration for the meetings of the committees of the Board of Directors which they attended	3.759	3.417	683	-	2.734	**10.593**
Total	**€15.719**	**€15.377**	**€11.619**	**€11.810**	**€14.156**	**€68.681**

B. Shares – Warrants, Options etc.

At the Extraordinary General Meeting of the Company's shareholders that took place on April 12th 2007, the establishment of the SFS Group Share Option Scheme for the executives, staff and associates was approved, aiming to give incentives to the Group's executives, staff and associates, in an attempt to further strengthen their loyalty to the Group, increase their productivity and as a result increase shareholder value.

A share option scheme may attract and keep employees and key staff members since an incentive is provided and a culture of teamwork and consistency is created. It may function as a bonus without affecting the Company's liquidity.

The Rules of the Share Option Scheme, as they were approved by the Extraordinary General Meeting, can be found on the Company's website (www.sfsnet.com).

The Share Options that are granted to each Executive Director are determined by the Board of Directors, following a recommendation by the Board's Remuneration Committee, in accordance with the Scheme that is in effect and depending on the performance of each Executive Director during the relevant year.

The following Share Options 2007-2010 (the "SO-07") were granted in 2007 to the executives with respect to their performance during 2006:

	Christodoulos Ellinas	Philip Larkos	Marios Joannides	John Pitsillos	Total
Share Options 2007-2010	160.000	150.000	70.000	110.000	490.000

One SO-07 gives its holder the right to purchase one Company share of nominal value €1,03 at the price of €1,83. The first exercise date is May 31st 2008 and the option holders may exercise up to 1/3 of the SO-07 that have been granted to them. The second exercise date is May 29th 2009, on which date up to 2/3 of the SO-07 that were initially granted may be exercised. The third and last exercise date is May 31st 2010, on which date all the SO-07 that remain unexercised until then may be exercised.

If an option holder ceases to be employed or associated with the Group for any reason any unexercised Share Options such holder may have cease to exist and are rendered invalid. Mr. Joannides' SO-07, after the termination of his employment, were not cancelled because Mr. Joannides continues to be an associate of the Group.

It is additionally noted that on March 27th 2008 the Share Options 2008-2011 (the "SO-08") were granted and allocated. The SO-08 were allocated to each Executive Director according to their performance in 2007, as follows: 216.209 to Mr. Christodoulos Ellinas, 205.914 to Mr. Philip Larkos and 195.618 to Mr. John Pitsillos. One SO-08 gives its holder the right to purchase one Company share of nominal value €1,03 at the price of €1,45. The first exercise date is May 29th 2009 and the option holders may exercise up to 1/3 of the SO-08 that have been granted to them. The second exercise date is May 31st 2010, on which date up to 2/3 of the SO-08 that were initially granted may be exercised. The third and last exercise date is May 31st 2011, on which date all the SO-08 that remain unexercised until then may be exercised.

The Share Options are not transferable and will not be listed on the CSE. The shares that will be issued following their exercise will have the same rights as the current shares of the Company; they will be transferable and, following their listing, will be traded on the CSE.

C. Pension schemes

The CyPensions pension scheme, in which the Executive Directors participate, is a defined-contribution and the contributions paid by the Company in favour of the Executive Directors during 2007 were €71.399.

	Christodoulos Ellinas	Philip Larkos	Marios Joannides	John Pitsillos	**Total**
Contributions paid by the Company in favour of the Executive Directors during 2007 to the pension scheme	€32.436	€35.035	€30.666	€23.854	**€71.399**

D. Loans, guarantees and advances to the Directors

No loans or guarantees have been granted to or for the Directors of the Company, either by the Company, or by subsidiaries or associate companies, and there are no receivables from a company in which a Director or/and a related party is involved (first degree relatives, the spouse, and the companies in which the director holds at least 20% of the voting rights).

Borrowing by directors

According to provision C.2.3., the report on corporate governance should mention "any loans and guarantees granted to the directors of the company or to the directors of subsidiaries or associate companies of the company, whether they borrowed from the company or from subsidiaries or associate companies, as well as any receivables from a company in which a Director or/and a related party is involved".

It is noted that any reference to a Director includes and his related parties; first degree relatives, the spouse, and the companies in which the director holds at least 20% of the voting rights.

Specifically, each director should state the average amount due as well as the highest amount due over the last twelve months, as well as the date of repayment.

On the basis of the above provision the following are reported:

Company	Director	Highest amount due during 2007 €	Average amount due during 2007 €	Amount due on 31.12.07 €	Repayment date
Coyio Ltd	Andreas Papaonisiforou	8.755	4.639	2.903	None
S. Markides Enterprises Ltd	Stelios Markides	21.764	20.860	19.956	None
K. Morphakis Trading Ltd	Costas Morphakis	123.293	123.293	123.293	None
Vastuat Farm Ltd	Michalis Papaefstathiou	1.709	1.709	1.709	None
DAPE Toolbase Ltd	Christoforos Nicolaou	3.776	3.776	3.776	None
Olympus Refrigeration and Air Conditioning Ltd	Christos Protopapas	1.751	1.751	1.751	None
Olympus Refrigeration and Air Conditioning Ltd	Lena Pelidou	1.533	1.533	1.533	None
Regis Milk Industries Ltd	Lena Pelidou	342	342	342	None
Investwise J.E. LTD	Emilios Emmanuel	3.113.490	2.178.873	3.113.490	None
Investwise J.E. LTD	Yiannakis Emmanuel	228.493	134.621	228.493	None
J.Emmanuel Disco Ltd	Emilios Emmanuel	296.442	296.442	296.442	None
J.Emmanuel Disco Ltd	Yiannakis Emmanuel	74.324	74.324	74.324	None
Animalia Genetics Ltd	Michalis Papaefstathiou	157.735	154.408	157.735	None
Animalia Genetics Ltd	Evripides Theoharides	88.998	79.595	88.998	None

Transactions with related parties

According to provision D.2.2, and in order to comply with the continuous obligations for immediate announcement, "directors and executive management are obliged to inform the Board of Directors and the shareholders through the annual report and the accounts of the company in relation to any own substantial interest that might arise from company transactions within the scope of their duties, as well as any other conflict of their own interest with those of the company or its associated companies that arises from the exercise of their duties".

The transactions involving members of the Board or their related parties during 2007 appear in note 38 of the consolidated financial statements of the Company for the year 2007.

The related parties include the spouse, the underage children and the companies in which the director holds directly or indirectly, at least 20% of the AGM's voting rights.

3. AUDIT COMMITTEE

The Company has adopted the following principles of internal control:

- The maintenance of a proper system of internal control, in order to safeguard shareholders' investments and the Company's assets.
- The review of the effectiveness of the internal control system from the Board of Directors, at least once a year, and the submission of the relevant declaration of assurance in the Corporate Governance Report.
- The reassurance from the Board of Directors that any transactions with members of the board or with shareholders are carried out at arm's length and do not harm in any way the interests of the Company.
- In order to achieve the best implementation of systems of internal control, the operation the Internal Audit Department an Audit Committee are governed by specific terms of reference and responsibilities.

The majority of the members of the Committee are independent non-executive directors, and the Chairman of the Committee has experience in accounting and finance (Short Curriculum Vitae of the Chairman of the Audit Committee is set out above). The Audit Committee comprises of the following directors:

Chairman:	Loizos A. Loizou
Members:	Kevork Mahdessian
	Vangelis Georgiou (until 24th January 2007)
	Kyriakos Koutsoftas (since 24th January 2007)
Secretary:	SFS Custodian & Trust Services Ltd

The Committee is appointed for one year until the next AGM of the Company.

The Audit Committee reviews, inter alia, the Group's financial statements and the reports prepared by the internal audit department. The Committee submits proposals to the Board of Directors regarding the appointment or dismissal of the Company's external auditors, as well as their remuneration, and oversees their relationship with the Group, including the monitoring of the balance of auditing and advisory services. The Committee supervises the proposals of the Chief Financial Officer to the Board of Directors, in relation to the adopted accounting policies and reviews the transactions of the Company with related parties so as to ensure that these are carried out at arm's length. Additionally, the Committee, with the assistance of the Compliance Officer, prepares a report on Corporate Governance that will be included in the Company's Annual Report.

During 2007, the Audit Committee held eight meetings and dealt with the review of the financial statements of the Company and the Group, the reports prepared by the Internal Auditor, the preparation of the Annual Corporate Governance Report for 2007 and other related matters within its competence.

Content of financial reports

The financial reports of the Company are prepared on the basis of the provisions of the Companies Law, Cap.113 applicable from time to time, the applicable International Accounting Standards, the Securities and Cyprus Stock Exchange laws and regulations, the Code and any amendments that may be made to them, so that they give a true and fair picture of the financial position of the Company, as well as, a detailed, balanced and comprehensible evaluation of its condition and prospects.

External auditors

The external auditors of the Company, Deloitte & Touche Ltd, provide to the Group not only audit services but also other related non-audit services, such as taxation and/or advisory services. Under these circumstances, the Audit Committee is monitoring their nature and extent, aiming to balance between the maintenance of their objectivity and the value added from these non-audit services.

The external auditors, according to the provision C.3.3 of the Code, have provided the Company with a written confirmation, by which they guarantee that their objectivity and independence is ensured due to the following reasons:

a) The team of consultants that offers taxation or advisory services has no interference with the conduct of the audit provided to the Group. Both teams represent completely different departments of Deloitte that are specialised and deal exclusively with taxation or other advisory services.
b) The level of fees for the aforementioned services is minimal comparing to the total income of Deloitte & Touche Ltd in Cyprus.
c) Deloitte & Touche Ltd is being regularly inspected by a number of Cypriot and other professional bodies, as regards to the quality of its services but also the rules on independence and ethics that are being adopted and implemented.

System of internal controls

The Board of Directors has the overall responsibility for maintaining a proper internal control system, which safeguards, among others, the investment of the shareholders and the assets of the Company and its clients.

To this end, the management of each business unit is assigned with the task of introducing and operating an internal control system, which is appropriate to the nature and the range of its operations.

The internal control system is designed to manage the optimal management and control of risks, aims at minimizing/ mitigating, but not eliminating them, and provides reasonable, but not absolute, assurance against material misstatement or loss.

The suitability, effectiveness and smooth operation of the internal controls systems in individual areas of operation are reviewed periodically by the Group's Internal Audit Department. Two professionals are employed in the Internal Audit Department and the head of the Department is Mr. Costas Melanides, who is a Certified Internal Auditor (CIA). Mr Melanides reports the findings of the audits of his department to the Audit Committee and to the Board of Directors of the Company. He additionally submits to the Audit Committee and to the Board of Directors an interim annual report and a final annual report, that describes the internal control system of the Group in summary and reach a decision on their overall adequacy. The report for the year 2007 concludes that the existing internal control systems in the financial services and other Group companies are considered satisfactory, although there is room for further improvement and as a result confirms the effectiveness of the internal control system.

Board's confirmation for the effectiveness of the internal control system

The Company's Board of Directors, through the Audit Committee, has the responsibility to review the effectiveness of the internal control system and to confirm accordingly in the Corporate Governance Report. On the basis of this responsibility (provision C.2.1) the Board of Directors states that the Company has taken all appropriate measures in order to ensure compliance with the provisions of the Code and has adopted procedures for the verification of the correctness, completeness and validity of the information provided to investors and it has no reason to believe that this information is not complete and correct. Additionally, the Board of Directors has issued to the Company's Internal Auditor terms of reference for the evaluation and submission of recommendations so as to continue the development and upgrading of the system of internal controls in order to continuously reinforce and improve its effectiveness.

Based on the above, the Board of Directors states that it has reviewed the Company's system of internal controls and it is satisfied with its effectiveness. Additionally, the Board of Directors has reviewed the procedures for the verification of the correctness, completeness and validity of the information provided to investors, as well as the compliance of the Company with them and no violation has come to its attention regarding the Securities and Cyprus Stock Exchange laws and regulations.

Going Concern

According to provision C.1.2 of the Code, the Board of Directors of the Company states that the Company has adequate resources and intends to continue in business as a going concern for the next twelve months.

Compliance Officer

The Company's Board of Directors appointed Mrs. Louiza Sazeidou as Compliance Officer for the Code of Corporate Governance.

Relations with Shareholders

All shareholders of the Company are treated equally. The Company applies the appropriate procedures before as well as after convening of general meetings, so as to ensure the equal treatment of shareholders of all categories of titles, including the minority title holders.

Shareholders that possess or represent 5% of the share capital of the Company have the right to put items on the agenda of a general meeting, according to the provisions of the Memorandum and Articles of Association of the Company, the Code, the Companies Law and any other relevant legislation.

The AGM gives the opportunity to the shareholders to submit questions to the Board as well as to the Chairmen of the committees of the Board, who must be available during the AGM in which all shareholders are encouraged to participate. Additionally, the directors and the executive management are obliged to inform the Board of Directors and the shareholders' General Meeting about any own substantial interest in transactions or matters affecting the Company.

Finally, the Company decided the appointment of Mr. Philip X. Larkos as Investor Liaison Officer. The information that concerns the Company is given to the shareholders timely, precisely and without any cost.

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

Contents

The Board of Directors presents its report and audited consolidated financial statements for the year ended 31 December 2007.

Financial Statements

The consolidated financial statements for the year include the financial statements of SFS Group Public Company Limited (the "Company") and all its subsidiaries. The names of the subsidiaries are shown in note 23 of the consolidated financial statements.

The consolidated financial statements include the share of the Group in the profits or losses of associates. The names of the associates are shown in note 18 of the consolidated financial statements.

Principal Activities

The principal activities of the Group remain the provision of local and international financial and consulting services, trading of securities, debentures and other financial instruments in Cyprus and abroad, strategic investment in associate companies, participations in companies operating in the shipping industry locally and internationally, venture capital activities, private equity investments in commercial businesses operating in Cyprus, and the trading, management and development of immovable property in Cyprus.

Results

The profit after tax was €37.044.018 (31.12.2006:€19.824.307).

Dividend

The Board of Directors recommends the payment of dividend of €0,1196 per share (2006:€0,05126 per share) for the year ended 31 December 2007. The residual profit for the year is transferred to reserves.

Additionally during the year ended 31 December 2007 the Company paid an interim dividend of €0,03417 per share to the shareholders of the Company as at 7 September 2007.

Own Share Acquisition

The number and the nominal value of the shares acquired and held by the Group, as well as the percentage of the issued share capital they represent are presented in note 31 of the financial statements.

Share Capital

During the year ended 31 December 2007 the Company's share capital was consolidated following a reverse split such that every six ordinary shares of nominal value of €0,171 (£0,10) per share be consolidated to one consolidated share of nominal value €1,025 (£0,60) per share.

Following the reverse split the share capital of the Company was modified as follows:

(i) the authorised share capital of €341.720.288 (£200.000.000,40) divided into 2.000.000.004 ordinary shares of nominal value of €0,171 (£0,10) each has been consolidated into €341.720.288 (£200.000.000,40) divided into 333.333.334 ordinary shares of nominal value of €1,025 (£0,60) each, and

(ii) the issued share capital of €48.102.422,79 (£28.153.097,40) divided into 281.530.974 ordinary shares of nominal value of €0,171 (£0,10) each has been consolidated into €48.102.422,79 (£28.153.097,40) divided into 46.921.829 ordinary shares of nominal value of €1,025 (£0,60) each.

Furthermore during the year the Company issued 15.476.268 new ordinary shares of nominal value of €1,025 (£0,60) each, as described below:

- issue 3.693.858 new ordinary shares from the exercise of 22.163.148 share purchase warrants of €1,025 (£0,60) nominal value each, with an exercise price of €1,538 (£0,90) each.
- issue 11.782.410 new ordinary shares of €1,025 (£0,60) nominal value each to the shareholders of White Knight Holding Public Company Limited as a consideration for the acquisition of 40.392.119 ordinary shares of White Knight Holding Public Company Limited.

Branches

The Group, does not operate any significant branches in Cyprus or abroad.

Significant Events after the Balance Sheet Date

Any significant events which occurred after the end of the year are described in note 33 of the consolidated financial statements.

Main Risks and Uncertainties

The main risks and uncertainties faced by the Group are described in note 3 of the consolidated financial statements.

Review of the development, performance and position of the Group

The profitability of the Group for the financial year ended 31 December 2007, significantly increased compared to the previous year. Specifically, the profit from operations reached €37.924.563 compared to €15.282.025 in 2006, and the profit for the year attributable to shareholders of the Group reached €30.291.601 compared to €13.796.898 in 2006.

In addition to the significant increase in profitability achieved in 2007, there is also a major increase in the cash flows of the Group. The cash inflow before financing activities in 2007 reached €36.794.788 compared to cash outflow of €4.609.603 in 2006. A significant part of this increase was utilized to reduce borrowings.

The Group's target for 2008 is to further enhance its presence in its operating segments, with special focus in its fund raising effort of €360 million so as to enhance its profitability and simultaneously reduce its business risks. The profitability of the Group will increase, both qualitatively and quantitatively, with the continuous balanced allocation of the Group's total assets in its operating segments, along with the constant increase of funds under management in the capital markets, venture capital and shipping and real estate sectors.

The prospects of the Group for 2008 are expected to be influenced by the outcome of various exogenous factors including the future development of the Cyprus and Greek Stock Exchanges, the development of European and International Stock Exchanges, any political developments, the competitive environment in the financial sector, the demand for tourist residences and real estate by foreign investors and finally by developments in the shipping industry and global economic development in general.

Tax Legislation

The provision for current taxation is based on the taxable profit for the year and the appropriate tax rates in force. Furthermore the Group provides for deferred tax liability based on the expected tax rates to be paid to recognise the effect of all temporary differences between the tax base of assets and liabilities and their financial reporting amounts. Any debit balances on deductible temporary differences are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Board of Directors

The members of the Board of Directors and the changes in its composition in the year are shown on page 7 of the Annual Report.

The responsibilities of the Executive Directors are stated below:

Name	**Responsibilities**
Christodoulos Ellinas	Chief Executive Officer
Philip X. Larkos	Chief Financial Officer
Dr John Pitsillos	Executive Director for Risk Management and Strategic Planning

The Non-Executive Directors do not have any executive responsibilities in the Group.

In accordance with the Articles of Association of the Company, the directors Mr Philip X. Larkos, Dr John Pitsillos and Mr Kevork Mahdessian are retiring, and being eligible, offer themselves for re-election in the Annual General Meeting of the Company.

Directors' Remuneration

The total remuneration of the Executive Directors for the year 2007 under their executive capacity, amounted to €1.038.370 (2006:€935.374). The compensation of the Non Executive Directors for the year 2007, as members of the Board of Directors and its Committees, amounted to €68.681 (2006:€38.273).

Directors' Interest in the Share Capital of the Company and subsidiary companies

The shareholdings in the share capital of the Company held by each member of the Board of Directors, the spouse, minor children and companies in which directly or indirectly the Director holds at least 20% at 31 December 2007 and 2 April 2008 were as follows:

	Number of Shares		Percentage of Share Capital in the Company	
	02.04.2008	31.12.2007	02.04.2008	31.12.2007
			%	%
Christodoulos Ellinas	4.336.642	4.336.642	6,95	6,95
Philip X. Larkos	4.809.980	4.809.980	7,71	7,71
Dr John Pitsillos	1.820.014	1.820.014	2,92	2,92
Loizos A. Loizou	1.130.235	1.130.235	1,81	1,81
Kevork Mahdessian	370.000	370.000	0,59	0,59
Vaggelis Georgiou	7.535	7.535	0,01	0,01
Kyriacos Koutsoftas	21.634	21.634	0,03	0,03
Sotos Zackchaios	-	-	-	-

The shareholdings in the share capital of the subsidiary companies of the Group, SFS Group Public Company Limited, held by each member of the Board of Directors, the spouse, minor children and companies in which directly or indirectly the Director holds at least 20% at 31 December 2007 and 2 April 2008 were as follows:

	Percentage of Share Capital in CyVenture Capital Public Company Limited	
	02.04.2008	31.12.2007
	%	%
Philip X. Larkos	0,11	0,11

	Percentage of Share Capital in Lemissoler Shipping Group Public Company Limited	
	02.04.2008	31.12.2007
	%	%
Loizos A. Loizou	0,95	0,95

	Percentage of Share Capital in Triena Investments Public Company Limited	
	02.04.2008	31.12.2007
	%	%
Philip X. Larkos	0,40	0,40

Substantial Shareholding

The following shareholders held over 5% of the Company's issued share capital at 31 December 2007 and 2 April 2008:

	Percentage of share capital	
	02.04.2008	**31.12.2007**
	%	**%**
Philip X. Larkos	7,71	7,71
Demetra Investment Public Limited	7,44	7,44
Christodoulos Ellinas	6,95	6,95

Independent auditors

The independent auditors Deloitte & Touche Limited, expressed their willingness to continue in office. A resolution authorising the Board of Directors to fix their remuneration will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

SFS Custodian & Trust Services Limited
Secretary

Nicosia, 2 April 2008

Statement by the Members of the Board of Directors and the Company Officials Responsible for the Drafting of the Financial Statements

In accordance with the provisions of article 9, cap. (3)(c) and Law 190(I)/2007 on Transparency Requirements we, the members of the Board of Directors and the Company officials responsible for the drafting of the consolidated financial statements of SFS Group Public Company Limited for the year ended 31 December 2007, declare that, to the best of our knowledge,

(a) the consolidated financial statements on pages 68 to 128.

(i) have been prepared in accordance with International Financial Reporting Standards and in accordance with the provisions of cap. (4), and

(ii) give a true and fair view of the assets, liabilities, financial position and profit and loss of SFS Group Public Company Limited and the undertakings included in the consolidation taken as a whole, and

(b) the Directors' report includes a fair review of the developments and performance of the business and the position of SFS Group Public Company Limited and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

MEMBERS OF THE BOARD OF DIRECTORS

Christodoulos Ellinas	Chairman and Chief Executive Officer
Philip X. Larkos	Vice-Chairman and Chief Financial Officer
Dr John Pitsillos	Executive Director for Risk Management and Strategic Planning
Loizos A. Loizou	Non-Executive Director
Kevork Mahdessian	Non-Executive Director
Vaggelis Georgiou	Non-Executive Director
Sotos Zackhaios	Non-Executive Director
Kyriacos Koutsoftas	Non-Executive Director
Antonis Mitilineos	Group Financial Controller

To the Board of Directors of SFS Group Public Company Limited

We have examined the consolidated financial statements of SFS Group Public Company Limited (the "Company") and its subsidiaries (the "Group") on pages 68 to 128. These consolidated financial statements are not the statutory financial statements of the Company which were approved by the Board of Directors on 2 April 2008 and have already been made public. These financial statements have been prepared for convenience purposes only in order to present the statutory financial statements in Euro. Our examination was made for the purpose of assessing the accuracy of the conversion based on the methodology adopted by the Company. Other than this examination we have not carried out additional audit procedures to those adopted for our audit on the statutory financial statements.

On the statutory financial statements which were presented in Cyprus pounds, we have issued an unqualified audit opinion on 2 April 2008 in the manner shown below:

Independent Auditors' Report

To the Members of SFS Group Public Company Limited

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of SFS Group Public Company Limited (the "Company") and its subsidiaries (the "Group") on pages 72 to 138 which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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.

Opinion

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

Report on Other Legal Requirements

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 62 to 65 is consistent with the financial statements.

Other Matter

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

As described in note 2 to the financial statements the figures for the year ended 31 December 2007 and the comparative figures for the year ended 31 December 2006 have been translated from the functional currency of the Company (Cyprus Pounds) into Euro using the exchange rate ruling on 31 December 2007 of 0,585274 CYP to the Euro.

Based on our examination, the financial statements on pages 68 to 128 have been accurately translated into Euro on the basis set out in note 2 as described above.

In our opinion, the basis of conversion is not in accordance with the method prescribed in the International Accounting Standard No. 21 "The Effects of Changes in Foreign Exchange Rates" applicable to situations of translating to a currency other that the functional currency. The Standard requires the assets and liabilities to be translated at closing rate (last year's comparatives at last year's closing rate) and income and expenses at the exchange rates at the date of the transactions (or at the average rate for the period when this is a reasonable approximation), with all resulting exchange differences recognized as a separate component of equity. Had the Company adopted this method the comparative balance sheet figures would have been translated at 0,585274 to the Euro and income and expenses would have been translated as follows:

Year ended 31 December 2007: Average rate of 0,580956 to Euro
Year ended 31 December 2006: Average rate of 0,575971 to Euro

Deloitte & Touche Limited
Certified Public Accountants (Cyprus)

Nicosia, 2 April 2008

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	**2007**	2006
		€	€
Total revenue		**102.959.571**	74.778.234
Gross profit from shipping, commercial, and property activities		**25.809.385**	22.825.781
Net revenue from the provision of financial services		**10.103.963**	7.449.140
Other income		**7.853.732**	1.759.887
Profit on disposal and revaluation of financial assets at fair value through the income statement		**152.247**	2.398.231
Profit on disposal and revaluation of investment property	16	**28.104.573**	11.930.262
Total contribution from operations		**72.023.900**	46.363.301
Expenses			
Selling and distribution costs		**(3.974.484)**	(3.752.342)
Administrative expenses		**(19.184.432)**	(13.946.558)
Depreciation, amortisation and impairment loss of assets	5	**(3.974.084)**	(5.004.148)
Financial expenses		**(6.966.337)**	(8.378.228)
Profit from operations	5	**37.924.563**	15.282.025
Share of profit of associates	18	**4.858.454**	6.364.626
Profit from decrease in share of associates	18	**1.527.886**	28.547
Profit on disposal of investment in subsidiary	23	**-**	75.660
Impairment loss of goodwill	5, 21	**(2.313.901)**	-
Provision for doubtful loans receivable	14	**(512.580)**	-
Profit before taxation		**41.484.422**	21.750.858
Taxation	9	**(4.440.404)**	(1.926.551)
Profit after taxation		**37.044.018**	19.824.307
Attributable to:			
Equity holders of the parent		**30.291.601**	13.796.898
Minority interest	32	**6.752.417**	6.027.409
		37.044.018	19.824.307
Basic earnings per share attributable to equity holders of the parent (cent)	10	**55,73**	29,97
Diluted earnings per share (cent)		**Not applicable**	

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	Note	2007	2006
		€	€
ASSETS			
Current assets			
Cash in hand and at bank	11	**23.983.762**	8.749.757
Clients' money in banks		**26.831.072**	25.142.086
Financial assets at fair value through the income statement	12	**13.593.850**	6.136.334
Trade and other receivables	13	**36.049.833**	20.265.110
Inventories	15	**30.114.608**	18.537.114
Investment property	16	**-**	5.892.966
Current portion of long-term loans receivable	14	**2.279.194**	1.424.893
Total current assets		**132.852.319**	86.148.260
Non-current assets			
Investment property	16	**80.508.295**	78.905.950
Property, plant and equipment-net	17	**68.030.741**	73.043.655
Deferred taxation	27	**1.094.006**	420.721
Long-term loans receivable	14	**560.020**	1.052.521
Investment in associates	18	**22.974.844**	37.403.809
Other non-current assets	19	**888.235**	778.970
Available for sale financial assets	20	**945.157**	870.138
Goodwill	21	**5.945.578**	10.645.667
Intangible assets	22	**5.409.138**	5.188.050
Total non-current assets		**186.356.014**	208.309.481
Total assets		**319.208.333**	294.457.741
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdrafts	11	**18.665.603**	16.194.159
Trade and other payables	24	**55.748.091**	43.661.283
Taxation		**2.708.625**	797.473
Current portion of long-term loans	25	**14.441.795**	18.176.053
Short-term loans	26	**41.312**	2.255.395
Total current liabilities		**91.605.426**	81.084.363
Non-current liabilities			
Deferred taxation	27	**6.397.836**	5.341.483
Long-term loans	25	**69.446.346**	88.827.298
Cash contribution from shareholder of subsidiary	28	**6.176.442**	6.721.563
Total non-current liabilities		**82.020.624**	100.890.344
Equity			
Share capital	29	**63.968.087**	48.102.422
Reserves	30	**49.873.449**	16.849.505
Total equity before the deduction of own shares		**113.841.536**	64.951.927
Own shares	31	**(159.248)**	(92.307)
Own shares held by associates		**(13.951)**	(701.581)
Total equity attributable to equity holders of the parent		**113.668.337**	64.158.039
Minority interest	**32**	**31.913.946**	48.324.995
Total equity		**145.582.283**	112.483.034
Total liabilities and equity		**319.208.333**	294.457.741

Signed on behalf of the Board of Directors on 2 April 2008

Christodoulos Ellinas	Philip X. Larkos	Antonis Mitilineos
Chairman and CEO	Vice-Chairman and CFO	Group Financial Controller

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share capital €	Share capital to be issued €	Share premium €	Buyback of own shares €	Own shares held by associates €	Deficit from own shares held by associates €	Surplus from revaluation of available for sale financial assets €	Profit and Loss reserve €	Hedging and foreign exchange differences reserve (Note 30) €	Immovable property revaluation reserve €	Total equity attributable to equity holders of the parent €	Minority interest €	Total €
Balance at 1 January 2006	44.495.448	1.644.956	-	(97.361)	(487.022)	(4.314.191)	(165.852)	6.733.812	(3.525.110)	3.552.862	47.837.542	45.607.136	93.444.678
Issue of share capital	3.606.974	(1.644.956)	132.560	-	-	-	-	(168.899)	-	-	1.925.679	-	1.925.679
Decrease in the share of own shares held by associates disposed	-	-	-	-	117.738	774.306	-	(892.044)	-	-	-	-	-
Sale of own shares	-	-	-	5.054	-	-	-	5.946	-	-	11.000	-	11.000
Profit on revaluation of available for sale financial assets held by associates	-	-	-	-	-	-	2.031.609	-	-	-	2.031.609	-	2.031.609
Revaluation of available for sale financial assets held by subsidiaries	-	-	-	-	-	-	10.877	-	-	-	10.877	-	10.877
Foreign exchange difference on conversion of balances of subsidiaries and associates	-	-	-	-	-	-	-	-	(593.889)	-	(593.889)	-	(593.889)
Immovable property revaluation	-	-	-	-	-	-	-	-	-	358.133	358.133	-	358.133
Deferred tax on revaluation of immovable property	-	-	-	-	-	-	-	-	-	43.542	43.542	-	43.542
Minority interest from revaluation of immovable property	-	-	-	-	-	-	-	-	-	125.606	125.606	-	125.606
Share issue costs	-	-	-	-	-	-	-	(3.048)	-	-	(3.048)	-	(3.048)
Increase in the share of own shares held by associates	-	-	-	-	(332.297)	-	-	-	-	-	(332.297)	-	(332.297)
Share of net profit from revaluation and disposal of own shares held by associates	-	-	-	-	-	315.068	-	-	-	-	315.068	-	315.068
Defence on deemed distribution of dividends offset with the defence of the actual dividend	-	-	-	-	-	-	-	67.764	-	-	67.764	-	67.764
Dividends paid	-	-	-	-	-	-	-	(1.436.445)	-	-	(1.436.445)	-	(1.436.445)
Profit for the year	-	-	-	-	-	-	-	13.796.898	-	-	13.796.898	-	13.796.898
Movement in minority interest (Note 32)	-	-	-	-	-	-	-	-	-	-	-	2.717.859	2.717.859
Balance at 31 December 2006	48.102.422	-	132.560	(92.307)	(701.581)	(3.224.817)	1.876.634	18.103.984	(4.118.999)	4.080.143	64.158.039	48.324.995	112.483.034

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007 (Continued)

	Share capital	Share capital to be issued	Share premium	Buyback of own shares	Own shares held by associates	Deficit from own shares held by associates	Surplus from revaluation of available for sale financial assets	Profit and Loss reserve	Hedging and foreign exchange differences reserve (Note 30)	Immovable property revaluation reserve	Total equity attributable to equity holders of the parent	Minority interest	Total
	€	€	€	€	€	€	€	€	€	€	€	€	€
Balance at 1 January 2007	48.102.422	-	132.560	(92.307)	(701.581)	(3.224.817)	1.876.634	18.103.984	(4.118.999)	4.080.143	64.158.039	48.324.995	112.483.034
Issue of share capital	15.865.665	-	9.373.350	-	-	-	-	-	-	-	25.239.015	-	25.239.015
Decrease in the share of own shares held by associates disposed	-	-	-	-	448.766	2.787.672	-	(3.236.438)	-	-	-	-	-
Sale of own shares	-	-	-	3.708	-	-	-	47.655	-	-	51.363	-	51.363
Increase in share of own shares held by subsidiaries	-	-	-	(70.649)	-	-	-	-	-	-	(70.649)	-	(70.649)
Decrease in share of own shares held by associates	-	-	-	-	238.864	-	-	-	-	-	238.864	-	238.864
Issue of share options	-	134.856	-	-	-	-	-	-	-	-	134.856	-	134.856
Share of net profit from revaluation and disposal of own shares by associates	-	-	-	-	-	444.981	-	-	-	-	444.981	-	444.981
Revaluation of available for sale financial assets	-	-	-	-	-	-	(101.788)	-	-	-	(101.788)	-	(101.788)
Transfer of profit from available for sale financial assets of subsidiaries and associates to the income statement	-	-	-	-	-	-	(1.843.087)	-	-	-	(1.843.087)	-	(1.843.087)
Loss on revaluation of available for sale financial assets held by associates	-	-	-	-	-	-	(61.349)	-	-	-	(61.349)	-	(61.349)
Shares issue costs	-	-	-	-	-	-	-	(13.185)	-	-	(13.185)	-	(13.185)
Foreign exchange difference on conversion of balances of subsidiaries and associates	-	-	-	-	-	-	-	-	(1.061.682)	-	(1.061.682)	-	(1.061.682)
Immovable property revaluation	-	-	-	-	-	-	-	-	-	672.523	672.523	-	672.523
Dividend paid	-	-	-	-	-	-	-	(4.411.165)	-	-	(4.411.165)	-	(4.411.165)
Profit for the year	-	-	-	-	-	-	-	30.291.601	-	-	30.291.601	-	30.291.601
Movement in minority interest (Note 32)	-	-	-	-	-	-	-	-	-	-	-	(16.411.049)	(16.411.049)
Balance at 31 December 2007	63.968.087	134.856	9.505.910	(159.248)	(13.951)	7.836	(129.590)	40.782.452	(5.180.681)	4.752.666	113.668.337	31.913.946	145.582.283

See accompanying notes to the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	€	€
Cash flow from operating activities		
Profit before taxation	**41.484.422**	21.750.858
Adjustments for:		
Depreciation of property, plant and equipment	**4.022.885**	4.199.869
Amortisation of intangible assets	**151.476**	114.596
Cost of share options granted to staff	**134.856**	-
Profit on revaluation of financial assets through the income statement	**(697.971)**	(1.959.544)
Profit on disposal of property, plant and equipment	**(19.070)**	(50.829)
Interest receivable	**(1.371.732)**	(1.281.566)
Dividends received	**(394.931)**	(197.304)
Interest expense	**6.966.337**	8.378.228
Negative goodwill	**(5.494.097)**	(408.130)
Impairment loss of goodwill	**2.313.901**	-
Goodwill write off due to deemed disposal of share in associate	**26.524**	-
Impairment loss of goodwill on investment in associates	**-**	913.083
Loss/(profit) on disposal of intangible assets	**2.061**	(769)
Profit on disposal of investment in subsidiary	**-**	(75.660)
Net profit from decrease in share of associates	**-**	(28.547)
Share of profit in associates	**(4.858.454)**	(6.364.626)
Foreign exchange differences on conversion of balances of subsidiaries	**(12.847)**	(333.789)
Profit on revaluation of investment property	**(20.312.496)**	(11.005.205)
Profit on disposal of investment property	**(7.792.077)**	(925.057)
Loss on revaluation of other assets	**-**	65.653
Increase in provision for doubtful receivables, loans receivables and obsolete stocks	**1.788.699**	73.011
Net profit on disposal of associate	**(1.527.886)**	-
Foreign exchange difference written off in the income statement	**190.211**	-
Cash provided before working capital changes	**14.599.811**	12.864.272
(Increase)/decrease in financial assets at fair value through the income statement	**(2.475.100)**	1.878.327
Increase in trade and other receivables and clients' money accounts	**(15.349.482)**	(20.161.686)
Increase in trade and other payables	**8.452.161**	21.019.355
(Increase)/decrease in inventories	**(1.730.543)**	351.121
Cash flow provided by operations	**3.496.847**	15.951.389
Interest received	**1.371.732**	796.224
Dividends received	**394.931**	197.304
Interest paid	**(6.966.337)**	(8.378.228)
Taxation paid	**(627.850)**	(479.623)
Net cash (used in)/provided by operating activities	**(2.330.677)**	8.087.066

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007 (Continued)

	Note	**2007**	2006
		€	€
Cash flow from investing activities			
Increase in share of associates		**(115.099)**	(546.266)
Proceeds from disposal of associate		**-**	184.973
Disposal of property, plant and equipment		**146.355**	172.697
Proceeds from disposal of subsidiary	23	**-**	135.931
Purchase of property, plant and equipment		**(2.104.833)**	(14.638.316)
Purchase of intangible assets		**(240.742)**	(248.812)
Disposal of other non-current assets		**87.509**	7.689
Disposal of investment property		**34.410.379**	2.098.867
Purchase of investment property		**(7.489.918)**	(357.270)
Dividend received from associates		**1.667.421**	1.290.973
Purchase of subsidiaries	23	**838.336**	(151.145)
Purchase of available for sale financial assets - net		**(75.020)**	(315.507)
Purchase of non-current assets		**-**	(304.261)
Increase of share in subsidiary companies		**(330.909)**	-
New loans receivables		**(874.382)**	(26.022)
Proceeds from disposal of associates		**13.206.368**	-
Net cash provided by/(used in) investing activities		**39.125.465**	(12.696.469)
Cash flow before financing		**36.794.788**	(4.609.403)
Cash flow from financing activities			
(Decrease)/increase of loans payable - net		**(21.680.066)**	4.567.970
Decrease in short-term loans payable		**(2.214.083)**	(5.367)
Cash contribution from shareholders of subsidiaries		**29.434**	10.858
Share issue costs of subsidiaries		**-**	(3.048)
Dividend paid to minority shareholders of subsidiaries		**(1.420.458)**	(1.646.540)
Disposal of own shares		**51.362**	11.000
Dividend paid		**(4.411.165)**	(1.436.445)
Cash from exercise of warrants		**5.680.198**	795.359
Net cash (used in)/provided by financing activities		**(23.964.778)**	2.293.787
Net increase/(decrease) in cash and cash equivalents		**12.830.010**	(2.315.616)
Cash and cash equivalents at the beginning of the year		**(7.444.402)**	(5.003.352)
Foreign exchange difference on cash and cash equivalents at the beginning of the year		**(67.449)**	(125.434)
Cash and cash equivalents at the end of the year	11	**5.318.159**	(7.444.402)

See accompanying notes to the consolidated financial statements.

1. General

Incorporation and Ultimate Holding Company

SFS Group Public Company Limited, (the "Company"), was incorporated in Cyprus on 12 February 1998 as a private, limited liability company, under the Cyprus Companies Law, Cap. 113. The Company is the holding company of the Group, SFS Group Public Company Limited, (the "Group"). On 5 April 1999, the Company was converted to a public company under the provision of the Companies Law, Cap. 113, by a change in the Articles of Association of the Company and its securities were listed on the Cyprus Stock Exchange on 2 July 1999. The registered office of the Company is located at 6, Theotoki Street, Ellinas House, 1055 Nicosia.

Activities

The principal activities of the Group are the provision of local and international financial services and investment banking, stockbroking, trading of securities, strategic investment in associates, shipping, venture capital, investment in immovable property and property development, commercial and other related activities.

2. Accounting Policies

General

The principal accounting policies, all of which have been applied consistently in relation to items which are considered material to the determination of the result for the year and to the presentation of the financial affairs of the Group are set out below.

Basis of Translation

The financial statements of the Group as approved by the Board of Directors of the Company are prepared in Cyprus Pounds. The monetary values included in this English translation of the financial statements are expressed in Euro. The figures for the year ended 31 December 2007 and the comparative figures for the year ended 31 December 2006 have been translated from the functional currency of the Company (Cyprus Pounds) into Euro using the exchange rate ruling on 31 December 2007 of 0,585274 CYP to the Euro.

The financial statements represent supplementary information from the information required by International Financial Reporting Standards. The functional currency (Cyprus Pounds) reflects the economic substance of the underlying events and circumstances of the Company and this supplementary information is displayed in Euro (€) for convenience purposes only.

Basis of Presentation

The consolidated financial statements are prepared under the historical cost convention, as modified for the revaluation of the financial assets at fair value through the income statement, the available for sale financial assets, property plant and equipment, investment property and the translation of foreign currency.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union (EU) except from the basis of translation from the functional currency of the Company (Cyprus Pounds) into Euro which is not in accordance with the provisions of IAS 21. All IFRS's issued by the International Accounting Standards Board (IASB), and are effective for the year of preparation of these consolidated financial statements, have been adopted by the EU through the endorsement procedure established by the European Commission, except for some requirements of IAS39 "Financial Instruments: Recognition and measurement" which are directly related to accounting for the hedging of portfolio risk. In addition, the consolidated financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, and the provisions of the Cyprus Stock Exchange Laws and Regulations, except from the basis of translation from the functional currency of the Company (Cyprus Pounds) into Euro which is not in accordance with the provisions of IAS 21.

Comparative amounts have been restated to conform to changes in the presentation in the current year.

2. Accounting Policies (Continued)

Standards, interpretations and amendments of standards effective from 2007, and standards and interpretations that are issued but not yet effective

Standards, interpretations and amendments of standards effective from 2007

IFRS 7 'Financial Instruments: Disclosures' and a complementary amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures'
IFRS 7 requires additional disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments. In particular, it specifies minimum disclosures about credit risk, liquidity risk and market risk. IFRS 7 replaces IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation'. The amendment to IAS 1 introduces disclosures relating to the level of an entity's capital and how it is managed.

Standards and interpretations issued by the IASB and adopted by the EU but not yet effective

IFRS 8 'Operating Segments' (effective for annual periods beginning on or after 1 January 2009)
IFRS 8 replaces IAS 14 'Segment Reporting' and adopts a management-based approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Group is in the process of assessing the implications on the consolidated financial statements from the adoption of this Standard as of 1 January 2009.

IFRIC 11 IFRS2- 'Group and Treasury Share Transactions' (effective for the annual periods beginning on or after 1 January 2008)
IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The Group will apply IFRIC 11 as of 1 January 2008.

Standards and interpretations issued by the IASB but not yet adopted by the EU and not yet effective

Amendment to IAS 23 'Borrowing Costs' (effective for annual periods beginning on or after 1 January 2009)
The amended IAS 23 requires that the borrowing costs directly attributable to the acquisition or construction of a qualifying asset is capitalised on qualifying assets that is, to be included in the purchase cost of the asset. The Group is in the process of assessing the implications of the revised IAS 23 on the consolidated financial statements.

IFRIC 12 'Service Concession Arrangements' (effective for annual periods beginning on or after 1 January 2008)
IFRIC 12 outlines an approach to account for contractual arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognise a financial asset and/or an intangible asset. IFRIC 12 is not applicable to the Group.

IFRIC 13 'Customer Loyalty Programmes' (effective for annual periods beginning on or after 1 July 2008)
IFRIC 13 provides guidance in relation to the requirements of IAS 18 for revenue recognition. IFRIC 13 clarifies that where goods or services are sold with customer loyalty incentive (for example loyalty point or free goods) then paragraph 13 of IAS 18 should be applied, which requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. IFRIC 13 is not applicable to the Group.

2. Accounting Policies (Continued)

Standards and interpretations issued by the IASB but not yet adopted by the EU and not yet effective (Continued)

IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after 1 January 2008)
IFRIC 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 'Employee Benefits'. It also explains how this limit, also referred to as the 'asset ceiling test', may be influenced by a minimum funding requirement and aims to standardise current practice.
According to IFRIC 14 the employer need not record any additional liability except in the case that its contributions payable required by the minimum funding requirements cannot be refunded to the company. Countries with minimum funding requirements and with refund restrictions are expected to get influenced by IFRIC 14. The Group is in the process of assessing the implications of IFRIC 13 on the financial statements.

Amendment to IAS 1 'Presentation of Financial Statements' (effective for annual periods beginning on or after 1 January 2009)
The amendment to IAS 1 (Revised 2007) affects the presentation of owner changes in equity and comprehensive income. IAS1 (Revised 2007) requires an entity to present in a statement of changes in equity all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in a statement of comprehensive income or in two statements (a statement of comprehensive income and a separate income statement). The Group is in the process of assessing the implications if the IAS 1 (Amended 2007) on the financial statements.

Revisions to IFRS 3 'Business Combinations' and Amendment to IAS 27 'Consolidated and Separate Financial Statements' (effective for annual periods beginning on or after 1 July 2009)
The main principle of the amendments to IFRS 3 (Revised 2008) is that the acquirer of a business recognizes the assets acquired and liabilities assumed at their acquisition date at fair values and discloses information that enables users to evaluate the nature and financial effects of the acquisition. Furthermore, any non-controlling interest in an acquiree is measured at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group is in the process of assessing the implications of IFRS3 (Amended 2008) on the financial statements.

IAS 27 (Revised 2008) 'Consolidated and Separate Financial Statements' (effective for annual accounting periods beginning after 1 July 2009).
The amendment to IAS 27 (Revised 2008) specifies the accounting for changes in the level of ownership interest in a subsidiary, the accounting for the loss of control of a subsidiary and the information that the entity must disclose to enable users of the financial statements to evaluate the nature of the relationship between the entity and its subsidiaries. The Group is in the process of assessing the implications of IAS 27 (Revised 2008) and will apply IAS 27 (Revised 2008) from 1 July 2009.

Amendment to IFRS 2 'Share Based Payment – Vesting Conditions and Cancellations' (effective for annual periods beginning on or after 1 January 2009)
This amendment clarifies that only service conditions and performance conditions are vesting conditions. All other features need to be included at the grant-date fair value and do not impact the number of awards expected to vest or the valuation subsequent to the grant date. The Group is in the process of assessing the implications of IFRS 2 (Revised 2008) and will apply IFRS 2 (Revised 2008) from 1 January 2009.

IAS 32 Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements (Amendment 2008: Puttable Financial Instruments and Obligations Arising on Liquidation) (effective for annual periods beginning on or after 1 January 2009)
These amendments address the classifications of some puttable financial instruments and instruments or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. The Group is on the process of assessing the implications of IAS 32 and IAS 1(Amendment 2008) and will apply the amendments from 1 January 2009.

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

2. Accounting Policies (Continued)

Principles of Consolidation

The consolidated financial statements of the Group for the year ended 31 December 2007 include the financial statements of SFS Group Public Company Limited and all of the companies it controls as listed in note 23.

This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital. The equity and net income or loss attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated income statement, respectively.

Intercompany balances and transactions, including unrealised profits and losses and intercompany profits, are eliminated.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's reserves. Minority interests consist of the share of net assets of these interests at the date of the original business combination and the minority's share of changes in reserves since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Non-current Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Investment in Associates

Investment in associates (normally evidenced by ownership of between 20% to 50% in a company's equity) where a significant influence is exercised by the Group are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized unless the Group has a binding obligation or provides guarantees to the associated company.

2. Accounting Policies (Continued)

Investment in Associates (Continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, is recognised immediately in the income statement.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets at Fair Value through the Income Statement

An investment is classified in this category if it was acquired with the intention of being disposed of in the near future (investments held for trading), or if it was assigned in this category by the Board of Directors of the Group on initial recognition.

The fair value of listed investments is based on the bid price at the balance sheet date, as per the daily official listing of the Cyprus Stock Exchange and foreign stock exchanges. Any unlisted investments are valued using different valuation methods based on market information. The effective date of purchase or sale of investments is regarded to be the date when the order is executed (trade date).

The cost price of shares and other instruments are accounted for using the average cost method and it includes transaction costs and brokerage commission expenses.

The profit or loss from re-measurement to fair value of financial assets at fair value through the income statement represents the difference between the sales price at the end of the year compared to the sales price at the beginning of the year or the cost price of the investments that were purchased during the year.

The profit or loss from the disposal of investments is calculated after the brokerage commission and the original cost of the investment is subtracted from the disposal proceeds. The profit or loss on disposal is included in the income statement.

Available for Sale Financial Assets

Available-for-sale financial assets are those acquired and held for an unspecified period of time and may be sold to cover cash flow deficiencies, fluctuations in interest rates, exchange rates or other changes in security values.

Financial assets which have been classified by the Group as available-for-sale are valued at their estimated fair value. The fair value of listed investments is based on the bid price at the balance sheet date, as per the daily official listing of the Cyprus Stock Exchange and foreign stock exchanges. Any unlisted investments, are valued using different valuation methods using available market information at the balance sheet date. Investments in available for sale financial assets are impaired if the decrease in their fair value is significant or considered long-term. The profit or loss from re-measurement to fair value of financial assets available for sale is recognised in the revaluation of available-for-sale financial assets reserve. On disposal of these investments, the cumulative profit or loss recognised previously in equity is included in the income statement for the year.

At the balance sheet date, available for sale financial assets are reviewed for impairment. Any impairment loss is charged to the income statement for the year.

Available for sale financial assets are written off when the contractual rights over the cash flows of the financial assets expire or when the Group has substantially transferred the risks and benefits of ownership of a financial asset.

2. Accounting Policies (Continued)

Financial Instruments (Continued)

Trade receivables

Trade and other receivables are presented after the deduction of provision for bad and doubtful debts in the ordinary course of business. Provision is recognised only for debts with doubtful recoverability.

Trade payables

Trade payables are presented at fair value.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. The Group considers all short term highly liquid instruments with maturity of three months or less to be cash equivalents.

Loans

Loans payable or receivable are valued based on their amortised cost, minus any principal repayments and minus any unamortised prepayments using the effective interest method.

Revenue Recognition

Revenue is earned from activities in Cyprus and abroad. It represents mainly income from the provision of stockbroking services and other commissions, financial services, asset management and private equity, interest and dividends receivable, as well as sales of goods during the year after the deduction of returns and trade discounts. Revenue from sales of goods is stated net of Value Added Tax.

Revenue is recognised in the income statement when delivery of goods has taken place or on provision of services to clients. Underwriting revenues and fees for investment banking and advisory services are recorded when services for the transaction are substantially completed. Commission income is recorded on a trade-date basis in the consolidated income statement. Income from services provided on a contract basis is recognised upon realisation of the terms of the contract. Interest receivable is recognised on an accruals basis.

Income from time-charter hire is recognised on an accruals basis in the income statement of the year.

Rent receivable is recognised on an accruals basis in the income statement of the year.

Income from disposal of developed property is recognised upon final delivery of the property and the completion of the transfer of risks to the purchaser.

Clients' Money in Banks

Amounts due to brokerage clients, in respect of deposits (net of withdrawals) and brokerage transactions are kept in segregated bank accounts by the Group on behalf of those clients. The bank balances are presented in the balance sheet as a current asset (clients' money accounts) with corresponding amounts in current liabilities.

Property, Plant and Equipment

Land and buildings are carried at cost or revalued amount less accumulated depreciation. The remaining property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives to write-off the cost to the estimated residual value of each asset. The annual depreciation rates used are:

	Residual Value	Percentage
Buildings and building improvements	-	3 - 4%
Plant and machinery	-	10%
Furniture, fittings and office equipment	-	10%
Computer hardware	-	20%
Motor vehicles	-	20%
Vessels	41% - 66%	8 1/3% - 50%

No depreciation is provided on land and buildings under construction.

2. Accounting Policies (Continued)

Property, Plant and Equipment (Continued)

Maintenance repairs are charged to the income statement as incurred. The costs of major renovations and improvements are capitalised to the extent that are expected to generate future economic benefits.

Depreciation is provided from the date that the construction of assets has been completed and the asset has been brought in operation.

The Group adopted the policy to revalue its immovable property in 2005. Revaluations are performed with sufficient regularity such as the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the immovable property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to income statement to the extent that it exceeds the balance, if any, held in the immovable property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to profit and loss reserve.

When property, plant and equipment is disposed, the difference between the disposal proceeds and the net book value is debited or credited in the income statement of the year.

Cost of Vessels

Vessels are stated at cost, which consists of the contract price and any material expenses incurred upon acquisition date. Subsequent expenditure for conversions and major improvements are also capitalised when they extend the life, increase the earning capacity or improve the safety of the vessels, otherwise are charged to expenses as incurred.

Intangible Assets

An intangible asset is recognised when it is possible that future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. Both of these criteria are assumed to be met for all intangible assets acquired through business combinations. Intangible assets with indefinite useful lives are not amortized but are tested for impairment at least once a year, or earlier if an indication for impairment exists.

Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is computed on a straight-line basis over the estimated useful lives to write-off the cost to the estimated residual value of each asset. The annual amortisation rates used are:

Computer software	33%
Capitalised representation expenses	20%

Amortisation is accounted for from the date when economic benefits are derived from the asset.

The unamortised balance is reviewed at each balance sheet date to assess the probability of continuing future benefits. Impairment loss is recognised as an expense on the income statement when the carrying amount of the intangible assets exceeds its recoverable amount.

Foreign Exchange

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements as approved by the Board of Directors of the Company, the results and financial position of each entity are expressed in Cyprus pounds, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

2. Accounting Policies (Continued)

Foreign Exchange (Continued)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are presented at the exchange rate prevailing on the transaction date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

On consolidation, the financial statements of subsidiaries which keep accounting records in foreign currency, are translated in Cyprus pounds as follows:

- The assets and liabilities are translated at the exchange rate prevailing at the end of the accounting year.
- The income statement is translated using the average exchange rate for the accounting year.

The resulting foreign exchange difference is transferred to reserves. Such differences are transferred to the income statement in the period which the foreign operation is disposed of.

The share of the Group in the net assets of associates which keep accounting records in foreign currency, is translated at the exchange rate prevailing at the end of the accounting year. The share of the Group in the profits or losses of associates, which keep accounting records in foreign currency, is translated using the average exchange rate for the accounting year. The resulting profits or losses are included in the foreign exchange difference reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date. In accordance with the transitional provisions of the revised IAS 21 "The Effects of Changes in Foreign Exchange Rates", the goodwill recognized by the Group from the acquisition of foreign operations before 1 January 2005 (date that the revised IAS 21 was adopted for the first time) are presented using the exchange rate at the transaction date.

Hedge Accounting

The Group engages in hedging of its currency risk in the cases where the Group's assets are kept in foreign currency. This currency risk is hedged by borrowing an equivalent amount in foreign currency. As a result, any exchange differences that arise from the re-measurement of the above items at the balance sheet date, are transferred to the hedging and foreign exchange reserve.

Hedge accounting is terminated when hedged item is disposed of, or when hedging no longer meets the criteria for hedge accounting. In this case the net accumulated profit or losses recorded in the hedging and translation reserve are transferred to the income statement.

Dividend Income

Dividend income is recognised when the Group becomes entitled to receive such dividends.

Borrowing Costs

Borrowing costs are expensed on an accruals basis.

Goodwill

The amount of goodwill which arises from the acquisition of subsidiaries represents the excess of the purchase price over the fair value of the Group's share in the net identifiable assets acquired, and it is presented as goodwill in the balance sheet. Goodwill is initially recognised at cost and is subsequently measured at cost less accumulated impairment losses. Goodwill is tested for impairment at least once a year. Any impairment loss identified is recognized as an expense in the income statement.

2. Accounting Policies (Continued)

Goodwill (Continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-flows expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Investments in associates" above.

Negative Goodwill

The amount of negative goodwill that arises from the acquisition of subsidiaries and associates that represents the excess of the fair value of the Group's share in the net identifiable assets acquired over the purchase price, is recognized immediately as income in the income statement in accordance with the provisions of IFRS 3 (Business Combinations).

Share-based Payments

Share-based payments are measured at fair value at the date of grant. If the equity-settled shares are offered without any conditions, then it is presumed that the services to be rendered as a consideration have been received by the Group. In that case, at the date of grant, the Group recognises an expense in the income statement equal to the fair value of the shares granted with a corresponding credit in the reserves.

Taxation

The provision for current taxation is based on the profit for the year and the appropriate tax rates in force. The Group adopts the liability method of tax effect accounting to recognise the effect of all temporary differences between the tax base of assets and liabilities and their financial reporting amounts. Any debit balances on deductible temporary differences are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Leases

The Group as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as non-current assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease and are depreciated based on the accounting policy of the Group for the depreciation of property, plant and equipment. The corresponding liability to the lessor is included in the balance sheet as a non-current finance lease obligation. Lease repayments are apportioned between finance charges and reduction of the lease obligation. Finance charges are calculated on the remaining unamortized balance of the finance lease obligation using the current floating interest rate and are charged in the income statement on an accruals basis, unless the cost is directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Leases of property in which the Group retains all the risks and rewards incident to ownership of the asset are accounted for as finance leases. Lease payments under an operating lease are recognized as an expense in the income statement on a straight line basis over the lease term.

The Group as lessor

Income from operating leases is recognized on a straight-line basis over the term of the relevant lease. The initial indirect cost occurred during the negotiation of an operating leases is added in the value of the asset and it is recognised on a straight-line basis over the lease term.

2. Accounting Policies (Continued)

Share Issue Costs

Costs directly attributable to the issue of share capital of the Group, including underwriting and selling commissions, are written off in share premium in the accounting year that they are incurred, or in profit and loss reserve in case when the amount of share issue costs exceed the balance in share premium.

Employee Retirement Benefit Scheme

The annual cost of fixed contribution plans is recognised in the income statement for the year to which it relates.

Investment Property

Investment property consists of investments in land and buildings that are held to earn rentals or for capital appreciation, rather than for use in the supply of services or for administrative purposes of the Group or for resale. Investment property is initially recognised at cost, which includes transaction costs relating to the acquisition, and is subsequently carried at fair value.

The fair value of the investment property is based on valuations performed by independent professional valuers before the deduction of transaction costs that the Group will incur on its sale.

The profit or loss on the disposal of investment property included in the income statement for the year, represents the net proceeds less the carrying amount of such property.

The profit or loss on the revaluation of investment property included in the income statement for the year, represents the difference between the market value at the end of the year and the market value at the beginning of the year or the cost of the investment property acquired during the year.

Impairment of Assets (excluding Goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is defined as the higher of the asset's fair value less cost to sell and its value in use. Fair value less costs to sell is defined as the net proceeds from the disposal of an asset in a binding sale agreement in an arms length transaction between knowledgeable, willing parties after deducting the costs of disposal, whereas value in use is the present value of the future cash flows expected to be derived from the continuous use of an asset and from its ultimate disposal at the end of its estimated useful life. For the calculation of the value in use, the future cash flows are discounted at a pre-tax interest rate. The discount factor reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Provisions

The Group recognises a provision for legal or contingent liabilities as a result of past events when there is a present obligation that is likely to result in the outflow of cash or other resources, provided that the obligation can be estimated reliably.

Inventories

Inventories, including land and buildings under construction, finished goods and work in progress, are valued at the lower of cost (weighted average cost) or average cost of production and net realisable value. Cost of production includes materials, direct labour and production overheads. The cost of the construction of land and buildings comprises the acquisition cost of the land and the construction costs of the buildings. Net realisable value is the selling price in the ordinary course of business of the Group less the costs of completion, marketing and distribution. Provision is recognised for obsolete or slow moving stocks.

2. Accounting Policies (Continued)

Own Shares

Own shares are presented in the balance sheet as a deduction from equity.

Any profit or loss resulting from the disposal, issue or cancellation of own shares held by the Group and the share of own shares held by subsidiaries and associates is not recognised in the Consolidated Income Statement for the year.

At the balance sheet date, the share of the Group in own shares held by subsidiaries and associates is presented as a deduction from equity rather than as an asset in the consolidated balance sheet.

Government Grants

Amounts receivable from Government grants are presented in the financial statements only when there is reasonable assurance that the Group fulfills the necessary conditions and that the grants will be received.

Government grants in relation to income are credited in the income statement for the year.

Government grants in relation to new machinery are deducted from the acquisition cost of the asset. The depreciation of machinery is calculated on the adjusted cost of the asset after deducting the government grant.

Segmental Analysis

For management purposes, the Group is organised in six major operating segments – Financial Services, Proprietary Trading, Management and Development of Land, Shipping Segment, Commercial Segment and Other Activities. The division of segments is based on the reporting of information to the Board of Directors. The Group has determined that business segments are the primary reportable segments.

Segment revenue and expense: All revenue is allocated to the business segments as described above. Expenses that are directly related to the business segments are recorded as such. In the cases where expenses are not directly related to one of the above segments then they are allocated on a reasonable basis to the segments.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating cash, investments, receivables, and non-current assets. When the assets are directly attributed to a segment, they are allocated as such. In cases where an asset is used jointly by two or more segments, it is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities.

Inter segmental sales and charges are made on an arms length basis.

The Group also reports information by geographical segment as follows:

(a) Analysis of group revenue by geographical area based on the geographical location of its customers, for each geographical segment where revenue from sales to external customers is 10% or more of total group revenue.

(b) Analysis of the total carrying amount of the assets of the Group based on the geographical location of the assets, for each geographical segment where segment assets are 10% or more of the total assets of all geographical segments.

(c) Analysis of the total costs incurred during the period to acquire non-current assets (property, plant, equipment and intangible assets) by geographical location of assets, for each geographical segment where segment assets are 10% or more of the total assets of the Group.

3. Financial risk management

Financial risk factors

The Group is exposed to market price risk, interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk, litigation risk, reputation risk, share ownership risk, capital management risk and other risks arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

(i) Market risk

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

Sensitivity analysis

An increase in equity prices by 15% at 31 December 2007 would have increased the value of available for sale financial assets and equity by €51.000 and the value of financial assets at fair value through the income statement by €1.710.000. For a decrease of 15% there would be an equal and opposite impact on equity and results respectively.

(ii) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2007	2006
	€	€
Fixed rate instruments		
Financial assets		
Fixed deposits	**5.028.359**	-
Fixed rate bonds	**279.254**	-
	5.307.613	-
Financial liabilities		
Bank loans	**(16.568.568)**	(20.815.127)
Other payables	**(59.634)**	(205.066)
	(16.628.202)	(21.020.193)
Variable rate instruments		
Financial assets		
Bank balances	**45.786.475**	33.891.843
Interest bearing receivables	**196.775**	455.993
	45.983.250	34.347.836
Financial liabilities		
Bank overdrafts	**(18.665.603)**	(16.194.159)
Bank loans	**(66.913.524)**	(85.784.220)
Hire purchase liabilities	**(406.049)**	(404.004)
	(85.985.176)	(102.382.383)

Sensitivity analysis

An increase of 50 basis points in interest rates at 31 December 2007 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 50 basis points there would be an equal but opposite impact on the results and equity.

3. Financial risk management (continued)

(ii) Interest rate risk (continued)

	Equity		Results	
	2007	2006	**2007**	2006
	€	€	**€**	€
Variable rate instruments	**-**	-	**(362.970)**	(505.515)

(iii) Credit risk

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

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the maximum credit exposure without taking account of the value of any collateral obtained:

	2007	2006
	€	€
Financial assets at fair value through the income statement	**279.254**	-
Trade and other receivables	**32.871.776**	19.588.702
Amounts due from brokerage clients	**4.048.652**	574.454
Guarantees provided to bank on related company loans	**184.118.208**	56.772.794
	221.317.890	76.935.950

Brokerage clients' debit balances are secured by 1.128.000 shares of a listed company with fair value at 31 December 2007 of €5.414.000, as well as by other securities in the total amount of €200.000.

(iv) Liquidity risk

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

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

31 December 2007	**Carrying Amounts**	**Contractual cash flows**	**3 months or less**	**Between 3-12 months**	**Between 1 and 2 years**	**Between 2 - 5 years**	**More than 5 years**
	€	**€**	**€**	**€**	**€**	**€**	**€**
Bank loans	**83.482.092**	**99.908.304**	**5.178.250**	**13.650.897**	**16.446.242**	**52.909.533**	**11.723.382**
Obligations under finance leases	**406.049**	**505.616**	**56.068**	**151.948**	**143.104**	**154.496**	**-**
Bank overdrafts	**18.665.603**	**18.665.603**	**18.665.603**	**-**	**-**	**-**	**-**
Trade and other payables	**44.035.648**	**44.035.648**	**40.990.498**	**3.045.150**	**-**	**-**	**-**
	146.589.392	**163.115.171**	**64.890.419**	**16.847.995**	**16.589.346**	**53.064.029**	**11.723.382**

31 December 2006	**Carrying Amounts**	**Contractual cash flows**	**3 months or less**	**Between 3-12 months**	**Between 1 and 2 years**	**Between 2 - 5 years**	**More than 5 years**
	€	**€**	**€**	**€**	**€**	**€**	**€**
Bank loans	106.599.346	128.893.019	6.238.352	20.383.926	29.891.764	55.135.598	17.243.379
Obligations under finance leases	404.004	496.675	48.825	125.357	142.156	180.337	-
Bank overdrafts	16.194.159	16.194.159	16.194.159	-	-	-	-
Trade and other payables	37.835.393	37.835.393	35.274.352	2.561.041	-	-	-
	161.032.902	183.419.246	57.755.688	23.070.324	30.033.920	55.315.935	17.243.379

3. Financial risk management (continued)

(v) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. The nature and extent of the currency risk is being analysed by executive committee of the Group on a continuous basis. The Group takes measures to mitigate currency risk in relation to short- term transactions.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2007	2006	**2007**	2006
	€	€	**€**	€
Euros	**47.988.585**	47.038.520	**61.862.511**	42.802.084
U.S.Dollars	**29.167.369**	44.598.566	**2.473.228**	4.616.610
Polish zloty	**3.073.396**	-	**1.279.683**	-
Sterling pound	**-**	-	**1.528.951**	1.243.659
Swedish franks	**-**	-	**5.409**	251.750
	80.229.350	91.637.086	**67.149.782**	48.914.103

Sensitivity analysis

A 10% strengthening of the Cyprus Pound against the following currencies at 31 December 2007 would have increased (decreased) equity and results by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Cyprus Pounds against the relevant currency, there would be an equal and opposite impact on the results and equity

	Equity		**Results**	
	2007	2006	**2007**	2006
	€	€	**€**	€
Euros	**-**	-	**-**	423.644
U.S.Dollars	**1.656.856**	2.552.090	**1.046.730**	1.446.106
Polish zloty	**-**	-	**179.371**	-
Sterling pound	**-**	-	**(152.896)**	(124.362)
Swedish franks	**-**	-	**(542)**	(8.089)
	1.656.856	2.552.090	**1.072.663**	1.737.299

In the context of the adoption of Euro by the Republic of Cyprus as the official currency from 1 January 2008, the exchange rate between the Cyprus Pound and Euro has been locked on 10 July 2007 at (£0,585274= €1). Therefore, there is no exchange risk for the financial instruments denominated in Euros at the end of the current year. On the sensitivity analysis above it has been assumed that the exchange rate between Cyprus pound and Euro for 2007 remains constant.

(vi) Capital management risk

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from last year.

(vii) Operational risk

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

(viii) Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Group.

3. Financial risk management (continued)

(ix) Litigation risk

Litigation risk is the risk of financial loss, interruption of the Group's operations or any other unfavourable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Group to execute its operations. Furthermore the Group monitors litigation risk through its internal legal department.

(x) Reputation risk

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. The Group applies procedures to minimize this risk.

(xi) Share ownership risk

The risk of share ownership arises from the investment in shares/participation of the Group and is a combination of credit, price and operational risk as well as the risk of litigation, compliance and loss of reputation. The Group applies procedures of analysis, measurement and evaluation of this risk in order to minimize it.

(xii) Other risks

The general economic environment prevailing in Cyprus and internationally may affect the Group's operations to a great extent. Concepts such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Group.

Fair value estimation

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the balance sheet date.

4. Judgments and accounting estimates

The preparation of the financial statements requires the Board of Directors to make significant accounting judgments and estimates.

Judgments

During the process of applying the Group's accounting policies, which are described in note 2, the Board of Directors has made the following judgments that have a significant effect on the amounts recognized in the financial statements.

Legal cases and claims

At the date of this report, legal cases against the companies of the Group amounted to €11.077.582 in accordance with the claims of plaintiffs. The companies of the Group have disputed the lawsuits and have filed for defence, depending on the circumstances of each case. The Board of Directors after assessing the situation and considering relevant legal advice, is of the opinion that there are no reasons for which any provision should be made in respect of the above legal actions.

Classification of financial assets at fair value through the income statement

The Group applies the guidance of IAS39 for the classification of financial assets at fair value through the income statement.

The Group makes judgment when classifying investments in different portfolios based on the policy set for managing the relevant risks. On this basis the Group has classified its portfolio of investments held for trading in this category, as it is operating in this sector with the intention of generating profits in the form of dividends and fluctuations in fair values. Other investments which have been classified in this category represent investments in shares, for which performance is evaluated based on their accumulated profitability and which the Group has the intention of disposing.

Revenue recognition

The Group applies the provisions of IAS18 for accounting for revenue from sale of developed property, under which income and cost of sales are recognized upon delivery and when substantially all risks have been transferred to the buyer.

4. Judgments and accounting estimates (continued)

Estimates

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:

Provision for bad and doubtful debts

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

Provision for obsolete and slow-moving inventory

The Group reviews its inventory records for evidence regarding the saleability of inventory and its net realizable value on disposal. The provision for obsolete and slow-moving inventory is based on management's past experience, taking into consideration the movement as well as the level of stock and the expiration date of inventory.

The amount of provision is recognized in the income statement. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow-moving inventory are reviewed regularly and adjusted accordingly.

Taxation

The tax computation based on the legislation requires various estimations during the preparation of the financial statements, since the final tax assessment of the Group's companies is confirmed by the tax authorities at a later stage. Any possible differences between the final tax assessment and the provision in the financial statements will affect the taxation charge of subsequent periods.

Impairment of intangible assets

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition.

The Board of Directors of the Group reviews the recoverability of the intangible assets recognized in the financial statements as at 31 December 2007 that amount to €5.409.138. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset.

When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

Valuation of non-listed investments

The Group uses various valuation methods to value non-listed investments. These methods are based on assumptions made by the Board of Directors which are based on market information at the balance sheet date.

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units using a suitable discount rate in order to calculate present value.

5. Profit from Operations

		2007	2006
		€	€
(a)	The profit from operations is stated after charging:		
	Executive Directors' emoluments		
	- Salaries	**714.564**	768.871
	- Bonus	**142.385**	162.488
	- Fees	**10.561**	4.015
	Payments to ex-directors in relation to termination of their employment	**170.860**	-
	Non-Executive Directors' fees	**68.681**	38.273
	Auditors' remuneration	**299.050**	274.126
	Depreciation of property, plant and equipment	**4.022.885**	4.199.869
	Amortisation of intangible assets	**151.476**	114.596
	Impairment loss of goodwill	**2.313.901**	-
	Impairment loss of goodwill on investment in associates	**-**	913.083
	Staff costs (Note 8)	**9.299.562**	8.470.916
	Rent payable	**439.345**	627.463
	Loss on disposal of property, plant and equipment	**-**	7.248
	Interest payable	**6.966.337**	8.378.228
	Foreign exchange loss	**281.038**	408.378
	Loss on disposal of financial assets at fair value through the income statement	**545.724**	-
	Direct operating expenses for investment properties rented during the year	**8.569**	6.739
	Loss on revaluation of other non-current assets	**-**	65.653
	Cost of inventory recognised in the income statement	**18.941.778**	17.639.702
	and after crediting:		
	Profit on disposal of investment property	**7.792.077**	925.057
	Interest receivable	**1.371.732**	1.281.566
	Foreign exchange gain	**633.257**	55.477
	Dividend receivable	**394.931**	197.304
	Profit on revaluation of investment property	**20.312.496**	11.005.205
	Rent receivable from rental of investment property	**300.796**	274.108
	Profit on disposal of property, plant and equipment	**19.070**	58.077
	Profit on revaluation of financial assets at fair value through the income statement	**697.971**	1.959.544
	Profit on revaluation of other non-current assets	**-**	20.722
	Negative goodwill	**5.494.097**	408.130
	Revenue from sale of products	**32.577.656**	33.224.445
	Revenue from rendering of services	**59.954.541**	38.725.057
	Profit on disposal of financial assets at fair value through the income statement	**-**	438.687
	Government grant	**40.468**	33.290
	Rent receivable	**8.512**	14.865

(b) Depreciation, amortisation and impairment loss of assets are analysed as follows:

	2007	2006
	€	€
Amortisation of intangible assets	**151.476**	114.596
Depreciation of property, plant and equipment	**3.796.084**	3.976.470
Impairment loss of goodwill on investment in associates	**-**	913.082
Write off goodwill due to deemed disposal of share in associate	**26.524**	-
	3.974.084	5.004.148

6. Depreciation of property, plant and equipment and amortisation of intangible assets

Depreciation and amortisation allocated to the following categories of operating expenses:

	2007	2006
	€	€
Gross profit from commercial shipping, property holding and development activities	**226.801**	223.400
Depreciation, amortisation and impairment losses of assets	**3.947.560**	4.091.065
	4.174.361	4.314.465

7. Segmental Analysis

	2007	2006
	€	€
Revenue		
Financial services	**17.363.348**	8.111.206
Property holding and development	**30.987.097**	17.035.588
Shipping segment	**41.708.176**	29.619.023
Commercial segment	**31.309.583**	29.428.816
Other activities	**9.695.940**	2.513.863
	131.064.144	86.708.496
Result		
Financial services	**5.167.344**	3.908.289
Proprietary trading	**152.247**	2.398.231
Property holding and development	**29.052.061**	13.504.700
Shipping segment	**8.537.265**	6.725.383
Commercial segment	**1.532.484**	589.602
Other activities	**9.358.244**	2.721.319
Administration overheads	**(8.908.745)**	(5.274.188)
	44.890.900	24.573.336
Expenses not allocated to specific segments:		
Financial expenses	**(6.966.337)**	(8.378.228)
Share of profit of associates	**4.858.454**	6.364.626
Profit on disposal of investment in subsidiary	**-**	75.660
Net profit from decrease in share of associates	**1.527.886**	28.547
Impairment loss of goodwill in associate	**-**	(913.083)
Impairment loss of goodwill	**(2.313.901)**	-
Provision for doubtful loans receivable	**(512.580)**	-
Taxation	**(4.440.404)**	(1.926.551)
Profit for the year after taxation	**37.044.018**	19.824.307
Segment Assets		
Financial services	**42.084.858**	28.477.400
Proprietary trading	**14.539.007**	7.006.472
Property holding and development	**117.950.391**	110.374.425
Shipping segment	**68.423.337**	70.518.403
Commercial segment	**42.366.290**	44.557.486
Other activities	**25.193.810**	13.974.752
Unallocated corporate assets	**8.022.859**	5.286.782
Elimination among segments	**(9.576.528)**	(14.476.303)
	309.004.024	265.719.417
Unallocated investment in associates	**10.204.309**	28.738.324
	319.208.333	294.457.741

7. Segmental Analysis (Continued)

	2007	2006
	€	€
Segment Liabilities		
Financial services	**33.594.375**	25.741.899
Property holding and development	**28.379.588**	20.404.464
Shipping segment	**44.181.529**	51.148.122
Commercial segment	**27.976.809**	37.769.691
Other activities	**3.006.923**	10.245.582
Unallocated corporate liabilities	**46.063.355**	51.141.252
	183.202.579	196.451.010
Elimination among segments	**(9.576.529)**	(14.476.303)
	173.626.050	181.974.707
Additions of property, plant and equipment		
Financial services	**237.807**	120.130
Property holding and development	**3.004**	10.626
Shipping segment	**1.141.742**	13.658.761
Commercial segment	**722.280**	848.799
	2.104.833	14.638.316
Additions of intangible assets		
Financial services	**127.252**	73.960
Shipping segment	**97.038**	147.531
Commercial segment	**16.452**	27.321
	240.742	248.812
Depreciation of property, plant and equipment		
Financial services	**222.897**	178.219
Shipping segment	**2.633.490**	2.838.747
Commercial segment	**1.162.874**	1.179.662
Property holding and development	**3.624**	3.241
	4.022.885	4.199.869
Amortisation of intangible assets		
Financial services	**88.289**	72.188
Commercial segment	**11.788**	8.287
Shipping segment	**51.399**	34.121
	151.476	114.596
Impairment loss of goodwill		
Commercial segment	**2.028.753**	-
Property holding and development	**102.169**	-
Financial services	**182.979**	-
	2.313.901	-
Impairment loss of goodwill of investment in associates		
Unallocated goodwill of investment in associates	**-**	913.083

7. Segmental Analysis (Continued)

Business segments

For management purposes, the Group is organised in six major business segments – Financial Services, Proprietary Trading, Property Holding and Development, Shipping Segment, Commercial Segment, and Other Activities. The division of segments is based on the reporting of information to the Board of Directors. The Board of Directors have determined that business segments are the primary reportable segments.

The Financial Services Segment provides a broad range of financial services to corporations and individuals. These services include corporate finance, financial and management advisory assignments, IPO and underwriting services (which include public offerings and private placements of equity and debt securities), brokerage services, fund management and private equity management.

The Proprietary Trading Segment generates income from own trading mainly in listed and unlisted investments.

The Property Holding and Development Segment includes the management of a portfolio of immovable property in Cyprus. The portfolio includes land and buildings in the cities and district of Nicosia, Larnaca, Paphos and Limassol. The purpose of these investments is their tourist, commercial, industrial and residential development as well as their capital appreciation and revenue return to the Group.

The Shipping Segment includes the activities of the Group in managing vessels owned by subsidiaries of the Group, ship management and transport services of containers in North Europe.

The Commercial Segment includes revenue from the production and distribution of products such as tools, raw materials, nuts and dairy as well as the operation of restaurants.

The Other Activities Segment includes dividends, interest receivable and other income.

Segment revenue and expenses: All revenue is allocated to the business segments as described above. Expenses that are directly related to the business segments are recorded as such. In the cases where expenses are not directly related to one of the above segments they are allocated on a reasonable basis to the segments.

Inter segmental sales and charges are made on an arms-length basis.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of cash, investments, receivables and non-current assets. When the assets are directly attributed to a segment, they are allocated as such. In cases where an asset is used jointly by two or more segments, it is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of creditors.

Investment in associates: as per note 18 of the financial statements, the Group has significant influence over a number of companies. The investments are accounted for by applying the equity method. The Group's share of the net assets and of the net profits or losses resulting from the associates are excluded from segment assets and segment revenue respectively.

Geographical segments

The Group's revenue based on the geographical location of its customers are analysed as follows:

	2007	2006
	€	€
Cyprus	**89.355.968**	57.089.473
America	**7.397.863**	8.044.323
Europe	**34.310.313**	21.446.073
Middle East	**-**	128.627
Total	**131.064.144**	86.708.496

7. Segmental Analysis (Continued)

The carrying amount of the segment assets and additions to property, plant and equipment and intangible assets of the Group are analysed based on the geographical location of the assets as follows:

	Assets		Additions to property, plant and equipment and intangible assets	
	2007	2006	**2007**	2006
	€	€	**€**	€
Cyprus	**253.793.560**	232.016.647	**904.672**	1.080.913
America	**38.686.439**	40.361.239	**655.999**	1.918
Europe	**26.728.334**	22.079.855	**784.904**	13.804.297
	319.208.333	294.457.741	**2.345.575**	14.887.128

8. Staff Costs and Number of Employees

	2007	2006
	€	€
Wages and salaries	**8.117.456**	7.350.921
Employee benefit scheme contribution	**184.404**	192.547
Other contributions	**997.702**	927.448
Total	**9.299.562**	8.470.916

The number of employees of the Group at 31 December 2007 was 376 (2006: 371).

9. Taxation

	2007	2006
	€	€
Tax expense		
Corporation tax charge (10%)	**2.680.941**	267.365
Special contribution for defence (3%/10%)	**35.132**	20.014
Immovable property tax	**-**	322.047
Share of taxation of associates	**578.997**	176.104
Deferred taxation relating to temporary differences	**1.145.334**	1.173.809
Taxation in respect of prior years	**-**	(32.788)
	4.440.404	1.926.551

Tax rates

Corporation tax

In accordance with the Income Tax Law of 2002 which came into effect on 1 January 2003 the companies of the Group are subject to corporation tax at a rate of 10% on their total taxable profits. In case of taxable losses, the companies of the Group have the right to carry forward indefinitely these losses and offset against profits of subsequent years.

From 1 January 2003, the Group, which for tax purposes consists of the Company and all the subsidiaries is entitled to transfer losses and offset them against profits among the companies of the Group, where the surrendering company and the claimant company are members of the same group for the whole of the tax year (Group Relief). For tax purposes members of the same Group are considered as the companies which the parent company controls directly or indirectly at least 75% of the issued share capital.

Special contribution for defence

Foreign dividend income is subject to defence contribution at a rate of 15% under specific circumstances. Defence Contribution on rental income reduced by 25%, is subject to special contribution at a rate of 3%. Interest receivable, of non-trading nature are subject to defence contribution at a rate of 10%.

9. Taxation (continued)

Distribution of profits

From the tax year commencing 1 January 2003 onwards, companies which do not distribute 70% of their profits after tax, as defined in the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence will be payable on such deemed dividends. Any special defence contribution will be payable by the shareholders considering the deemed dividend distribution amount payable initially by the Company and then subsequently charged to shareholders.

The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year during the following two years and in the case when the actual dividend is paid after the two years of the relevant tax year, any deemed distribution amount decreases the actual dividend for which special contribution for defence is withheld.

Reconciliation between the tax expense and the product of accounting profit:

	2007	2006
	€	€
Profit before taxation	**41.484.422**	21.750.858
Corporation tax on profit for the year at the applicable rate of 10%	**4.148.442**	2.175.086
Special contribution for defence from interest and dividend received	**35.132**	20.014
Capital gains tax	**63.816**	322.047
- Tax effect of expenses that are not deductible in determining taxable profit	**3.591.933**	1.594.156
- Tax effect of share of profit in associates	**(485.846)**	(636.463)
- Effect of taxable losses carried forward	**460.483**	287.161
- Tax effect of losses utilised	**(593.194)**	(193.720)
- Tax effect of allowable deductions and income not taxable in determining taxable profit	**(4.645.884)**	(1.721.039)
- Other tax effects	**893.216**	(78.724)
Taxation in respect of prior years	**(27.920)**	(32.788)
Share of taxation of associates	**578.997**	176.104
Additional taxation	**421.229**	14.717
Tax expense	**4.440.404**	1.926.551

10. Earnings per Share

	2007	2006
	€	€
Numerator for basic and diluted earnings per share:		
- Profit for the year after taxation attributable to the equity holders of the parent	**30.291.601**	13.796.898
	2007	2006
	Number	Number
		(restated)
Denominator for the calculation of earnings per share:		
- Weighted average number of ordinary shares during the year	**54.346.251**	45.761.142
Denominator for diluted earnings per share	**54.346.251**	45.761.142
	2007	2006
	cent	cent
Earnings per share	**55,73**	29,97
Diluted earnings per share	**Not applicable**	

10. Earnings per share (Continued)

Factors affecting the computation of earnings per share:

I Reverse split of share capital

During the year ended 31 December 2007 the Company's share capital has been consolidated following a reverse split so that every six ordinary shares of nominal value of €0,171 (£0,10) per share be consolidated to one consolidated share of nominal value €1,025 (£0,60) per share.

II Share issue for the acquisition of additional share in White Knight Holdings Public Company Limited

During the year ended 31 December 2007 the Company issued 11.782.410 new ordinary shares of €1,0251 (£0,60) each to acquire additional share in White Knight Holdings Public Company Ltd.

III Exercise of 2005/2007 warrants

During the year ended 31 December 2007, the Company issued 3.693.858 new ordinary shares of nominal value €1,025 (£0,60) each, resulted from exercise of 22.163.148 2005/2007 warrants.

Due to the fact that the warrants have been exercised at a lower price than the average market price of the Company share on the CSE, the denominator of the earnings per share calculation has been adjusted accordingly.

The earnings per share calculation for the year ended 31 December 2006 has been restated to account for the impact to the denominator of factors (I) and (II) as described above.

The diluted earnings per share are not presented since such calculation increases the earnings per share amount.

11. Cash and cash equivalents

	2007	2006
	€	€
Cash at bank and in hand	**23.983.762**	8.749.757
Bank overdrafts	**(18.665.603)**	(16.194.159)
	5.318.159	(7.444.402)

The bank balances bear the current bank deposit interest rate. The guarantees on the bank overdrafts are presented in note 25.

12. Financial assets at fair value through the income statement

	2007	2006
	€	€
At the beginning of the year	**6.136.334**	6.103.648
Disposals, net	**2.475.100**	(1.926.158)
Unrealised profit on revaluation	**697.971**	1.959.544
From disposal of subsidiaries	**-**	(700)
From acquisition of subsidiaries	**4.284.445**	-
At the end of the year	**13.593.850**	6.136.334

The financial assets at fair value through the income statement are analysed as follows:

	2007	2006
	€	€
Listed investments on the Cyprus Stock Exchange and in Foreign Stock Exchanges	**11.813.385**	4.581.862
Unlisted investments	**1.780.465**	1.554.472
	13.593.850	6.136.334

12. Financial assets at fair value through the income statement (Continued)

During the year ended 31 December 2007, an impairment loss of €60.220 (2006:€85.430) has been recognized on unlisted investments. The unlisted shares are valued using different valuation methods based on market conditions that existed at the balance sheet date. The fair value of the listed investments is based on the bid price at the balance sheet date, as per the daily official listing of the Cyprus Stock Exchange and foreign stock exchanges.

The Group earns dividend income and capital gains by holding the above investments. The above investments do not have a predetermined expiry date, or preestablished interest receivable. The fair value of the investments is based on the current market prices.

All of the above investments are held for trading.

13. Trade and Other Receivables

	2007	2006
	€	€
Trade debtors	**22.702.755**	13.599.265
Fees receivable	**173.876**	1.741.448
Amounts due from brokers and clearing organizations	**1.942.767**	-
Prepayments	**3.178.056**	676.408
Other debtors	**8.052.379**	4.247.989
	36.049.833	20.265.110

The above amounts are receivable within one year.

The Board of Directors is of the opinion that the fair value of trade and other debtors approximates the amount presented in the balance sheet after deducting provision for bad and doubtful debts.

Concentrations of credit risk with respect to trade receivables are limited due to the Group'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 Group's trade receivables.

Ageing of past due but not impaired trade receivables:

	2007	2006
	€	€
0-30 days	**255.380**	219.967
31-60 days	**4.271.847**	3.321.807
61-90 days	**2.257.777**	1.219.564
91-120 days	**1.241.504**	752.976
Over 120 days	**4.574.738**	4.414.907
	12.601.246	9.929.221

The Group has recognized a loss of €283.081 (2006: €129.309) for the impairment of its trade receivables during the year ended 31 December 2007. The loss has been included in selling and distribution costs in the income statement.

The Group does not hold any collateral over the trading balances.
Movement of provision for doubtful receivables:

	2007	2006
	€	€
At the beginning of the year	**1.117.515**	994.485
Provision for doubtful debts	**283.081**	129.309
Bad debts written off	**(38.971)**	(1.269)
Receipts	**(1.604)**	(5.010)
At the end of the year	**1.360.021**	1.117.515

14. Long- term Loans Receivable

	2007	2006
	€	€
Interest bearing loans	**1.661.718**	1.449.966

Loans are repayable as follows:

	2007	2006
	€	€
Within one year	**2.279.194**	1.424.893
Within two to five years	**560.020**	1.052.521
	2.839.214	2.477.414
Less: Amounts repayable within one year	**(2.279.194)**	(1.424.893)
Amounts repayable after more than 12 months	**560.020**	1.052.521

A significant amount of a loan receivable with carrying value as of 31 December 2007 of €2.279.194 (2006: €1.424.893) has been repaid after the end of the year under review.

Additionally, the Group acquired the rights to a loan receivable totalling €1.052.521 through the acquisition of the subsidiary CyVenture Capital Public Company Limited. The loan was granted by CyVenture Capital Public Company Limited to A. Philis Holdings Limited and it is secured with floating charges on the assets of A. Philis Holdings Limited. The loan bears interest of 8,5%, and is payable in five annual instalments beginning from 31 December 2003. During the year ended 31 December 2007 the Group raised a provision for doubtful loan receivable of €512.580 in relation to the above loan. Furthermore during the year ended 31 December 2007 interest income recognised on the above loan totalled €88.424 (2006: €82.455).

15. Inventories

	2007	2006
	€	€
At cost		
Land and buildings under development	**18.642.820**	8.566.593
Finished goods	**9.165.926**	8.906.006
Raw materials	**2.305.862**	1.064.515
	30.114.608	18.537.114

The securities on land and buildings under development are presented in note 25.

16. Investment Property

	2007	2006
	€	€
Balance at the beginning of the year	**84.798.916**	73.694.442
Transfers from property, plant and equipment	**814.663**	1.021.744
Additions	**7.489.918**	357.268
Disposals	**(23.713.679)**	(1.279.742)
Profit on revaluation of investment property	**20.312.496**	11.005.204
Transfer to land and buildings under development	**(9.194.019)**	-
Balance at 31 December	**80.508.295**	84.798.916
Less: Amount in current assets	**-**	(5.892.966)
Non-current amount of investments property	**80.508.295**	78.905.950

The revaluation of investment property is based on the valuation undertaken by independent professional valuers. The valuation was carried out using the Comparison Method of valuation and the Cost of Construction Method (for certain buildings) on the basis of the open market value of the investment property. The market value was estimated in accordance with market evidence, the physical and legal characteristics, the investment potential of the properties under review as well as the trend of the property market and the economy in general.

Immovable property held as investment with fair value €5.892.966 was sold in early 2007, hence included in current assets as at 31 December 2006.

By 31 December 2007, the Group had not acquired title deeds for investment property with fair value €3.139.172 (2006:€2.270.695).

Guarantees relating to investment property included in note 25.

17. Property, Plant and Equipment- net

	Land buildings and buildings improvement €	Furniture Fittings and office equipment €	Plant and machinery €	Computer hardware €	Motor vehicles €	Vessels €	Total €
Cost or revaluation							
Balance 1.1.2006	16.086.946	4.433.382	7.575.686	1.646.559	3.043.323	55.300.437	88.086.333
Foreign exchange difference on conversion of balances of subsidiaries that maintain accounting records in foreign currency	-	(289)	-	(480)	-	(4.667.035)	(4.667.804)
Transfer to intangible assets	-	-	-	(30.160)	-	-	(30.160)
Transfer to investment properties	(1.021.744)	-	-	-	-	-	(1.021.744)
Additions	49.833	217.983	369.367	150.524	235.198	13.615.411	14.638.316
Disposals	(57.064)	(19.611)	(145.752)	(2.108)	(201.157)	-	(425.692)
From disposal of subsidiaries	-	(2.814)	-	(11.533)	-	-	(14.347)
Revaluation	234.078	-	-	-	-	-	234.078
Balance 1.1.2007	15.292.049	4.628.651	7.799.301	1.752.802	3.077.364	64.248.813	96.798.980
Acquisition of subsidiaries	-	28.913	-	128.058	60.105	-	217.076
Foreign exchange difference	(20.269)	5.345	41.331	5.365	2.770	(5.135.236)	(5.100.694)
Additions	109.602	184.683	277.530	191.046	245.042	1.096.930	2.104.833
Transfer (from)/to other category	-	(41.225)	41.225	-	-	-	-
Transfer to investment properties	(830.549)	-	-	-	-	-	(830.549)
Disposals	(17.317)	(11.798)	(264.804)	(145)	(118.702)	-	(412.766)
Revaluation- restatement	2.123.732	-	-	-	-	-	2.123.732
Balance 31.12.07	16.657.248	4.794.569	7.894.583	2.077.126	3.266.579	60.210.507	94.900.612
Depreciation							
Balance 1.1.2006	-	2.618.379	6.021.072	1.376.301	2.549.187	8.066.232	20.631.171
Foreign exchange difference on conversion of balances of subsidiaries that maintain accounting records in foreign currency	-	14	-	(108)	-	(620.063)	(620.157)
Charge for the year	337.656	365,952	349.592	126.370	222.952	2.797.347	4.199.869
Transfer to intangible assets	-	-	-	(21.588)	-	-	(21.588)
On disposals	(5.355)	(18.226)	(106.887)	(2.108)	(171.248)	-	(303.824)
From disposal of subsidiaries	-	(1.360)	-	(4.731)	-	-	(6.091)
Revaluation	(124.055)	-	-	-	-	-	(124.055)
Balance 1.1.2007	208.246	2.964.759	6.263.777	1.474.136	2.600.891	10.243.516	23.755.325
Acquisition of subsidiaries	-	28.149	-	94.768	23.946	-	146.863
Foreign exchange difference	4.803	(979)	16.260	4.036	1.104	(779.059)	(753.835)
Charge for the year	344.307	362.210	352.273	152.089	234.468	2.577.538	4.022.885
Transfer (from)/to other category	-	(31.056)	31.056	-	-	-	-
Transfer to investment properties	(15.886)	-	-	-	-	-	(15.886)
Disposals	(589)	(5.999)	(166.368)	(145)	(112.380)	-	(285.481)
Balance 31.12.07	540.881	3.317.084	6.496.998	1.724.884	2.748.029	12.041.995	26.869.871
Net book value							
31 December 2007	**16.116.367**	**1.477.485**	**1.397.585**	**352.242**	**518.550**	**48.168.512**	**68.030.741**
31 December 2006	15.083.803	1.663.892	1.535.524	278.666	476.473	54.005.297	73.043.655

Allocation of depreciation in the income statement is analysed in note 6 of the consolidated financial statements.

17. Property, Plant and Equipment- net (Continued)

The carrying value of non depreciable land at 31 December 2007 was €9.668.287 (2006:€9.051.449).

The carrying value of land and buildings improvements includes building improvements held under finance lease of €142.132 (2006:€146.439). The carrying value of motor vehicles includes motor vehicles held under finance lease of €295.368 (2006:€177.329).

Land and buildings have been revalued on 31 December 2005 by independent professional valuers on the basis of the open market value of the immovable property. The market value was estimated in accordance with market evidence, the physical and legal characteristics, the investment potential of the properties under review, as well as the trend of the property market and the economy in general.

The accumulated revaluation for 2005 amounted to €6.659.653. The historical cost less the accumulated depreciation and impairment of land and buildings is €7.815.695 (2006:€8.219.924).

The securities on property, land and equipment are presented in note 25.

No interest has been capitalised during the year ended 31 December 2007 (2006:€Nil).

At 31 December 2007 and 2006, the Group did not have any capital commitments for building improvements.

18. Investment in Associates

	2007	2006
	€	€
Share of net assets at the beginning of the year	**37.403.809**	31.439.202
Increase in share of associates	**91.761**	546.266
Foreign exchange difference on conversion of balances of associates that maintain accounting records in foreign currency	**(498.052)**	(629.090)
Share of (loss)/profit on revaluation of financial assets available for sale of associates	**(61.349)**	2.031.609
Dividend received from associates	**(1.667.421)**	(1.290.973)
Share of profit after dividends receivable for the year/period from acquisition to 31 December	**4.858.454**	6.364.626
Share of tax for the year/period from acquisition to 31 December	**(578.997)**	(176.104)
Decrease/(increase) in share of own shares held by associates	**238.864**	(58.761)
Share of profit on revaluation or disposal of own shares held by associates	**444.981**	41.531
Transfer to subsidiaries	**(3.761.602)**	-
Write off of negative goodwill of associate companies	**-**	205.012
Impairment loss of goodwill of investment in associates	**-**	(913.083)
Decrease in share of associates	**(9.551)**	(156.426)
Goodwill write off due to deemed disposal of share in associate	**(26.524)**	-
Goodwill on increase of share in associate	**23.339**	-
Proceeds from disposal of associate	**(13.206.368)**	-
Profit on disposal of associate	**1.537.437**	-
Transfer of accumulated profit on revaluation of available for sale financial assets to profit on disposal of associate	**(1.813.937)**	-
Share of net assets at the end of the year	**22.974.844**	37.403.809

18. Investment in Associates (Continued)

The main associates of the Group are the following:

Name	Principal activity	County of Incorporation	Percentage of ownership Direct 2007	Percentage of ownership Direct 2006	Percentage of ownership Indirect 2007	Percentage of ownership Indirect 2006	Percentage of voting rights Direct 2007	Percentage of voting rights Direct 2006	Percentage of voting rights indirect 2007	Percentage of voting rights indirect 2006	Nominal value of issued share capital 2007 €	Nominal value of issued share capital 2006 €
Triena Investments Public Company Limited	Investment company	Cyprus	84,17%	27,34%	-	-	84,17%	27,34%	-	-	5.828.216	5.802.732
TFI Public Company Limited	Trade finance and FX	Cyprus	28,41%	29,98%	7,46%	7,12%	28,41%	29,98%	7,46%	7,12%	15.865.982	15.050.364
Ellinas Finance Public Company Limited	Provision of margin accounts and other financing activities	Cyprus	26,91%	26,91%	-	-	26,91%	26,91%	-	-	9.841.544	9.841.544
Athina Investments Public Company Limited	Investment company	Cyprus	-	20,87%	-	-	-	20,87%	-	-	46.407.857	43.935.497
Dot.Cy Developments Limited	Financial and internet software developer	Cyprus	25,94%	25,94%	-	-	25,94%	25,94%	-	-	4.400	4.400
Animalia Genetics Limited	Farming	Cyprus	-	-	22,38%	17,72%	-	-	22,38%	17,72%	1.947.806	1.947.806
Investwise J.E. Limited	Investment in immovable property	Cyprus	-	-	35,80%	28,36%	-	-	35,80%	28,36%	5.640.093	5.640.093
A. Philis Holding Limited	Holding company	Cyprus	-	-	39,23%	39,23%	-	-	39,23%	39,23%	645.851	645.851
Cypra Limited	Production and distribution of meat products	Cyprus	-	-	25,61%	25,61%	-	-	25,61%	25,61%	1.709	1.709
IMCL Poland Sp. Zo.o	Shipping activities	Poland	-	-	44,76%	35,44%	-	-	44,76%	35,44%	194.781	194.781
Lemissoler Gulf	Dormant	Kuwait	-	-	43,86%	34,73%	-	-	43,86%	34,73%	74.324	74.324
White Wise Ltd	Investment in immovable property	Cyprus	-	-	35,80%	28,36%	-	-	35,80%	28,36%	1.709	1.709

On 31 October 2007, the Group has obtained control of the company Triena Investments Public Company Limited and as a result the investment was transferred to the subsidiary companies.
The share capital of TFI Public Company Limited is denominated in United States Dollars US$17.415.000 (2006:US$16.125.000).

The foreign exchange differences arising from investment in associates are included in reserves.

18. Investment in Associates (Continued)

Public Offer for the acquisition of Athina Cyprus Public Company Limited

The Board of Directors of the Company at a meeting held on the 27th March 2007 decided to submit a Public Offer for the acquisition of 50% plus 1 share of the issued share capital of Athina Cyprus Public Company Ltd (the "Target Company") for cash. The total issued capital of Athina stands at 102.857.219 shares of nominal value €0,43 (£0,25), of which the Company already owned 20,87%.

The consideration offered for every share of the Target Company was equal to its Net Asset Value as at 31 March 2007 minus the proposed dividend of €0,047 (£0,0275) in cash. It is clarified that in case that the distribution of the proposed dividend follows the date of transfer of the shares of the Target Company to the Company, the Company engaged that the proposed dividend for 2006 will be granted to those who will accept the Public Offer.

Following the Cyprus Stock Exchange Council decision, dated May 14, 2007, to consider the Public Offer of Hellenic Bank for the acquisition of the 100% of the share capital of Athina Cyprus Public Company Ltd as competitive, the Board of Directors decided to exercise its right to withdraw its Public Offer for the acquisition of 50% plus 1 share if the share capital of Athina Cyprus Public Company Limited.

Furthermore Hellenic Bank Public Company Ltd has reached an agreement with the Company based on which the Group sold its stake in Athina Cyprus Public Company Limited (21.465.911 shares) to Hellenic Bank Public Company Limited for €0,617 per share. The gain that resulted from the above transaction amounted to €1.537.437.

On 8 July 2007 the Group agreed, effective from 31 May 2007, with Hellenic Bank Public Company Ltd for the termination of the Asset Management Agreement of Certain Assets of Athina Cyprus Public Company Limited dated 4 December 2002. Finally the Company has agreed the termination of the agreement with Athina Cyprus Public Company Limited for the appointment of a consultant for the establishment and operation of an Investment Incubator, which had been signed between the two companies on 4 December 2000.

Triena Investments Pubic Company Limited

During the period ended 30 June 2007, 29.830 warrants have been exercised that resulted in a deemed disposal of the Company's stake in Triena Investments Public Company Limited (from 27,34% the company's stake decreased to 27,22%).

In addition during 2007 the Group acquired 174.032 shares of Triena Investments Public Company Limited, resulting in an increase in the Group's stake in Triena Investments Public Company Limited to 29,77%. In accordance with the Public Offer dated 2 August 2007, for the acquisition of more than 50% and up to 100% of the total issued share capital of Triena Investments Public Company Limited, the Company secured 84,17% of the share capital of Triena Investments Public Company Limited, and as a result the above investment was transferred in the investment in subsidiaries (note 23).

TFI Public Company Limited

During 2007 1.290.000 Share Options of TFI Public Company Limited have been exercised resulting in a deemed disposal of the Company's stake in TFI (from 37,01% the Company's stake decreased to 34,41%).

In addition the Group's share in TFI Public Company Limited increased by 0,81% through the increase in stake in the subsidiary company White Knight Holdings Public Company Ltd by 18,64%.

Furthermore during 2007 the Group purchased 112.000 shares of TFI Public Company Limited for a total cost of €114.417. As a result of the above transaction the Group's share in TFI Public Company Limited has increased by 0,65%.

As a result of the above transactions the Group's stake in TFI Public Company Limited reached 35,87% at 31 December 2007.

18. Investment in Associates (Continued)

Leda Investment Public Company Limited

During 2006, the Group reduced its shareholding in Leda Investment Public Company Limited and therefore ceased exercising significant influence over the above company. The investment was transferred in financial assets at fair value through the income statement. As a result of the above transaction the Group realised a profit of €28.547.

Summarised financial information in respect of the Group's associates are set out below:

	2007	2006
	€	€
Total assets	**117.187.745**	169.724.857
Total liabilities	**(63.686.627)**	(38.284.725)
Net assets	**53.501.118**	131.440.132
Group's share of associates net assets (including goodwill and the effect of own shares)	**22.974.844**	37.403.809
Total income	**20.990.283**	14.127.337
Net profit of associates	**4.000.185**	24.493.682
Group's share of associates profit (including the share of profit of associate companies disposed off during the year, and the effect of own shares)	**4.858.459**	6.364.626

Total income excludes realised and unrealised profit on disposal and revaluation of financial assets at fair value through income statement.

The market value of the associates that are listed in the Cyprus Stock Exchange is presented below:

	Market value		**Group's share**	
	2007	2006	**2007**	2006
	€	€	**€**	€
Athina Cyprus Public Company Ltd	**N/A**	43.658.823	**N/A**	9.111.596
Triena Investments Public Company Ltd	**N/A**	6.852.379	**N/A**	1.962.030
Ellinas Finance Public Company Limited	**9.120.000**	8.528.694	**2.454.192**	2.243.763

During the year ended 31 December 2007, goodwill included in the carrying value of associates was tested for impairment as part of the investment in the above companies. The main assumptions that were used were the annual average increase in revenue between 0% and 24% and an annual average increase in expenses between 6% and 23% up to 2010 using 10,8% to 11,2% discount factor.

During the year ended 31 December 2007, the Group did not recognise any impairment loss on goodwill.

During the year ended 31 December 2006, the Group recognised impairment loss on goodwill of €913.083. The facts and circumstances that let to the impairment recognition was the fact that the carrying value of the associate company as well as the economic environment in which the specified company operates cannot support the amount of goodwill.

From the impairment test performed there was no evidence of impairment of the carrying value of the investment in any other associate company.

19. Other Non-current Assets

	2007	2006
	€	€
Biological assets	**349.272**	307.121
Other amounts receivable	**538.963**	471.849
	888.235	778.970

20. Available for Sale Financial Assets

	2007	2006
	€	€
Balance 1 January	**870.138**	652.660
Purchases - net	**229.253**	226.045
From disposal of subsidiaries	**-**	(29.289)
Revaluation (deficit) / surplus	**(154.234)**	20.722
Balance 31 December	**945.157**	870.138

All the above investments comprised investments in unlisted companies. In the opinion of the Board of Directors there is no indication of impairment of the above investments.

21. Goodwill

	2007	2006
	€	€
Cost		
At the beginning of the year	**10.978.381**	10.687.760
Additions from the acquisition of share in subsidiaries	**518.434**	290.621
Goodwill allocated on disposed immovable property	**(2.904.622)**	-
At the end of the year	**8.592.193**	10.978.381
Accumulated impairment loss		
At the beginning of the year	**332.714**	332.714
Impairment loss of goodwill	**2.313.901**	-
At the end of the year	**2.646.615**	332.714
Net book value at the end of the year	**5.945.578**	10.645.667

During the year ended 31 December 2007, the Group recognised goodwill of €497.216 that resulted from the acquisition from the subsidiary company IMCL Holdings Limited, 100% of the issued share capital of Baltic Container Lines Co. Ltd, Sp zo.o. In addition for the year ended 31 December 2007, the Group recognized goodwill of €21.218 from the acquisition of the remaining 8% in Coraland Shipping Limited.

For the year ended 31 December 2006, the Group recognised goodwill of €107.642 that resulted from the acquisition of 70% of the new ordinary share capital issued by the subsidiary company Aresti & Theokli Limited. Furthermore for the year ended 31 December 2006, the Group recognised goodwill of €182.979 that resulted from the acquisition of 80% of the issued share capital of the company M.H. Value Added Online Limited.

Goodwill has been recognised due to the future expected increased cash inflows from the above investments.

The impairment loss of €2.313.901 recognised by the Group during the year ended 31 December 2007 mainly related to the impairment of the carrying amount of goodwill of subsidiaries in order to reduce the carrying amount of the asset to its recoverable amount. The reason for the impairment of goodwill was the projected results from the operations of the subsidiary companies as calculated by the Board of Directors. The impairment loss was allocated as follows: €2.028.753 to commercial segment, €102.169 in the property holding and development segment and €182.979 in the financial services segment.

During 2007 the Group disposed of goodwill of €2.904.622 previously allocated to property that was disposed in 2007. This amount is subtracted from the profit on disposal of investment property.

The recoverable amount of goodwill at 31 December 2007 was calculated based on the value in use of the relevant cash generating units.

21. Goodwill (Continued)

The goodwill of the Group at 31 December 2007 has been allocated to the following cash generating units:

Carrying value of goodwill

	2007	2006
	€	€
Import and distribution of food processing materials	**-**	1.306.945
Import and sale of tools	**570.810**	1.099.049
Production and processing of nuts	**-**	40.364
Investment in property holding and development	**2.326.395**	5.333.189
Entertainment sector	**408.304**	561.506
Provision of financial services	**6.641**	189.622
Shipping sector	**2.633.428**	2.114.992
	5.945.578	10.645.667

Goodwill is tested for impairment by the Group annually or earlier if there is an indication for impairment.

The recoverable amounts of the cash generating units are determined through value in use calculations. The main assumptions used for the calculation of value in use are directly attributed to the increase in the Cyprus Stock Exchange index, the discount factor, the growth level and the expected variations of disposal prices and direct costs during the period. The Board of Directors calculates the discount factor using pre-tax interest rate reflecting its current estimations of market conditions, the time value of money and the risks associated with specific cash generating units. The growth level is based on the projections on the commercial activities and the growth in the shipping and immovable property market. Variations in the disposal prices and direct costs are mainly based on prior experience and future market expectations.

The main assumptions used by management for the calculation of the projected future cash flows of the cash generating units of the commercial activities, were the annual average increase in turnover by 4% to 14% and the increase in gross margin percentage by 10% to 30%. The main assumptions used for the investment in management and development of land were the annual increase of rental income as well as of selling price by 6,25% until 2010 with corresponding increase in construction costs by 7% annually. The main assumptions used were mainly based on prior experience and the trends of the property market. For the financial services unit, it has been assumed that the revenue of the newly established subsidiary will double.

The main assumptions used for the shipping sector were the average annual increase in turnover by 6%.

The projected future flows used by management for the calculation of the value in use of the cash generating units was for the following 3 to 5 years, at a discount factor ranging from 7,6% to 13% that represents the weighted average cost of capital.

The calculation of the cash flows of each cash generating unit for periods in excess of 3 to 5 years, was based on multiplying the projected future cash flows for 2010, 2011 or 2012 excluding investments in immovable property using a percentage increase in the future cash flows of 0% to 3%.

22. Intangible Assets

	Capitalised Representation Expenses	Computer Software	Shipping Brand	Total
	€	€	€	€
Cost				
Balance 1 January 2006	-	1.514.419	4.954.944	6.469.363
Exchange difference	-	85	-	85
On disposal of subsidiaries	-	(3.831)	-	(3.831)
Additions	17.086	231.726	-	248.812
Transfer from property, plant and equipment	-	30.160	-	30.160
On disposals	-	(7.689)	-	(7.689)
Balance 1 January 2007	17.086	1.764.870	4.954.944	6.736.900
On acquisition of subsidiaries	-	132.306	-	132.306
Exchange difference	-	2.049	-	2.049
Additions	-	240.742	-	240.742
Disposals	-	(3.075)	-	(3.075)
Balance 31 December 2007	**17.086**	**2.136.892**	**4.954.944**	**7.108.922**
Accumulated Amortisation				
Balance 1 January 2006	-	1.414.903	-	1.414.903
Exchange difference	-	173	-	173
Charge for the year	3.417	111.179	-	114.596
On disposal of subsidiaries	-	(1.641)	-	(1.641)
Disposals	-	(769)	-	(769)
Transfer from property, plant and equipment	-	21.588	-	21.588
Balance 1 January 2007	3.417	1.545.433	-	1.548.850
Exchange difference	-	473	-	473
Charge for the year	3.417	148.059	-	151.476
Disposals	-	(1.015)	-	(1.015)
Balance 31 December 2007	**6.834**	**1.692.950**	**-**	**1.699.784**
Net Book Value				
31 December 2007	**10.252**	**443.942**	**4.954.944**	**5.409.138**
31 December 2006	13.669	219.437	4.954.944	5.188.050

Capitalised representation expenses are carried initially at cost and are amortised on a straight line basis over their expected useful economic lives.

Computer software has a finite useful economic life during which it is amortised at an annual rate of 33%.

The shipping brand name arose from the existing activities of the Lemissoler Shipping Group Public Company Limited ("Lemissoler Group") and as a result it has an infinite useful life since the asset comprises a significant part of activities of the Lemissoler Group, which is anticipated that will remain in operation in the future.

The shipping brand name was calculated using the value in use method. The value of the shipping brand name is derived from the container transport services provided in North Europe. The main assumptions used by management to calculate the expected cash flows reflect historic experiences and facts. The main assumptions used to calculate the expected cash flows of the container transport unit in North Europe, was the average annual increase in turnover by 6%. The calculation of cash flows for each unit for the period in excess of five years was calculated by multiplying the expected future cash flows of 2011 at an expected cash flow growth rate of 2%. The projected cash flows used by management for the calculation of the value in use of the cash generating units was for the following five years, and the discount factor used was between 9% and 11% representing the weighted average cost of capital.

23. Investment in Subsidiaries

The main subsidiaries of the Group are:

Name	Principal activity	County of Incorporation	Percentage of ownership Direct 2007	Percentage of ownership Direct 2006	Percentage of ownership Indirect 2007	Percentage of ownership Indirect 2006	Percentage of voting rights Direct 2007	Percentage of voting rights Direct 2006	Percentage of voting rights Indirect 2007	Percentage of voting rights Indirect 2006	Nominal value of Issued share capital 2007 €	Nominal value of Issued share capital 2006 €
Sharelink Securities and Financial Services Limited	Regulated Financial Services	Cyprus	100,00%	100,00%	-	-	100,00%	100,00%	-	-	2.562.902	2.562.902
Sharelink Administration Management Limited	Company Administration Services	Cyprus	100,00%	100,00%	-	-	100,00%	100,00%	-	-	3.417	3.417
CyPensions Limited	Private Pension Plans	Cyprus	100,00%	80,00%	-	-	100,00%	80,00%	-	-	18.795	17.086
SFS Custodian & Trust Services Limited	Custodian and Secretarial Services	Cyprus	100,00%	100,00%	-	-	100,00%	100,00%	-	-	3.417	3.417
SFS Corporate Management Limited	Private Equity Management	Cyprus	100,00%	100,00%	-	-	100,00%	100,00%	-	-	5.126	3.417
First Elements Ventures Limited	Venture Capital Management and Business Consulting	Cyprus	100,00%	100,00%	-	-	100,00%	100,00%	-	-	1.709	1.709
USFS Overseas Services Limited	Provision of international services	Jersey	100,00%	100,00%	-	-	100,00%	100,00%	-	-	1.577	1.577
White Knight Holdings Public Company Limited	Holding and Investments	Cyprus	77,14%	58,50%	12,37%	12,37%	77,14%	58,50%	12,37%	12,37%	185.115.577	185.115.577
AAA United Property Consultants Limited	Real Estate Agency	Cyprus	87,50%	87,50%	-	-	87,50%	87,50%	-	-	17.086	17.086
Franston Limited	Investment holding	Cyprus	100,00%	100,00%	-	-	100,00%	100,00%	-	-	11.960	10.252
CyVenture Capital Public Company Limited	Venture capital investments	Cyprus	77,52%	77,52%	7,03%	5,56%	77,52%	77,52%	7,03%	5,56%	5.820.816	5.820.816
M.H. Value Added Online Limited	Financial services agents	Cyprus	-	-	80,00%	80,00%	-	-	80,00%	80,00%	299	299
Triena Investments Public Company Ltd	Investment Company	Cyprus	84,17%	27,34%	-	-	84,17%	27,34%	-	-	5.828.216	5.802.732
Intelinvest Services Ltd	Investment property	Cyprus	100%	100%	-	-	100%	100%	-	-	856.009	854.301
Gulflink International Securities Ltd	Provision of financial services	Dubai	100%	-	-	-	100%	-	-	-	255.350	-

23. Investment in Subsidiaries (Continued)

The main subsidiaries of the Group are: (continued)

Name	Principal activity	County of Incorporation	Percentage of ownership Direct		Percentage of ownership Indirect		Percentage of voting rights Direct		Percentage of voting rights Indirect		Nominal value of Issued share capital	
			2007	2006	2007	2006	2007	2006	2007	2006	2007 €	2006 €
Worldpremier Entertainment Limited	Entertainment sector	Cyprus	-	-	80,56%	63,79%	-	-	80,56%	63,79%	17.086	17.086
Carmount Limited	Import and sale of machinery, tools, metal products, paint and consumables	Cyprus	-	-	89,51%	70,88%	-	-	89,51%	70,88%	3.365.945	3.365.945
Ocean Challenge Limited	Investments in shipping industry	Cyprus	-	-	89,51%	70,88%	-	-	89,51%	70,88%	8.543.007	8.543.007
Lemissoler Shipping Group Public Company Limited	Shipping sector	Cyprus	-	-	46,64%	36,79%	-	-	46,64%	36,79%	11.849.151	11.849.151
White Knight Properties Ltd	Acquisition, development, sale and rental of immovable property	Cyprus	-	-	89,51%	70,88%	-	-	89,51%	70,88%	51.258.043	51.258.043
Regis Milk Industries Limited	Import, production and distribution of ice cream and yoghurt	Cyprus	-	-	45,65%	36,15%	-	-	45,65%	36,15%	1.440.587	1.440.587
Coyio Limited	Import, production and distribution of dried nuts and confectionery products	Cyprus	-	-	62,66%	49,61%	-	-	62,66%	49,61%	1.366.881	1.366.881
Chrikar Trading Company Limited	Import and distribution of foodstuff and catering consumables	Cyprus	-	-	62,66%	49,61%	-	-	62,66%	49,61%	1.230.193	1.230.193
M. Kalimera Dairies Limited	Investment property	Cyprus	-	-	89,51%	70,88%	-	-	89,51%	70,88%	2.440.858	2.440.858
Vastuat Farm Limited	Farming sector	Cyprus	-	-	61,54%	48,73%	-	-	61,54%	48,73%	34.172	34.172
Vastuat Limited	Farming sector	Cyprus	-	-	89,51%	70,88%	-	-	89,51%	70,88%	1.201.147	1.197.730

23. Investment in Subsidiaries (Continued)

All the above subsidiaries of the Group are private limited liability companies except for the subsidiary company White Knight Holdings Public Company Limited, Lemissoler Shipping Group Public Company Limited, CyVenture Capital Public Company Limited and Triena Investments Public Company Limited which are public limited liability companies.

The share capital of USFS Overseas Services Limited is denominated in Sterling Pounds £1.000 (2006: Sterling Pounds £1.000).

The share capital of Gulflink International Securities Limited is denominated in United States Dollars $250.000.

Principal acquisitions and disposals of subsidiaries

White Knight Holdings Pubic Company Limited

At the meeting held on the 8th of March 2007 the Board of Directors decided to announce its intention to submit a Public Offer for the acquisition of up to 100% of the issued share capital of White Knight Holdings Public Company Limited ("WKH").

The total issued capital of the WKH is 216.686.667 shares of nominal value €0,884 (£0,50). It is noted that the Company and Franston Ltd (100% subsidiary of the Company) already own 58,50% and 12,37% of the issued share capital of WKH respectively totalling 70,87%. Also, persons related to the Company own 3,93% of WKH.

The consideration offered for every share of WKH was 0,2917 new ordinary shares of the Company of nominal value €1,025 (£0,60), which will result from the new issue. The proposed resolution concerns the authorization of the Board of Directors to proceed with the issue and allocation of new ordinary shares to the shareholders of WKH who will accept the Public Offer without the prior offer of those shares to the existing shareholders of the Company. The Company's members will disclaim the pre-emption rights that are or might be related to the issue and allocation of the Company's shares. The Public Offer has been approved by the regulatory authorities.

On 25 May 2007, the total rate of acceptance of the Public Offer by the shareholders of WKH reached 18,64%. The rate of acceptance of the Public Offer together with 70,87% already owned by the Group in WKH increased the total Company's stake to 89,51% of the issued share capital of WKH. According to the total rate of acceptance and the proposed consideration (0,2917 new shares of the Company for every 1 share of WKH), the Company issued on 21 June 2007 11.782.410 new ordinary shares of nominal value €1,025 (£0,60) each.

The fair value of Company's shares was used for the calculation of the cost of acquisition in relation to the above that amounted to €19.558.817.

Negative Goodwill of €4.762.387 has resulted from the above transaction which has been written off in the Income Statement.

Triena Investments Pubic Company Limited

On the 2nd of August 2007 the Board of Directors of the Company submitted a Public Offer to the shareholders of Triena Investments Public Company Limited for the acquisition of more than 50% and up to 100% of the total issued share capital of Triena Investments Public Company Limited in cash, Cyprus pounds.

Taking into account the liquidation procedure of Triena, as this is defined in its Articles of Association, the consideration that would be offered for every 1 international share would be equal to the net asset value as at August 31, 2007 minus a discount of 5% in cash, Cyprus pounds. For every income share, the consideration would be equal to the NAV as at August 31, 2007 minus a discount of 5% in cash, Cyprus pounds, and for every capital share the consideration would be equal to the NAV as at August 31, 2007 minus a discount of 15% in cash, Cyprus pounds.

23. Investment in Subsidiaries (Continued)

The rate of acceptance of the Public Offer together with 29,77% already owned by the Group of the issued share capital of Triena Investments Public Company Limited increased the total Company's stake to 84,17% of the issued share capital of Triena Investments Public Company Limited.

The total cost of the above transaction reached €7.138.861 in cash. Negative Goodwill of €731.521 has resulted from the above transaction and it has been written off in the Income Statement.

Baltic Containers Lines Co Ltd Sp zo.o
On 10 September 2007, the indirect subsidiary company IMCL Holdings Limited, (subsidiary of Lemissoler Shipping Group Public Company Ltd) acquired 100% of the share capital of Baltic Container Lines Co. Limited SP Zo.o, a company registered in Poland, for a consideration of €2.000.000. Goodwill of €497.217 has resulted from the above aquizition.

Gulflink International Securities Limited
On 8 May 2007, the Company established the subsidiary company Gulflink International Securities Limited in Dubai International Financial Centre («DIFC») in United Arabic Emirates. Gulflink is 100% subsidiary of the Company, with initial issued capital of $250.000 and it has ensured authorisation from the competent authority, Dubai Financial Services Authority ("DFSA") for the provision of investment services in DIFC.

The authorisation will give the ability to the Company to arrange credit facilities and deals in the sector of investments and to provide advisory services for Financial Products or credits for shares, treasury bills, warrants, rights, market shares, future contracts etc.

Intelinvest Services Limited
On 20 December 2007, Intelinvest Services Limited issued to the Company 5.000 new shares of nominal value €0,34 (£0,20) each for a total cost of €685.149. No goodwill has arisen from the above transaction and the shareholding of the Group in the company has remained at 100%.

Cypensions Ltd
On 10 September 2007, the Company acquired 2.000 shares of nominal value of €1,71 (£1) from the existing shareholder of the Company at nominal value. The share of the Group to the company has increased from 80% to 100%.

On 20 September 2007, Cypensions Limited issued to the Company 1.000 new shares of nominal value €1,71 (£1) each for a total cost of €121.310. No goodwill has arisen from the above transaction and the shareholding of the Group in the company has remained at 100%.

SFS Corporate Management Limited
On 20 December 2007, SFS Corporate Management Limited issued to the Company 1.000 new shares of nominal value €1,71 (£1) each for a total cost of €136.688. No goodwill has arisen from the above transaction and the shareholding of the Group in the company has remained at 100%.

Franston Limited
On 20 December 2007, Franston Limited issued to the Company 1.000 new shares of nominal value €1,71 (£1) each for a total cost of €3.212.171. No goodwill has arisen from the above transaction and the shareholding of the Group in the company has remained at 100%.

M.H. Value Added Online Limited
As of 1 August 2006, the Group acquired 80% of the share capital of M.H. Value Added Online Limited for a total consideration of €316.091. The Goodwill that has arisen from the above transaction amounts to €182.979 and was allocated to the financial services sector.

Sharelink Securities and Financial Services Limited
On 15 February 2006, Sharelink Securities and Financial Services Limited issued to the Company 240.000 new ordinary shares of nominal value €1,71 (£1) each, for a total consideration of €1.025.161. No goodwill has arisen from the above transaction, and the percentage shareholding of the Group to the Company remained at 100%.

23. Investment in Subsidiaries (Continued)

CyVenture Capital Public Company Limited

On 10 November 2005, the Board of Directors of the Company announced its intention to submit a public offer for the acquisition of a minimum 50% plus 1 share and a maximum 100% of the issued share capital of CyVenture Capital Public Company Ltd. The consideration offered for every share of CyVenture was 2,5 shares of the Company (which resulted from the new issue). The Cyprus Stock Exchange in agreement with the Securities and Exchange Commission approved the Public Offer document and allocated a publication permit on December 8, 2005. The period of acceptance of the Public Offer was set on 15 December 2005 and the ending date was originally set on 13 January 2006 and was later extended to 25 January 2006.

At 31 December 2005, the acceptance percentage of the Public Offer of the shareholders of CyVenture Public Company Limited reached 28,26%, and as a result, the rate of acceptance of the Public Offer together with the 34,8% held by the Company and its subsidiary White Knight Holdings Public Company Ltd in CyVenture Public Company Limited, resulted in the Group ownership of 63,06% of the issued share capital of CyVenture Public Company Limited.

The consideration of the above acquisition was 9.627.499 ordinary shares of the Company of nominal value €0,171 (£0,10) each, and fair value of €0,113 (£0,066) each of total cost € 1.098.957 (based on the price of the Company's share on 31 December 2005). The negative goodwill that resulted from the above transaction at 31 December 2005 amounted to €624.740 and was credited to the income statement for the year ended 31 December 2005.

After 31 December 2005 and up to the 25 January 2006 the acceptance percentage of the Public Offer by the shareholders of CyVenture Public Company Limited increased by 22,34% and reached 50,6%. As a result, the rate of acceptance of the Public Offer together with the 34,8% held by the Company and its subsidiary White Knight Holdings Public Company Ltd in CyVenture Capital Public Company Limited, resulted in a Group ownership of 85,4% of the issued share capital of CyVenture Capital Public Company Limited.

The extra consideration provided by the Company for the additional increase in the shareholding in CyVenture Public Company Limited was 7.603.993 additional new shares of the Company of nominal value of €0,171 (£0,10) each and fair value €0,1486 each of total cost of €1.130.317 (based on the price of Company's share on 15 January 2006). The negative goodwill that resulted from the above transaction amounted to €246.930 and was credited in the income statement for the year ended 31 December 2006.

The above acquisition was finalised on 3 February 2006 by the issue of 17.231.492 new shares of the Company of nominal value €0,171 (£0,10) and with the acquisition of 6.892.597 shares of CyVenture Capital Public Company Limited.

23. Investment in Subsidiaries (Continued)

The value of the assets and liabilities of the subsidiary companies acquired by the Group during 2007 and 2006 were as follows:

	2007	**2007**	2006	2006
	Fair value	**Carrying value**	Fair value	Carrying value
	€	**€**	€	€
Cash in hand and at bank - net	**10.138.554**	**10.138.554**	51.258	51.258
Trade and other receivable	**3.590.974**	**3.590.974**	121.046	121.046
Financial assets at fair value through the income statement	**4.284.445**	**4.284.445**	-	-
Inventories	**620.503**	**620.503**	-	-
Property, plant and equipment - net	**70.213**	**70.213**	-	-
Intangible assets	**132.306**	**132.306**	-	-
Deferred tax	**940.811**	**940.811**	-	-
Bank overdrafts	**-**	**-**	(5.913)	(5.913)
Trade and other payables	**(3.628.200)**	**(3.628.200)**	-	-
Short term loans payable	**(666.440)**	**(666.440)**	-	-
Minority interest	**(2.187.042)**	**(2.187.042)**	(33.278)	(33.278)
	13.296.124	**13.296.124**	133.113	133.113
Goodwill	**497.217**		182.979	
Negative goodwill credited to the income statement	**(731.521)**		-	
Acquisition cost	**13.061.820**		316.092	

	2007	2006
	Fair value	Fair value
	€	€
Covered by:		
Cash	**9.300.218**	196.490
Investment in associates	**3.761.602**	-
Amount included in accruals and deferred income	**-**	119.602
	13.061.820	316.092

Cash flow from acquisition of subsidiaries		
Cash acquired/(paid)	**838.336**	(151.145)

In case the subsidiaries of the Group acquired during the year ended 31 December 2007 had been subsidiaries of the Group since 1 January 2007, total revenue of €128.322.796 would have been recognized compared to €102.959.571 recognised in the income statement (2006:€74.799.713 compared to €74.778.234 recognized in the income statement for the year ended 31 December 2006). Similarly, in case, the subsidiary companies of the Group acquired during the year ended 31 December 2007 had been subsidiaries of the Group since 1 January 2007 the net profit attributable to the shareholders of the Group of €30.291.601 would have been €30.846.395 (2006:€13.796.898 would have been €13.793.184).

The post acquisition net loss attributable to the shareholders of the Group from the acquired subsidiaries in 2007 amounted to €93.896 (2006:Net loss €11.145).

23. Investment in Subsidiaries (Continued)

First Elements Ventures Limited

During the year ended 31 December 2006, the Group disposed its holding in First Elements Ventures Limited. The consideration received by the Group amounted to €192.500. Profit on disposal from the above transaction amounted €75.660 and was credited to the income statement.

The fair value of assets and liabilities disposed by the Group, was as follows:

	2007	2006
	€	€
Cash in hand and at bank	-	58.087
Trade and other receivable	-	71.913
Property, plant and equipment – net	-	8.256
Financial assets at fair value through the income statement	-	700
Intangible assets	-	2.190
Other investments	-	29.289
Trade payables	-	(51.837)
Bank overdrafts	-	(1.518)
Taxation	-	(240)
Profit on disposal	-	75.660
Disposal proceeds	-	192.500
Covered by:		
Cash	-	192.500
Cash flow from disposal of subsidiaries		
Cash received	-	192.500
Cash held by the company disposed	-	(56.569)
	-	135.931

24. Trade and Other Payables

	2007	2006
	€	€
Trade payable	**12.951.617**	6.507.542
Amounts due to brokerage clients	**27.219.237**	24.445.060
Accruals and deferred income	**7.587.118**	4.270.328
Prepayment for disposal of immovable property	**3.455.453**	2.266.779
Other payables	**4.534.666**	5.733.897
Amounts due to brokers and clearing organisations	**-**	437.677
	55.748.091	43.661.283

The average credit period on purchases is 91 days. No interest is charged on the trade payables. The Group enforces financial risk management policies to ensure that payables are repaid within the credit timeframe.

The above amounts are payable within one year.

The Board of Directors is of the opinion that the fair value of trade and other creditors approximates the amount presented in the balance sheet.

The amount due to brokerage clients includes debit balances of €5.890.526 (2006: €574.454)

25. Long-term Loans and Bank Overdrafts

	2007	2006
	€	€
Bank overdrafts	**18.665.603**	16.194.159
Bank loans	**81.778.428**	106.590.215
Hire purchase obligations	**406.049**	404.004
Other loans	**1.703.664**	9.132
	102.553.744	123.197.510

The long-term loans of the Group are repayable as follows:

	2007	2006
Within one year	**13.216.470**	18.053.535
Between two to five years	**58.157.423**	71.992.255
After five years	**10.404.535**	16.544.425
	81.778.428	106.590.215
Less: Amounts due for settlement within 12 months	**(13.216.470)**	(18.053.535)
Amounts due for settlement after 12 months	**68.561.958**	88.536.680

The hire purchase obligations are repayable as follows:

	2007	2006
	€	€
Within one year	**160.475**	113.386
Between two to five years	**245.574**	290.618
	406.049	404.004
Less: Amounts due for settlement within 12 months	**(160.475)**	(113.386)
Amounts due for settlement after 12 months	**245.574**	290.618

The other loans of the Group are repayable as follows:

	2007	2006
	€	€
Within one year	**1.064.850**	9.132
Within two to five years	**638.814**	-
	1.703.664	9.132
Less: Amounts due for settlement within 12 months	**(1.064.850)**	(9.132)
Amounts due for settlement after 12 months	**638.814**	-

The average interest rates debited/paid were as follows:

	2007	2006
	%	%
Bank overdrafts	**6,56**	6,73
Bank loans	**5,96**	6,58

The bank loans bear annual interest the basic interest rate plus the agreed margin and are repayable in monthly and quarterly instalments. The last instalment is repayable in 2014.

The bank overdrafts comprise bank facilities repayable on demand.

The hire purchase obligations bear interest at 5,5% to 6% and expose the Group to fair value interest rate risk and they are secured by personal guarantees of directors of subsidiaries and corporate guarantees of the Group.

25. Long-term Loans and Bank Overdrafts (Continued)

The repayment terms of the principal loans are as follows:

(i) Loan in foreign currency (multicurrency option) with balance on 31 December 2007 of €5.009.239 is repayable by 19 quarterly instalments of €308.780.

(ii) Loan in foreign currency (multicurrency option) of initial amount €2.562.902 with balance on 31 December 2007 of €2.337.102 is repayable by 24 quarterly instalments of €119.342 until final repayment on December 2013.

(iii) Loan in foreign currency (multicurrency option) of initial amount €3.929.783 with balance on 31 December 2007 of €3.583.780 is repayable by 25 quarterly instalments of €177.063 until final repayment on February 2014.

(iv) Loan in foreign currency (multicurrency option) of initial amount €10.080.749 with balance on 31 December 2007 of €8.344.182 is repayable by 24 quarterly instalments of €426.086 until final repayment on December 2013.

(v) Loan of initial amount €26.483.322, with balance on 31 December 2007 of €13.013.949 is repayable in July of 2012. The loan is repayable by six-monthly instalments of €401.521 with full repayment of capital and interest on 5 July 2012.

(vi) Loan in two equal portions of initial amount of US$10.850.000 (€7.374.546) each, is repayable by 24 quarterly instalments of US$225.000 (€152.928) and one final instalment after the completion of the 24 instalments of US$5.450.000 (€3.704.265) for each of the two portions, in 2008.

(vii) Loan in two equal portions of initial amount of US$10.850.000 (€7.374.546) each, is repayable by 24 quarterly instalments of US$225.000 (€152.928) and one final instalment after the completion of the 24 instalments of US$5.450.000 (€4.704.265) for each of the two portions, in 2009.

(viii) Loans in foreign currency (multicurrency option) of €13.481.990 (2006: €17.635.354). Up to December 2005 the Group paid only the interest on the above loans. The loans are repayable by 23 quarterly instalments up to September 2012.

(ix) Loan of initial amount of €11.262.279 is repayable by quarterly instalments up to 2009.

(x) Loan of initial amount up to €939.731 is repayable in one instalment on 31 October 2008.

(xi) Loan of €1.366.881 is repayable by 180 monthly instalments of €11.721 up to 30 April 2021.

(xii) Loan of initial amount of €1.025.161 is repayable by 180 monthly instalments of €15.842.

(xiii) Loan of initial amount of €2.050.322 is repayable by monthly instalments of €10.760 for the first year and €21.537 for a period of 11 years.

(xiv) Two loans of €1.708.601 each are repayable in one instalment after 5 years from the 30th of June 2007.

(xv) Loan of initial amount of €3.417.203 is repayable in 2012 by monthly instalments of €53.394 each.

(xvi) Loan of initial amount of €1.315.623 with balance at 31 December 2007 of €892.787 is repayable by 57 monthly instalments of €22.468.

The loans bear interest 1,25% to 2,5% in excess of the base interest rate or the Libor rate plus 1,75% to 2,5%, which expose the Group to cash flow interest risk, with the exception of loans (vi) and (vii) above that bear fixed interest from 5,72% to 7,36% and which expose the Group in fair value interest rate risk.

25. Long-term Loans and Bank Overdrafts (Continued)

Securities

For the provision of bank facilities and loans to the Group at 31 December 2007, immovable property included in investment property and inventories was mortgaged for €103.767.295 plus interest (2006:€62.440.840), vessels of the Group were mortgaged with net book value at 31 December 2007 of €48.168.512 (2006:€54.005.297) and immovable property included in the property, plant and equipment of the Group was mortgaged for €5.417.975 at 31 December 2007 (2006:€7.155.623). Included in the amount of €5.417.975, are no mortgages (2006: €1.708.601) that bear interest.

In addition, there were floating charges on the assets of the Group for the amount of €16.300.058 (2006:€17.839.508), fixed charges on the assets of the Group for the amount of €1.708.601 (2006 €1.708.601), corporate guarantees by companies of the Group for the amount of €182.758.845 (2006:€55.247.628), a corporate guarantee by the Company for an amount up to US$2.000.000 and personal guarantees by a director of the subsidiary company Waverland Investments Limited, for the amount up to US$2.000.000. Bank deposits of €5.826.616 were blocked at 31 December 2007 (2006: €277.515). Fire and earthquake insurance policies that cover the buildings of the Group of €6.895.915 have been assigned to the bank, a rental agreement of €122.650 has also been assigned to the bank, the shares held by Waverland Investments Limited in the four ship-owner companies were pledged and the insurance policies of the vessels under construction as well as their charting agreements were also assigned to the bank.

Moreover, shares held by the Group in companies listed on the Cyprus Stock Exchange with a market value on 31 December 2007 of €33.969.001 (2006:€43.704.955) were pledged. The Company has offered an irrecoverable guarantee of $5.000.000 as a commitment relating to the execution of the terms of the purchase agreement of 4 vessels owned by the subsidiary company Lemissoler Shipping Group Public Company Limited. Furthermore, (unlimited) corporate guarantees and written commitments have been given by subsidiaries of the Group in relation to the repayment of balances among companies of the Group, as well as other personal guarantees of directors and minority interest shareholders of subsidiaries.

26. Short Term Loans

	2007	2006
	€	€
Loans due to associate companies	**41.312**	2.255.395

During the year ended 31 December 2007 short term-loans of €2.050.322 that were owed by the Group to the associate company Ellinas Finance Public Company Limited have been fully repaid. The loans were secured by 13.500.000 shares of the subsidiary White Knight Holdings Public Company Limited, of nominal value €0,854 each and by mortgages of immovable property of €1.042.247. The loans borne monthly interest of 1% and were repayable on demand. During the year ended 31 December 2007 the interest charged on the loans amounted to €92.264 (2006:€246.039).

27. Deferred Taxation

The following are the main deferred tax liabilities and assets that have been recognised by the Group and the movements thereon, during the current and prior reporting periods.

	Accelerated tax depreciation	**Revaluation of immovable property**	**Other temporary differences**	**Total**
	€	**€**	**€**	**€**
Balance 1 January 2006	141.228	4.070.005	(420.738)	3.790.495
Debit in immovable property revaluation reserve	-	(43.542)	-	(43.542)
Debit/(credit) in the income statement	(4.912)	1.178.704	17	1.173.809
Balance 1 January 2007	136.316	5.205.167	(420.721)	4.920.762
From the acquisition of subsidiary Companies	-	-	(940.811)	(940.811)
Debt in immovable property revaluation reserve	-	(14.406)	-	(14.406)
Debit/(credit) in the income statement	7.301	870.507	267.526	1.145.334
Debit in immovable property revaluation reserves – restatement	-	192.951	-	192.951
Balance 31 December 2007	**143.617**	**6.254.219**	**(1.094.006)**	**5.303.830**

27. Deferred taxation (Continued)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy.

The analysis of deferred tax balances (after offsetting) as shown in the balance sheet is as follows:

	2007	2006
	€	€
Deferred tax liability	**6.397.836**	5.341.483
Deferred tax asset	**(1.094.006)**	(420.721)
	5.303.830	4.920.762

The amount of deductible temporary differences for which no deferred tax asset is recognised in the balance sheet is as follows:

	2007	2006
	€	€
Losses from tax purposes carried forward	**28.568.377**	45.632.237

The losses for taxation purposes are carried forward indefinitely for offset against future taxable profits.

28. Cash Contribution from Shareholder of Subsidiary

The cash contributed by a shareholder of a subsidiary company with balance at 31 December 2007 of €6.176.442 (2006: €6.721.562) represents an unsecured interest free loan received from the minority shareholders of the subsidiary Waverland Investments Limited, for the financing of the construction of vessels of its six subsidiaries.

29. Share capital

	2007		2006	
	Number	**€**	Number	€
Authorised				
Ordinary shares of €1,025 (£0,60)				
Each	**333.333.334**	**341.720.288**	-	-
Ordinary shares of €0,171 (£0,10)				
Each	**-**	**-**	2.000.000.000	341.720.288

	2007		2006	
	Number	**€**	Number	€
Issued and fully paid				
Ordinary shares of €1,025 (£0,60)				
Each	**62.398.097**	**63.968.087**	-	-
Ordinary shares of €0,171 (£0,10)				
Each	-	-	281.530.969	48.102.422
Share capital to be issued	-	**134.856**	-	-

29. Share Capital (Continued)

Details of shares issued during the year are shown below:

Date		Number of shares	Price of issue	Issued Share capital	Share premium
			€	€	€
	Balance 1 January 2005/ 1 January 2006	260.420.290	-	44.495.448	-
3.2.2006	Issue of share capital to the shareholders of Cyventure Capital Public Company ltd	17.231.492	€0,171	2.944.175	-
5.12.2006	Exercise of warrants	3.879.187	€0,205	662.799	132.560
	Balance 31 December 2006/ 1 January 2007	281.530.969		48.102.422	132.560
30.4.2007	Issue of share capital to officer of subsidiary	5	€0,171	0,85	-
		281.530.974	€0,171	48.102.422,85	132.560
4.5.2007	Reserve split of share capital 1 for every 6 shares	46.921.829	€1,025	48.102.423	132.560
28.6.2007	Issue of share capital in relation to the public offer to the shareholders of White Knight Holdings Public Company Limited	11.782.410	€1,66	12.078.864	7.479.951
12.12.2007	Exercise of warrants	3.693.858	€1,538	3.786.800	1.893.399
	Balance 31 December 2007	**62.398.097**		**63.968.087**	**9.505.910**

Share Issue to an officer of subsidiary company

On 30 April 2007, the Company issued 5 new shares of nominal value €0,171 (£0,10) each to an officer of a subsidiary company at nominal value. The total number of shares after the above issue reached 281.530.974 shares of nominal value €0,171 (£0,10) each.

Reverse split of share capital

During the Extraordinary General Meeting (EGM) held on April 12, 2007 the following resolutions were approved:

The reverse split of the Company's nominal capital from €341.720.288 (£200.000.000) divided into 2.000.000.000 ordinary shares of nominal value €0,171 (£0,10) each to €341.720.288 (£200.000.000) divided into 333.333.333 ordinary shares of nominal value €1,025 (£0,60) each.

The consolidated shares will rank pari passu with the existing shares and the shareholders will receive 1 ordinary share of nominal value €1,025 (£0,60) each for every 6 ordinary shares of nominal value €0,171 (£0,10) each.

In addition during the Extraordinary General Meeting (EGM) held on April 27, 2007 the following resolution was approved:

1. The increase in the Company's nominal capital by €0,68 (£0,40) for capital division purposes so that the nominal capital be increased from €341.720.288 (£200.000.000) divided into 2.000.000.000 shares of nominal value €0,171 (£0,10) each to €341.720.288,96 (£200.000.000,40) divided into 2.000.000.004 shares of nominal value €0,171 (£0,10) each.

2. The reverse split of the Company's capital, so that every 6 ordinary shares of nominal value €0,171 (£0,10) each, be consolidated to 1 ordinary share of nominal value €1,025 (£0,60) each as follows:

29. Share Capital (Continued)

Reverse split of share capital (continued)

Following the above consolidation the share capital of the Company is as follows:

i. the nominal capital of €341.720.288,96 (£200.000.000,40) divided into 2.000.000.004 shares of nominal value €0,171 (£0,10) each is consolidated to €341.720.288,96 (£200.000.000,40) divided into 333.333.334 shares of nominal value €1,025 (£0,60) each and,

ii. the issued capital from €48.102.422,79 (£28.153.097,40) divided into 281.530.974 shares of nominal value €0,171 (£0,10) each will be consolidated to €48.102.422,79 (£28.153.097,40) divided into 46.921.829 shares of nominal value €1,025 (£0,60) each.

The record date for the consolidation of the share capital is 4 May 2007.

Issue for increase in share in the subsidiary company White Knight Holdings Public Company Limited ("WKH")

On 8 March 2007 the Board of Directors announced its intention to submit a Public Offer for the acquisition of up to 100% of the issued share capital of White Knight Holdings Public Company Limited.

The consideration offered for every 1 share of WKH was 0,2917 shares of the Company of nominal value of €1,025 (£0,60) each, which would arise from a new issue.

On 29 March 2007 the Cyprus Stock Exchange in agreement with the Cyprus Securities and Exchange Commission has approved the Public Offer document and has granted a licence for its publication. The period of acceptance of the Public Offer started on 11 April 2007 and expired on 25 May 2007.

The total rate of acceptance of the Public Offer by the shareholders of WKH reached 18,64% (40.392.119 shares of WKH). The rate of acceptance of the Public Offer together with the 70.87% already owned by the Company together with its subsidiary, Franston Limited, in WKH increased the total Company stake to 89,51% of the issued share capital of WKH. According to the total rate of acceptance and the proposed consideration (0,2917 new shares of the Company for every 1 share of WKH), 11.782.410 new ordinary shares of nominal value €1,025 (£0,60) each and fair value of €1,66 (£0,9716) each were issued and listed in the Cyprus Stock Exchange.

In addition the difference between the nominal value €1,025 (£0,60) and the fair value €1,66 (£0,9716) of the share capital issued which amounted to €7.479.951 was transferred to share premium in the consolidated statement of changes in equity.

Share-based payments

Warrants 2005/2007

On an Extraordinary General Meeting dated 25 May 2005 the Board of Directors was authorized to proceed with the issue of 26.042.029 warrants 2005/2007 as follows:

a) 23.674.572 warrants to the shareholders of the Company to the ratio of 1 warrant for every eleven shares held on 18 November 2005. The ex-warrant date will be on 16 November 2005.

b) 2.367.457 warrants to the Company's staff members at the sole discretion of the Board of Directors.

The warrants are transferable and can be exercised on the first business day of December 2005, 2006 and 2007 and their exercise price will be 17,086 cents (€), 20,50 cents (€) and 25,63 cents (€) each respectively. Each warrant exercised will correspond to 1 share of nominal value 17,086 cents (€).

During the Extraordinary General Meeting held on 27 April 2007 a resolution has been approved for the reverse split of the share capital of the Company, so that every 6 ordinary shares of the Company of nominal value €0,171 (£0,10) each, get consolidated to 1 consolidated share of nominal value €1,025 (£0,60) each. Thus for every 6 warrants exercised of £0,15 each, 1 consolidated share of nominal value €1,025 (£0,60) will be allocated.

29. Share Capital (Continued)

Warrants 2005/2007 (Continued)

During the year ended 31 December 2007 the Group issued 3.693.858 new ordinary shares of nominal value of €1,025 (£0,60) each resulted from exercise of 22.163.148 warrants 2005/2007. The difference between the nominal value of €1,025 (£0,60) each and of the exercise price of €1,538 (£0,90) for each warrant, amounted to €1.893.399 and was recorded in share premium in the consolidated statement of changes in equity.

Share Options Scheme 2007-2011

The Extraordinary General Meeting held on 12 April 2007 approved the introduction of a Share Option Scheme for the Group's staff and associates and the Company's Executive Directors, which will enable the Board of Directors to issue and allocate at its own discretion every year between 2007 and 2011 such number of Options that will give the right for the purchase of such number of shares that will not exceed 3% of the Company's issued share capital at the date of issue and allocation of the Options.

The issue and allocation will be carried out within the period of one month from date of the announcement of the indicative results of the previous year.

A share option will give the right to its holder to purchase one ordinary share at a price of 10% above the average closing price of the last 5 sessions prior to the date of their issue and allocation, given that this will not be lower than the average closing price of the last 30 stock exchange sessions prior to the date of their issue and allocation.

The exercise of Options will be carried out gradually in three dates. Their date of exercise will be on 31 May of each year or in case that this is not a business day, the day prior to 31 May. The holder of share options will exercise his/her option as follows:

- up to 1/3 of the Options held at the date of exercise of the year that follows their allocation.
- up to 2/3 of the Options that were allocated initially at the date of exercise of the second year that follows their allocation, and
- all Options that were not exercised until the date of exercise of the third year that follows their allocation.

The Options will not be transferable and will not be listed at the Cyprus Stock Exchange. The shareholders will disclaim all the pre-emption rights that are or might be related to the issue and allocation of Options based on the Scheme.

The Board of Directors decided to issue and allocate 1.400.000 Share Options 2007-2011, whose first date of exercise will be on 31 May 2008. Each Option will give the right to its holder to acquire one share of nominal value €1,025 (£0,60) at the price of €1,83.

The fair value of Share Options 2007-2011 was measured at the grant date, using the Black-Scholes valuation model. The main variables taken into account are the share price (€0,29 on 8 March 2007), the exercise price (€0,3058), the dividend yield (6%), the risk-free interest rate (4,12%), the duration of the Share Options and the expected volatility of the share price (47,5%) which was calculated using the historic volatility of the share. The fair value allocated to the 1/3 of the Share Options that can be exercised within the first year from the date of issue amounted to €134.856 and it has been recognized as an expense in the income statement with a respective credit in the reserves in accordance with the provisions of IFRS2 ("Share Based Payments").

On 28 March 2008 the Board of Directors of the Company decided the issue of 1.871.943 Share Options 2008-2011 (3% of the Company's issued share capital) of which the first date of exercise will be the 29th of May 2009 and their holders will be able to exercise up to 1/3 of the Share Options granted. The second date of exercise will be the 31st of May of 2010, date at which up to 2/3 of the share options granted could be exercised. The third date of exercise will be the 31st of May of 2011, date at which all the share options granted not exercised up to that date could be exercised. One Share Option grants to its holder the right to purchase one share of the Company of nominal value of €1,03 at the price of €1,45. The Board of Directors of the Company decided that 34% of the above Share Options be allocated to the Executive Directors, 33% be allocated to the Department Heads and Managers and the remaining 33% to the remaining staff and associates of the Group.

29. Share Capital (Continued)

Issue for acquisition of CyVenture Group Public Company Limited

During the year ended 31 December 2005 the Group submitted a public offer for the acquisition of a minimum 50% plus 1 share and a maximum 100% of the issued share capital of CyVenture Capital Public Company Ltd. The consideration offered for every share of CyVenture of nominal value €0,58 (£0,25) cent was 2,5 shares of the Company.

On 31 December 2005 the acceptance percentage of the Public Offer by the shareholders of CyVenture Public Company Limited reached 28,26%. As a consideration for the acquisition of the above shares, SFS Group Public Company Limited issued 9.627.499 new ordinary shares of nominal value of €0,171 (£0,10) each and fair value €0,113 (£0,066) each on 31 December 2005.

The issued share capital which resulted from the above transaction amounts to €1.644.956 and is presented as share capital to be issued in the consolidated statement of changes in equity as at 31 December 2005. In addition the difference between the nominal value €0,171 (£0,10) and the fair value €0,113 (£0,066) of the Share Capital to be issued that amounts to €559.285 is subtracted from the profit and loss reserve in the consolidated statement of changes in equity as at 31 December 2005.

The acceptance period to the shareholders of CyVenture Capital Public Company Limited ended on 25 January 2006. During the period from 31 December 2005 to 25 January 2006 the acceptance percentage of the public offer increased by 22,34%. For the acquisition of the additional percentage the Company issued 7.603.993 new shares of nominal value of €0,171 (£0,10) each and fair value of €0,15 (£0,087).

In addition the difference between the nominal value €0,171 (£0,10) and the fair value €0,15 (£0,087) of the share capital of €170.966 comprises discount on share capital and is subtracted from the profit and loss reserve in the consolidated statement of changes in equity.

On 25 January 2006 the Public Offer to the shareholders of CyVenture Capital Public Company Limited was completed successfully with the issue of 17.231.492 new ordinary shares, €0,171 (£0,10) each to the shareholders of CyVenture Public Company Limited.

During the year ended 31 December 2006, the share capital to be issued of €1.644.956 was transferred to share capital in the consolidated statement of changes in equity.

Authority for issuance of new shares

During the Extraordinary General Meeting dated 25 May 2005 the Board of Directors was authorized to proceed at its own discretion to the issue and allocation of up to 26.042.029 ordinary shares of nominal value €0,17086 each (that is 10% of the issued capital) for strategic cooperation or acquisitions without offering these shares to the existing shareholders.

Purchase of own shares

Furthermore the Board of Directors of the Company was authorized at the Extraordinary General Meeting to proceed to the buyback of own shares, pursuant to the provisions of the Companies' Law.

30. Hedging and Exchange Difference Reserve

	Hedging reserve (note 36)	Exchange difference reserve	Total of hedging and exchange difference reserve
	€	€	€
Balance 1 January 2006	(768.683)	(2.756.427)	(3.525.110)
Exchange differences from conversion of balances of associates and subsidiaries denominated in foreign currencies	-	(1.426.232)	(1.426.232)
Hedging of net investment in foreign operation	832.343	-	832.343
Balance 1 January 2007	63.660	(4.182.659)	(4.118.999)
Exchange differences from conversion of balances of associates and subsidiaries denominated in foreign currencies	-	(1.434.923)	(1.434.923)
Hedging of net investment in foreign operation	373.241	-	373.241
Balance 31 December 2007	436.901	(5.617.582)	(5.180.681)

The share premium reserve, deficit from revaluation of available for sale financial assets reserve, hedging and foreign exchange difference reserve, buyback of own shares reserve, own shares held by associates reserve, immovable property revaluation reserve, and deficit or surplus from own shares held by associates reserve are not available for distribution.

31. Own shares

During the year the following transactions were carried out by the Group regarding own shares:

	2007		2006	
	Numbers of shares of a nominal value of €1,025 each		Numbers of shares of a nominal value of €1,025 each	
		€		€
Own shares held by the company				
Balance 1 January	**96**	**9**	96	9
Reverse split of share capital	**16**	**9**	-	-
Balance 31 December	**16**	**9**	96	9
Share of own shares held by subsidiaries				
Balance 1 January	**1.062.284**	**92.298**	1.120.447	97.352
Reverse split of share capital	**177.047**	**92.298**	-	-
Increase in percentage shareholding	**45.803**	**70.649**	-	-
Disposal of own shares	**(5.070)**	**(3.708)**	(58.163)	(5.054)
Balance 31 December	**217.780**	**159.239**	1.062.284	92.298
Total Own Shares at 31 December	**217.796**	**159.248**	1.062.380	92.307

On 25 May 2007, the Group acquired an additional 18,64% of the issued share capital of White Knight Holdings Public Company Limited, securing a total stake in White Knight Holdings Public Company Limited of 89,51%. As a result of the above transaction, the share of own shares held by subsidiary companies increased by 45.803 shares of total cost €70.649.

In addition, during the year ended 31 December 2007 the subsidiary company of the Group White Knight Holdings Public Company Limited disposed of 5.664 shares of the Company that it held. As a result of the above transaction the share of own shares held by subsidiary companies decreased by 5.070 shares of €3.708.

31. Own Shares (Continued)

The profit on disposal that resulted from the above sale amounted to €47.655 and was included in the retained earnings reserve.

During the year ended 31 December 2006, the subsidiary White Knight Holdings Public Company Limited sold 82.062 shares of SFS Group Public Company Limited of total cost €8.593. As a result of this transaction the amount of own shares owned by subsidiary companies was reduced by 58.163 shares of total value €5.054. The profit from this sale amounted to €5.946 and was credited in the profit and loss reserve.

At 31 December 2007, the own shares held by the Company, its subsidiaries and associates were as follows:

	2007		2006	
	Number of shares of a nominal value of	**Percentage of issued share capital**	Number of shares of a nominal value of	Percentage of issued share capital
Own shares held by the company	**16**	**0,00%**	96	0,00%
Own shares held by subsidiaries	**244.531**	**0,39%**	1.498.916	0,53%
Own shares held by associates	**32.001**	**0,05%**	7.768.421	2,75%

32. Minority Interest

	2007	2006
	€	€
Balance 1 January	**48.324.995**	45.607.136
Increase in share of subsidiaries	**(24.554.966)**	(1.192.513)
Minority interest in the profit for the year	**6.752.417**	6.027.409
Share of foreign exchange loss for the year	**(543.043)**	(368.132)
Share of revaluation of property, plant and equipment	**1.166.717**	(125.606)
Dividends paid to minority shareholders of subsidiaries	**(1.420.458)**	(1.646.540)
Minority interest share of issue costs	**(2.259)**	-
Disposal of own shares held by subsidiaries	**6.014**	4.537
Share of investments in new subsidiaries	**2.187.897**	-
Shares of (loss)/profit of revaluation of available for sale financial asset	**(3.368)**	18.704
Balance 31 December	**31.913.946**	48.324.995

33. Post Balance Sheet Events

Agreement for the acquisition of SFS Ledra Properties Limited (formerly Renwell Investments Limited)

The Company has reached an agreement with White Knight Holdings Public Company Ltd (which is a subsidiary of the Company) for the acquisition of a subsidiary company of WKH, SFS Ledra Properties Limited (formerly Renwell Investments Ltd), which is owner of properties, against the sum of €5.125.804 in cash. The consideration is equal to the net asset value of SFS Ledra Properties Limited as at 31 December 2007, as this has been determined by independent external valuators and this transaction is at arm's length.

The transaction above falls within the enforcement of the Group's strategy in relation to the creation of a property fund.

33. Post Balance Sheet Events (Continued)

Extraordinary General Meeting dated 6 February 2008

During the Extraordinary General Meeting of the Shareholders of the Company held on 6 February 2008 the following resolutions have been approved:

1. the conversion of the nominal value of the shares from £0,60 to €1,03, pursuant to the provisions of the Companies' Law Chapter 113, the Law on the Adoption of the Euro and the Company's Articles of Association.

2. the reduction of the nominal value of the shares from €1,03 to €1,00 with the creation of a special reserve account, which will be available for distribution at a time that the Board of Directors decides, pursuant to the Companies' Law Chapter 113.

   It is noted that the reduction of the nominal value from €1,03 to €1,00 is subject to the Court's approval and it will be effective after the Court's approval and the issue of the capital certificate by the Companies' Superintendent.

3. the cancellation of "Special Resolution 1: Issue and allocation of shares" which had been taken at an Extraordinary General Meeting held on April 12, 2007 and refers to shares of nominal value €1,025 (£0,60) and the proposal for the adoption of a new resolution that authorizes the Board of Directors to proceed with the issue and allocation of up to 10% of the issued capital for strategic cooperation or acquisitions without these shares being offered to the existing shareholders first. The Company's members will disclaim the pre-emption rights that they have or might have in relation to the issue and allocation of shares.

4. the authorization of the Board of Directors to proceed with buyback of own shares, pursuant to the provisions of the Companies' Law.

Disposal of subsidiary companies of the Lemissoler Group

The subsidiary company Lemissoler Shipping Group PCL ("Lemissoler"), that belongs to the Group, has sold five subsidiary companies, which own five paper carriers (the "Subsidiaries"), to the newly established company Lemissoler Maritime Company W.L.L. ("Lemissoler Maritime") for the total amount of $27.600.000 (€18.150.730). The consideration comprises $19.500.000 (€12.823.885) in cash and a 12,5% stake in Lemissoler Maritime, which will have minimum net value of $65.000.000 (€42.746.284).

Lemissoler Maritime is established as a company in Bahrain, for the purpose of owning and operating commercial vessels under long term, fixed-rate time charters and plans to acquire more vessels during 2008. Lemissoler' subsidiary company, Lemissoler Shipmanagement Ltd, will be the Operating Manager of Lemissoler Maritime.

A profit of $18.300.000 (€12.034.723) arises from the aforementioned sale of the Subsidiaries whose net assets were $9.300.000 (€6.116.007). The profit attributable to the Company's shareholders amounts to $8.639.000 (€5.681.310).

The contribution to profits from the Subsidiaries' activities during 2007 amounted to €2.683.000 ($4.079.770) and for the first two months of 2008, to €384.000 ($583.910).

The above mentioned transaction is part of the strategic priorities of the Company that aim at unlocking shareholder value and investing through funds with its clients.

34. Fair Values

Fair value represents the amount at which an asset can be recovered or a liability settled in the ordinary course of business.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, financial assets at fair value through the income statement and other current assets
The carrying amount of cash, financial assets at fair value through the income statement and other financial assets approximates their fair value because of the short period to maturity of those instruments or because the assets are presented at market value.

Short-term loans
The carrying amount approximates fair value because of the short period to maturity of those instruments.

The fair value of all other assets and liabilities of the Group is not materially different to the amounts at which they are presented in the financial statements.

35. Contingent Liabilities

Contingent liabilities from shipping activities
The following contingent liabilities, capital commitments and other financial guarantees for which no provision has been made in the financial statements and which arise from the written joint venture agreement among the subsidiary of the Group Bezoar Investments Limited, Superbird Enterprises Limited and the subsidiary of the Group Waverland Investments Limited, existed on 31 December 2007:

a) In the case of any claims by third parties against Bezoar Investments Limited or Superbird Enterprises Limited, or both companies in their capacity as shareholders of the subsidiary of the Group Waverland Investments Limited, the claim will be borne by the two corporate shareholders in proportion of their shareholding in Waverland Investment Limited. If any of the two shareholders bears a higher proportional liability, then the other shareholder will compensate the former accordingly.

b) Superbird Enterprises Limited, one of the parties to the joint venture agreement, has guaranteed the compliance to the clauses of the charter agreement between one of its related companies and the subsidiaries of Waverland Investments Limited, by the pledge of part of its shareholding in Waverland Investments Limited in favour of Bezoar Investments Limited, representing, 15% of the issued share capital of Waverland Investments Limited.

c) Superbird Enterprises Limited, one of the parties to the joint venture agreement, has committed to the acquisition of all the vessels of the subsidiaries of Waverland Investments Limited at US$9.000.000 (€6.116.793) for each vessel at the end of the period of 12 years from the date of delivery of the vessel. Instead of the acquisition of the vessels, Superbird Enterprises Limited has the option to acquire at the same date from Bezoar Investments Limited, 51% of the issued share capital of the subsidiaries of Waverland Investments Limited at US$4.590.000 (€3.119.906) for each subsidiary. This obligation is secured by the pledge of shares owned by Superbird Enterprises Limited in Waverland Investments Limited, in favour of Bezoar Investments Limited.

Litigation and claims
As of the date of this report, legal cases against the companies of the Group amounted to €11.077.582 (31.12.2007: €11.682.101) in accordance with the claims of plaintiffs. The companies of the Group have disputed the lawsuits and have filed for defence, depending on the circumstances of each case.

The Board of Directors after assessing the situation and considering relevant legal advice, is of the opinion that there are no reasons for which any provision should be made in the consolidated financial statements in respect of the above legal actions.

35. Contingent liabilities (Continued)

Other contingent liabilities

At 31 December 2007 the Group had the following contingent liabilities for which no provision has been made in the financial statements:

	2007	2006
	€	€
Current taxation for special contribution for defence from profit on disposal of listed investments	**58.617**	58.617
VAT authority claims	**136.688**	136.688
	195.305	195.305

No provision has been recorded in the consolidated financial statements for the above amounts since it is the opinion of the Board of Directors that the Group will not be liable to any loss.

36. Hedging of Investment in a foreign operation

The Group hedges the exchange rate risk that arises from the translation of the net assets of foreign subsidiaries and associates into Cyprus pounds. Liabilities of $6.470.711 (2006:$ 15.980.037) have been designated as hedging instruments and have given rise to a profit of €373.241 (2006: profit of €832.343) which have been recognised in the hedging and foreign exchange reserve against the losses that were generated from the retranslation of the net assets into Cyprus pounds.

37. Operating lease agreements

The Group as a lessee

As at the balance sheet date, the Group has commitments from operating lease agreements with no possibility of terminating the relevant leasing agreement, which are payable as follows:

	2007	2006
	€	€
Within one year	**259.238**	119,414
Between two to five years	**309.564**	463.169
After five years	**113.178**	7.074
	681.980	589.657

The operating lease payments represent rentals payable by the Group for certain of its buildings. Leases are negotiated for an average term of five years.

The Group as a lessor

The Group leases its property under operating leases. The total property rental earned during the year from property leases amounted to €300.796 (2006: €284.359). The properties are managed and maintained by independent property managers at an annual cost of €8.569 (2006:€6.739).

The immovable property held has committed lessees for the next two years.

At the balance sheet date the Group held lease contracts which are expected to bear the below minimum lease receipts to the Group:

	2007	2006
	€	€
Within one year	**96.230**	36.564
Between two to five years	**2.392**	1.965
	98.622	38.529

38. Related party transactions

In the normal course of business, the Group provides services to associates on an arms-length basis. The transactions with associates which consist of the following:

	2007	2006
	€	€
Brokerage, selling and underwriting commissions	**527.710**	491.660
Private equity fees	**513.905**	1.585.165
Other fees	**45.093**	40.723
	1.086.708	2.117.548

The balance sheet includes the following amounts resulting from transactions with associates:

	2007	2006
	€	€
Trade and other receivables	**2.158.206**	2.381.691
Trade and other payables	**(1.917.131)**	(1.870.061)
	241.075	511.630

In addition during the year ended 31 December 2007, short-term loans of a total amount of €2.050.322 which were due by the Group to the associate company Ellinas Finance Public Company Limited, have been fully repaid. During the year the Group has been charged with interest of €92.264 (2006:246.039) in relation to the above mentioned loans.

The transactions of the Group with members of the Board of Directors during the year are as follows:

	2007		2006	
	Number of Directors		Number of Directors	
		€		€
Executive Directors' remuneration:				
- Salary	**4**	**714.564**	4	768.871
- Bonus	**3**	**142.385**	4	162.488
- Benefits	**4**	**10.561**	3	4.015
Non-executive Directors fees	**5**	**68.681**	3	38.273
Contributions to the Group's defined pension Fund provident fund and other contributions	**4**	**144.291**	4	160.597
Payments to ex-directors in relation to the termination of their employment	**1**	**170.860**	-	-

During 2007, four executive directors received gross remuneration (including contribution by the Group) between €256.290 and €341.720 each. During 2006 one executive director received gross remuneration between €170.860 and €256.290 and three executive directors received gross remuneration (including contribution by the Group) between €256.290 and €341.720 each.

During 2007 490.000 share options were granted to the Executive Directors.

Other related parties of the Group, being related persons of the Board of Directors of the Company, the nature and volume of the transactions between these parties and the Group, which are carried out on an arms-length basis, and the balances with these parties are as follows:

38. Related party transactions (Continued)

Name	Nature of Transaction	Number of directors	Income/(expenses) 2007	Income/(expenses) 2006	Debit/(credit) balance 2007	Debit/(credit) balance 2006
			€	€	**€**	€
E.A. Ellinas & Co. Ltd	Rental of premises	1	**(131.761)**	(120.943)	-	-

39. Asset management

The Group provides asset management services by investing in several financial instruments for the benefit of its clients. The cash and cash equivalents under management that are deposited in clients' bank accounts of Sharelink Securities and Financial Services Limited (subsidiary of the Group operating in the provision of investment services) for the benefit of its clients, are presented in the consolidated balance sheet in the Client's money in banks.

The total assets that are registered in the name of companies of the Group as custodians, that are under management and are not included in the consolidated balance sheet amounted approximately to €10.983.109 at 31 December 2007 (2006: €9.170.399).

40. Employee Benefit Scheme

The Group operates an approved defined contribution employees' provident fund in which the employees of the Company and some of the employees of the subsidiary companies participate. The contribution of the employees to the fund ranges from 5% to 10% and of the employer is 5%. The fund operates independently and submits separate financial statements. The Group's total contribution was €158.422 for the year 2007 (2006: €103.675).

Some of the subsidiary companies of the Group which do not participate in the above Employee Benefit Scheme have their own defined contribution employees' provident funds.

41. Staff and Management Bonus

During the Extraordinary General Meeting of the Company's shareholders on 25 May 2005, the existing Staff and Management Bonus Scheme was amended. According to the last scheme the Company could distribute to the staff and executive directors up to 25% of the Group's profit for the year before taxation and bonus as per the consolidated financial statements. According to the new approved scheme, the Company may distribute to its staff and executive directors up to 25% of the Groups profits before taxation and bonuses and after minority interest based on the consolidated financial statements. The bonus for every financial year cannot exceed the 50% of dividend or other benefits and/or payments to the shareholders of the respective financial year. During the year ended 31 December 2007 a provision for staff and management bonus has been raised of a total amount of €3.075.483 (31 December 2006: €1.452.311)

42. Dividend

During the year ended 31 December 2007 the Company paid an interim dividend totalling €2.006.043 corresponding to €0,0342 cent per share. Additionally during the year ended 31 December 2007 a total dividend of €2.405.122 was paid, being proposed by the Board of Directors of the Company on 3 April 2007 and later approved by the Annual General meeting.

Also the Board of Directors of the Company decided to propose to the Annual General Meeting of the Company the payment of dividend totalling €0,1196 per share.