

14 April 2008



Helesi PLC
("Helesi" or "the Group")

Final Results for the year to 31 December 2007

Helesi PLC (AIM: HLS), the Greece and UK based waste management products manufacturer and services supplier announces final results for the year to 31 December 2007

Highlights

- Group revenues increased by 42% to €50.0 million (2006: €35.2 million):
 - four year compounded annual growth rate (CAGR) of 42%
- Net income increased in line with revenues to €6.2 million:
 - four year CAGR of 43%
- Recommended final dividend of 1.2 Euro cents per share making a total for the year of 1.8 Euro cents
- First full year's contribution from waste management services business PYP acquired in November 2006
- Perivallontiki waste management services businesses acquired in November 2007 for €10.9 million successfully integrated into Vehicles and Accessories division
- Plant utilisation at production sites in Komotini and Bradford operated at capacity
- €83 million investment program nearing completion – on budget and over 70% complete:
- Strategic focus: increase manufacturing capacity and geographic reach in waste management products, expand waste management services in core territory of south east Europe and prepare the expansion into Asia

Commenting on the results, Sakis Andrianopolous, Chief Executive of Helesi, said,

" In 2007 we made considerable progress towards achieving our twin objectives of becoming a global player in waste management products and a fully integrated provider of waste management services in the fast growing markets of south east Europe."

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Chairman's Statement

Introduction

2007 was a successful year for Helesi, the first full year after its shares were admitted to the AIM market of the London Stock Exchange. The principal themes were a continuation of our organic growth, a clear focus on our 2006–2009 €83 million investment program and the acquisition in November of key businesses of the Perivallontiki Group.

Results

Group revenues grew by 42% to €50 million (2006: €35.2 million) and profit before tax was up 38.5% to €7.0 million (2006: €5.1 million). Net income, after a 11% tax charge (2006: 15.4%), increased by 45% to €6.2 million (2006: €4.3 million) and basic and fully diluted earnings per share were 19 Euro cents (2006: 18 Euro cents), reflecting the higher number of shares in issue for 2007 following the capital raising at the time of the Group's IPO at the end of 2006.

Dividends

The Board is recommending a final dividend of 1.2 Euro cents per share. Taken together with the interim dividend of 0.6 Euro cents per share paid in October, this makes a total for the year of 1.8 Euro cents (2006: nil). The total cost of the final dividend will be €0.4 million.

Operations

Plant utilization throughout the year at our current production sites in Komotini (Northern Greece) and Bradford in the UK was at full stretch and it was a challenge to keep both units running at over normal capacity. New additions were made to our list of export countries (notably Iran, Lithuania, Croatia and the Czech Republic) further expanding and diversifying our revenue base. This reflects the continuing growth in demand for our principal plastic product ranges in waste containers. Test marketing in pallet boxes has also proved encouraging. The increased price of our main raw material HDPE (high density polyethylene) resulted in some pressure on margins but this was to a large extent mitigated by a more beneficial sales mix.

Investment Program

Our €83 million investment program is now nearing completion. Since construction commenced in February 2007, progress on our new plant in Pisticci, Basilicata in southern Italy has been rapid and it is on schedule to start operations in the last quarter of this year. The €25 million plant will manufacture pallet boxes and recycling containers for the European market. In Komotini, the first phase of the €35 million expansion program was completed in December 2007 increasing capacity by 12 per cent. The second phase, which will double the existing capacity in Komotini, is effectively an entirely new plant. Construction commenced in August 2007 and we are on schedule to complete by the end of 2008.

Waste Management & Perivallontiki

The waste management services division had a slow start to the year, but enjoyed a strong second half with a number of important contract wins. In November, Perivallontiki was acquired for a consideration of €10.9 million. This company's principal business is the supply of specialist vehicles to the waste management industry in Greece and Cyprus. This is complementary to our existing Merchandises division and the addition of the vehicles business will significantly enhance Helesi's product offering in this area.

Outlook

For 2008, we already have good revenue visibility of approximately 50 per cent across all divisions from orders received and in hand. This year will see a full year's contribution from the Perivallontiki acquisition. We also expect to conclude our current investment program to give us the increased capacity that we badly need.

As we said in January, the principal driver for our business continues to be growing government regulation worldwide of waste collection, management and recycling. We do not believe that this trend is likely to be seriously affected by any downturn in the global economy and we look forward to exploiting the exciting opportunities that this presents for the Company.

Our successful growth would not be possible without the efforts and dedication of our staff in Greece, the UK, Italy and around the world. On behalf of the Board and management team, I thank them for their hard work.

Roger Parsons

Chairman

11 April 2008

Chief Executive's Review of Operations

In 2007, we made considerable progress towards achieving our twin objectives of becoming a global player in waste management products and a fully integrated provider of waste management services in the fast growing markets of south east Europe.

Financial Results

Group revenues increased by 42% in 2007 to €50.0 million. For the fourth year in a row, we have maintained a compounded annual growth rate (CAGR) of 42% in revenues from a base of just €12.5 million in 2003. Net income increased in line with revenues to €6.2 million, producing a four year CAGR of 43% from the €1.5 million recorded in 2003.

These results include a first full year's contribution from the PYP waste management business acquired in November 2006. The Perivallontiki businesses which were acquired in November 2007 will be fully consolidated in 2008 for the first time. To better reflect the importance to the Group of our Services businesses, we are providing for the first time a segmental analysis by activity as well as by geography. This shows that in 2007, Services accounted for 12% of revenues but due to the division's higher margins 31% of pre-tax profits.

The demanding investment program along with the leveraged acquisition of the Perivallontiki businesses, resulted in an impact on the Group's net debt position. At 31 December 2007, net borrowings stood at €33 million (2006: €5 million) representing gearing of 78% on increased shareholders' equity of €42 million (2006: 14% on shareholders' equity of €36 million).

As the current investment program approaches its end in 2009, we anticipate that borrowings will peak during 2008 and have assumed average borrowing levels for the year of some €45 million. At this level, we will still have ample headroom on our existing, committed facilities. The blended average rate for our borrowings (all in Euros) during 2007 was approximately 6% and interest costs of €1.7 million were covered 6.1 times by EBITDA. An additional interest charge of €0.2 million relating to the portion of the investment program currently in progress was capitalised in accordance with IAS23.

We have worked hard during 2007 to contain working capital, which improved significantly during the year. This was despite the adverse effect of increased Group revenues in southern and eastern European countries that traditionally have extended payment cycles. We will continue to monitor closely our working capital requirements.

Operations

Our Products division had a very good year with plant utilisation at our production sites in Komotini in northern Greece and in Bradford in the UK operating at levels close to capacity. These utilisation levels reflect the continued growth in demand for our principal plastic product ranges in waste containers and pallet boxes from both existing and new markets. Particularly strong demand was seen from south east Europe, the Middle East and Asia, all of which were supplied from Komotini. First

orders were secured from new territories including Iran (the city of Tehran), Lithuania, Croatia and the Czech Republic further expanding and diversifying our revenue base.

In Services, the PYP waste management business enjoyed an extremely successful first full year as part of the Group and grew revenues by 41% compared to 2006. Even at this level of growth, the business has still not yet met our high expectations to the full and we look forward to an increased contribution in the upcoming years as the services markets we target allow more private participation. Our Vehicles and Accessories business saw a boost in sales of €4 million resulting from the Perivallontiki acquisition at the end of the period and performed in line with projections excluding this contribution. The Perivallontiki acquisition is expected to be earnings enhancing for the current financial year despite the debt acquired with the businesses as part of the acquisition financing. The outlook for this year for the enlarged Vehicles and Accessories business remains very positive and we plan to take full advantage of Helesi's dominant position in Greece.

Investment Program

At this time, our €83 million investment program is over 70% complete. The principal remaining projects are the expansion in Komotini and the new plant in Italy. These two projects, accounting for the bulk of the investment program, will only begin to make a significant positive contribution to revenues and profits from 2009 onwards.

We have made good progress on our new €25 million plant in southern Italy. Completion is currently at 90% and has been rapid since construction commenced in February 2007. The plant is on schedule to start operations in the last quarter of this year and will manufacture pallet boxes and recycling containers for the European market.

At Komotini, we expect to be approximately three quarters of the way through the final, second phase of the €35 million expansion program, which will double existing capacity, by the end of 2008. Completion of the Komotini expansion is also on schedule.

Research and Development

R & D is vital to our continued successful growth. As stated in the Interim Report, the Group capitalises R & D costs only at the development phase of a project, by which time the technical feasibility of completing the work undertaken (so that it becomes available for use) is evident and the generation of future economic benefits is highly probable. For the full year in 2007, approximately €0.36 million of development costs have been capitalised, principally relating to the development of the pallet box product lines that Helesi will introduce from the new Italian facilities.

Current Strategy

Our principal focus since the IPO in November 2006 has been on the investment program to significantly expand our manufacturing capability and our geographic reach in waste management products. Going forward, we will maintain this focus but in addition we have now targeted our core territory of south east Europe for expansion of our waste management and waste treatment services,

seeking to take advantage of the maturing market conditions there for such environmental services. Secondly, we plan Helesi's expansion into Asian markets as our business there has now established a presence on which we can build. We will also be monitoring closely any industry consolidation in our business space both in products and in services.

Our approach when entering new markets is first to appoint agents to distribute our products and then, once we have built market share, to open our own assembly and distribution centres ahead of building production facilities if the size of the market warrants such investment. This approach has worked successfully for the Group in the UK and now in Italy and we will follow the same, low risk pattern as we plan our further development in Asian markets.

Outlook

We have begun the 2008 financial year with a strong pipeline despite the uncertain overall economic outlook. Our businesses, by contrast, are driven more by regulation and government directive and we remain optimistic for the year's outcome. Already, we have revenue visibility of over 50% of the year's expected total and 2008 will see the first full year's contribution from the Perivallontiki acquisition. We are confident that the foundations we have built will enable us to continue to grow revenues and profits in the current year as the drivers for our business continue to accelerate.

Sakis Andrianopoulos
Chief Executive
11 April 2008

Statement of comprehensive income

	Notes	<i>The Group</i>	
		31 December 2007 €000	31 December 2006 €000
Sales revenue	3	50,033	35,222
Other revenue	4	660	792
		<u>50,693</u>	<u>36,014</u>
Changes in inventories of finished goods		228	2,145
Cost of materials used		(27,709)	(22,195)
Personnel-related costs	5	(4,537)	(2,819)
Directors' emoluments		(346)	(62)
Depreciation charges	6	(1,652)	(1,159)
Other operating expenses		(7,968)	(5,660)
		<u>8,709</u>	<u>6,264</u>
Profit, before finance charges			
Cost of financing, net	7	(1,695)	(1,200)
		<u>7,014</u>	<u>5,064</u>
Profit from ordinary activities			
Income taxes (relief)	8	(789)	(780)
		<u>6,225</u>	<u>4,284</u>
Net profit (loss), after taxes			
		<u>6,225</u>	<u>4,284</u>
Basic earnings (loss) per share (in Euro)	24	0.19	0.18
		<u>0.19</u>	<u>0.18</u>
Diluted earnings (loss) per share (in Euro)		0.19	0.18
		<u>0.19</u>	<u>0.18</u>

Statement of financial position

	Notes	<i>The Group</i>	
		31 December 2007 €000	31 December 2006 €000
Tangible fixed assets	11	56,488	30,648
Intangible fixed assets	12	429	70
Goodwill		12,254	1,545
Other long-term assets	13	51	41
		<hr/>	<hr/>
Long-term assets		69,222	32,304
		<hr/>	<hr/>
Inventories	14	11,310	6,171
Receivables	15	29,107	19,669
Cash and cash equivalents	16	10,396	7,674
		<hr/>	<hr/>
Current assets		50,813	33,514
		<hr/>	<hr/>
Total assets		120,035	65,818
		<hr/>	<hr/>
Payables	19	(33,041)	(16,075)
Income taxes payable		(231)	(108)
Short-term borrowings	17	(30,900)	(4,762)
		<hr/>	<hr/>
Current liabilities		(64,172)	(20,945)
		<hr/>	<hr/>
Long-term interest bearing loans	17	(12,457)	(7,762)
Employee benefits	20	(58)	(24)
Deferred tax liabilities	25	(1,364)	(797)
		<hr/>	<hr/>
Long-term liabilities		(13,879)	(8,583)
		<hr/>	<hr/>
Net assets		41,984	36,290
		<hr/>	<hr/>
Share capital	22	3,278	3,278
Share premium	22	29,950	29,950
Capital reserves	23	6,202	-
Currency translation adjustments	23	(307)	27
Retained earnings (losses)		2,861	3,035
		<hr/>	<hr/>
Shareholders' equity		41,984	36,290
		<hr/>	<hr/>

Statement of changes in shareholders' equity

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	<i>The Group</i>					
	Share capital	Share premium	Capital reserves	Currency translation adjustment s	Retained earnings	Total
Balances, as at 31 December 2005	4,684	2,473	5,264	76	2,099	14,596
Shares issued in 2005, paid	825	1,649	-	-	-	2,474
Profit for the first half of 2006, after tax	-	-	-	-	1,249	1,249
Dividends paid	-	-	-	-	(226)	(226)
Currency translation adjustments	-	-	-	(89)	-	(89)
	<u>5,509</u>	<u>4,122</u>	<u>5,264</u>	<u>(13)</u>	<u>3,122</u>	<u>18,004</u>
Effect of Group restructuring	(3,258)	11,631	(5,264)	13	(3,122)	-
	<u>2,251</u>	<u>15,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,004</u>
Shares issued on incorporation	30	-	-	-	-	30
Shares issued on admission to AIM	997	16,093	-	-	-	17,090
Costs of AIM listing, net of tax	-	(1,896)	-	-	-	(1,896)
Profit for the second half of 2006, after tax	-	-	-	-	3,035	3,035
Currency translation adjustments	-	-	-	27	-	27
	<u>3,278</u>	<u>29,950</u>	<u>-</u>	<u>27</u>	<u>3,035</u>	<u>36,290</u>
Balances, as at 31 December 2006	3,278	29,950	-	27	3,035	36,290
Profit for the year 2007, after tax	-	-	-	-	6,225	6,225
Transferred to capital reserves	-	-	6,202	-	(6,202)	-
Dividends paid	-	-	-	-	(197)	(197)
Currency translation adjustments	-	-	-	(334)	-	(334)
	<u>3,278</u>	<u>29,950</u>	<u>6,202</u>	<u>(307)</u>	<u>2,861</u>	<u>41,984</u>
Balances, as at 31 December 2007	3,278	29,950	6,202	(307)	2,861	41,984

Statement of cash flows	31 December 2007 €000	31 December 2006 €000
Cash flows related to operating activities		
Profit (loss), before taxes	7,014	5,064
<i>Adjustments in respect of non-cash transactions:</i>		
Depreciation of fixed assets	1,722	1,159
Interest expense, net	1,956	1,200
Employee retirement benefits	7	(2)
Other adjustments	(227)	322
	<u>10,472</u>	<u>7,743</u>
Decrease (increase) in inventories	(2,863)	(2,550)
Decrease (increase) in receivables	(5,341)	(7,681)
Increase (decrease) in payables	4,259	5,963
	<u>6,527</u>	<u>3,475</u>
Interest received (paid)	(1,895)	(1,200)
Income taxes paid	(257)	(220)
	<u>4,375</u>	<u>2,055</u>
<i>Net operating cash inflows (outflows)</i>	<u>4,375</u>	<u>2,055</u>
Cash flows related to investing activities		
Acquisition of tangible fixed assets	(28,204)	(16,023)
Disposal of tangible fixed assets	409	36
Investment grants received	10,619	4,639
Acquisition of intangible fixed assets	(1,215)	(90)
Acquisition of shares of subsidiaries	-	(3,496)
	<u>(18,391)</u>	<u>(14,934)</u>
<i>Net investment cash inflows (outflows)</i>	<u>(18,391)</u>	<u>(14,934)</u>
Cash flows related to financing activities		
Proceeds of issue of new shares, net of costs	-	17,296
Dividends paid	(197)	(226)
Loans contracted (repaid)	17,059	(2,276)
Finance lease payments	(121)	(122)
Loan repaid by (granted to) <i>Helesi AE</i>	-	-
	<u>16,741</u>	<u>14,672</u>
<i>Net financing cash inflows (outflows)</i>	<u>16,741</u>	<u>14,672</u>
Increase (decrease) of cash balances	2,725	1,793
Cash balances, at the beginning of the period	7,674	5,884
Effect of currency translation adjustments	(3)	(3)
	<u>10,396</u>	<u>7,674</u>
Cash balances, at the end of the period	<u>10,396</u>	<u>7,674</u>

Notes to the financial statements

1 *Basis of preparation*

The financial statements have been compiled on the basis of the International Financial Reporting Standards (IFRS) that have been adopted by the European Union. The financial statements have been compiled on the basis of historical cost and the amounts reported therein are stated in Euro thousand.

2 *Accounting policies*

Impact of New Professional Pronouncements

The impact of the adoption by the *Helesi Group* of IAS 23 "*Borrowing Costs*" (*revised*) is explained and quantified in these notes to the financial statements of the Group. Management believes that no other pronouncement of the International Accounting Standards Board has any material impact on the financial statements of the Group nor is it anticipated that it will have such an impact in the future.

Fixed assets

Fixed assets are reported in the financial information at acquisition cost, after deduction of (a) the government grants received that partially cover their acquisition cost, (b) accumulated depreciation and, if applicable, (c) any permanent impairment. Exceptionally, land was revalued, as at 31 December 2002, and the value thus assigned to this asset has been treated as its deemed cost ever since. The net, after current and deferred taxes, gain recognised on revaluation, amounting to €262 thousand was taken directly to shareholders' equity.

The costs incurred for the replacement of substantial component parts of fixed assets are capitalised. The remaining costs that are incurred subsequent to the installation of fixed assets are capitalised only if they enhance the future economic benefits that will be derived through the use of the affected assets. All other costs and expenses that are incurred for the maintenance, repair etc. of fixed assets are charged to operations at the time they are incurred.

Depreciation is computed and charged to operations on the basis of the straight-line method, over the estimated useful life of the fixed assets. Land is not depreciated. The estimated useful life of each category of assets, is as follows:

Buildings, installations and infrastructural works	20-40	years
Landscaping	5	years
Industrial machinery and equipment	15-20	years
Other installations and equipment	4-8	years
Furniture and other equipment	4-8	years
Vehicles	4-8	years

The intangible fixed assets acquired by the *Helesi PLC Group* are reported at their acquisition cost reduced by accumulated amortisation and, if applicable, by any permanent impairment of their value. The costs associated with internally generated goodwill are charged to operations in the period in which they are incurred.

The amortisation of intangible fixed assets, comprising computer software, is charged to operations on the basis of the straight-line method, over their estimated useful life. The estimated useful life of computer software is 8 years.

Capitalisation of Interest Costs

In March 2007, IAS 23 "*Borrowing Costs*" (*revised*) was issued, requiring the inclusion of the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset in the cost of that asset. Although the implementation of IAS 23 (*revised*) becomes compulsory for annual periods beginning on or after 1 January 2009, the *Helesi Group* has adopted the provisions of this Standard, as from 1 July 2007, given that, in the opinion of management, the adoption of IAS 23 (*revised*) is conducive to "fair presentation" and the earlier application of the Standard is permitted, under the provisions of the Standard itself. As required, such borrowing costs are capitalised as part of the cost of the asset, only when it is probable that

they will result in future economic benefits to the Group and the costs can be measured reliably. The Group ceases capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. For the purposes of the application of *IAS 23 (revised)*, management believes that the manufacturing plants that are currently under construction in *Komotini*, Greece and *Pisticci*, Italy do constitute qualifying assets.

Capitalisation of Development Costs

The *Helesi PLC Group* invests substantial amounts in research and development and, in particular, in the development of new moulds and techniques that are instrumental in the lowering of costs and in attaining higher levels of operational efficiency. Such development costs are capitalised if, and only if, the following conditions are satisfied:

- (a) the technical feasibility of completing the work undertaken (so that it will be available for use) is evident;
- (b) the commitment and ability to complete such work and use its outcome exists;
- (c) the generation of future economic benefits through the use of such development work is highly probable;
- (d) the necessary technical, financial and other resources to complete the development work and to place it into use are available;
- (e) the ability to measure reliably the expenditure attributable to such development work exists.

Participation in joint ventures

The cost of participating in the operating capital of joint ventures is accounted for as an investment in associated entities while the *Helesi PLC Group's* share of the profits or losses realised by such joint ventures are taken to operations (reported in the statement of earnings) in the period in which they are realised.

Inventories

Inventories are reported at the lower of their purchase or production cost and their corresponding net realisable value. Net realisable value is the estimated re-sale value of the inventories, reduced by the cost of disposal. The cost of inventories is quantified on the basis of the weighted average method and is inclusive of the costs associated with their acquisition or production (in the case of internally produced goods) and the costs incurred in bringing them to their present location and condition.

The specialised spare parts of machinery and equipment that are purchased at the stage of the acquisition of the machinery and equipment they relate to, are considered to be an integral part of and are depreciated along with the assets they are destined to support, while the replacements of such spare parts are expensed at the time of their purchase. In contrast, maintenance materials and general-use spare parts are included in inventories and are expensed as and when they are used.

Trade and other receivables

Receivables are reported net of the amounts that are deemed to be doubtful of collection.

Cash and cash equivalents

Cash is inclusive of cash equivalents, such as current account balances and short-term deposits. Bank overdrafts repayable on demand that form part of the cash management system of the *Helesi PLC Group*, are reported, in the statement of cash flows, as forming part of cash balances.

Transactions in foreign currencies

The transactions that are denominated in foreign currencies are stated in the functional currency of each entity forming part of the *Helesi PLC Group*, on the basis of the exchange rates ruling on the date of the transaction. On the balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are re-stated in the reporting currency on the basis of the

exchange rates ruling on this date. The gains and losses arising on restatement are taken to operations.

In contrast, the currency translation adjustments that arise in the consolidation process, on the conversion of the financial statements of subsidiaries that are compiled in currencies other than the Group's reporting currency, are reflected directly in shareholders' equity.

Dividends

Dividends payable are reported as a liability at the time that they are declared as payable by the shareholders in general meeting.

Employee retirement benefits

The obligations of the *Helesi PLC Group* towards its employees, who are based in Greece, for the payment of certain benefits at the stage of retirement that are dependent on the length of service, are quantified and reported by reference to the accrued, as at the date of the balance sheet, benefit that is anticipated to be paid to each employee in the future, discounted to its present value, having regard to the anticipated time of payment. The discount rate used is equal to the yield, as at the balance sheet date, of Greek Government bonds.

Provisions

Provisions are set up when the *Helesi PLC Group* has a legal or constructive obligation, in relation to a past event, and it is deemed likely that the settlement of the obligation will absorb resources embodying economic benefits.

Financial instruments

The basic financial instruments used by the *Helesi PLC Group* are cash, bank deposits, short-term receivables and payables and certain other forms of financing. Given the short-term nature of these instruments, *Helesi PLC Group* management believes that their fair value is essentially identical to the value at which they are reported in the accounting records of the *Helesi PLC Group*. Furthermore, *Helesi PLC Group* management believes that the interest rates paid in relation to the contracted loans are equivalent to the current fair market rates and, consequently, there are no grounds for adjusting the value at which these obligations are reported. The *Helesi PLC Group* does not use any financial derivatives.

Revenues

Sale of goods and services

The revenue derived from the sale of goods is recognised (reported in the statement of earnings) at the stage when the basic risks and benefits associated with the ownership of the goods, are transferred to the buyer. The revenue derived from the rendering of services is recognised (reported in the statement of earnings) on the basis of the stage of completion of the project, at the date of the balance sheet. Revenue is not recognised, if there is substantial uncertainty as to the likelihood of collecting the consideration agreed upon or the possible return of the goods.

Government grants

Government grants are accounted for when there is reasonable certainty that they will be collected and the *Helesi PLC Group* is in a position to conform to the terms and conditions imposed for their collection. The grants that are intended to partly finance the acquisition of fixed assets are deducted from the cost of the acquisition of the related assets. The grants, which aim at compensating the business for expenses incurred, are reported as income of the period in which the subsidised expenses are charged.

Expenses

Payroll Costs

Payroll costs are charged to operations as incurred, except for the element of these costs that is associated with the development of new products or new components of existing products, which

may be capitalised, if appropriate.

Operating leases

The payments effected under operating leases are charged to operations in line with the usage of the leased asset.

Finance leases

Finance leases are treated as financing arrangements, resulting in the leased assets being reported as assets of the *Helesi PLC Group* (and depreciated accordingly) with a corresponding liability being reported towards the lessor or the lessors. The cost of financing is taken to operations as an expense, as it accrues.

Cost of financing

The net cost of financing comprises interest paid or accrued on contracted loans as well as on finance leases, calculated on the basis of the real interest rate, less interest income generated by the short-term investment of surplus cash funds. Exceptionally, the cost of financing the construction of fixed assets is treated as a component part of the cost of these assets, provided that the conditions set for such capitalisation are satisfied.

Income taxes

The income tax charge in the period comprises the current tax charge and the deferred tax element, that is the tax (or the tax relief), which is associated with revenues (or costs) that are reported, for accounting purposes, in the current period but will generate a tax burden or relief in future accounting periods. Income tax charges are shown in the statement of earnings, except for the tax, which relates to transactions taken directly to equity. In the latter case, the tax is, likewise, taken directly to equity.

The current tax charge is quantified by reference to the taxable income of the period of each entity forming part of the *Helesi PLC Group*, on the basis of the nominal rates of tax applicable as at the balance sheet date, plus any additional taxes likely to be imposed on the examination of the tax returns filed. In the case that different tax rates apply to distributed and retained earnings, the quantification of the current tax is based on the rates applicable to each category and by reference to the corresponding amounts. This inevitably results in the differentiation of the effective tax rate over time, depending on the policy followed by the *Helesi PLC Group* with respect to the distribution or the non-distribution of profits.

The deferred tax charge is quantified by the application of the relevant tax rates on the differences between the accounting and tax base of assets and liabilities, to the extent that such differences comprise timing differences that are anticipated to reverse in the future.

A deferred tax asset is recognised, only to the extent that is likely that taxable profits will be generated in the future, sufficient to absorb the tax relief obtained through the recognition of the deferred tax asset. A deferred tax asset is appropriately reduced to the extent that it becomes uncertain whether the anticipated future tax relief will, in fact, be secured.

Segmental analysis

A "segment" is defined as a separate and distinct group of business activities with common characteristics as to the nature of the activities and the business risk associated with such activities (business segment). A corresponding distinction is made on the basis of the business environment within which the activities are undertaken (geographic segment). Up to 31 December 2006, the *Helesi PLC Group* had only one substantial business activity segment, namely that of the production and sale of injection-moulded refuse containers (bins). However, as a result of the business combinations that were effected in the course of 2007, management is of the opinion that two distinct business segments have emerged: the environmental products segment and the environmental services segment. As a consequence, these two business segments are recognised for business segmental reporting purposes.

The business activities of the *Helesi PLC Group* can be distinguished between the production, marketing and distribution of environment-related products and environment-related services. At

present, the *Helesi PLC Group* has two production and trading units – one in Greece and one in the United Kingdom, under the corporate umbrellas of *Helesi AE* and *Helesi UK Ltd*, respectively. The financial results and the financial position of these two business and geographic segments are summarised in note 9 to the financial information. The third-party transactions and balances of *Helesi PLC* and *Helesi Italia srl*, which are not eliminated on consolidation, still comprise relatively immaterial amounts that are included in the Greek segment.

On the basis of business risks and, in general, the economic environment of each country in which *Helesi PLC Group* customers are based, an analysis is provided in note 9 of (a) the value of sales and (b) the value of the trade receivables outstanding at each year end.

For the purposes of this analysis, a distinction is made between the following geographic segments:

Greece
 United Kingdom
 Other European Union states
 Other (non-EU) states

3 Sales revenue

	The Group	
	31	31
	December	December
	2007	2006
	€000	€000
Sales of manufactured goods	34,102	30,515
Sales of traded goods	9,733	3,027
Fees for services rendered	6,198	1,680
	<u>50,033</u>	<u>35,222</u>

4 Other revenue

	The Group	
	31	31
	December	December
	2007	2006
	€000	€000
Government grants	334	429
Recharging of transportation costs	163	84
Environmental study fees	-	38
Renting of tools and equipment	-	90
Other revenues	163	151
	<u>660</u>	<u>792</u>

5 *Persons employed and related costs*

	<i>The Group</i>	
	31	31
	December	December
	2007	2006
	Number	Number
Number of persons employed (at year end)	233	167
	<hr/>	<hr/>
	31	31
	December	December
	2007	2006
	€000	€000
Salaries and wages	(3,672)	(2,274)
Social insurance costs	(996)	(514)
Other personnel costs	(84)	(23)
Employment termination benefits	(20)	(8)
Payroll costs capitalised	235	-
	<hr/>	<hr/>
	(4,537)	(2,819)
	<hr/>	<hr/>
Cost per employee (in Euro)	19,472	16,880
	<hr/>	<hr/>

6 *Analysis of depreciation charges*

	<i>The Group</i>	
	31	31
	December	December
	2007	2006
	€000	€000
Buildings and building installations	(215)	(180)
Plant and machinery	(1,090)	(770)
Vehicles	(346)	(172)
Furniture and other equipment	(59)	(27)
Computer software	(14)	(10)
Depreciation charges recapitalised	72	-
	<hr/>	<hr/>
	(1,652)	(1,159)
	<hr/>	<hr/>

7 Cost of financing

	The Group	
	31 December	31
	2007	December
		2006
	€000	€000
Interest charges on bank loans	(1,810)	(1,162)
Finance lease charges	(12)	(23)
Cost of letters of credit, letters of guarantee and similar instruments	(262)	(76)
	(2,023)	(1,261)
Interest income	389	61
	(1,695)	(1,200)

8 Income taxes

	The Group	
	31 December	31
	2007	December
		2006
	€000	€000
Profit (loss), before taxes, per the statement of earnings	7,014	5,064
Tax rate	24%	29%
Income taxes, at the nominal tax rate	(1,670)	(1,491)
Taxes on permanent differences between accounting and taxable profits	(72)	(70)
Tax relief associated with profits the taxation of which is indefinitely deferred	986	703
Tax relief due to the reduction of the tax rate	-	78
Total tax charge	(789)	(780)
Current tax charge	(222)	(192)
Deferred tax charge	(567)	(588)
Total tax charge	(789)	(780)

The fact that, in certain cases, revenues and expenses are recognised for accounting purposes in a different period than the period in which these income items are taxed or expense items provide tax relief, requires the recognition of deferred tax assets and liabilities.

The nominal tax rate applicable to the *Helesi PLC Group* varies from period to period, reflecting changes, over time, in the nominal tax rates in-force in the countries in which the *Helesi PLC*

Group operates, but also because of differences in the national nominal tax rates, which render the *Helesi PLC Group* weighted average tax rate a function of the geographic dispersion of taxable profits (or the losses that provide tax relief) within the *Helesi PLC Group*.

The nominal tax rate applicable to *Helesi PLC* is 10%. However, the dividends payable to natural persons, who are tax residents of Cyprus, are subject to a withholding tax of 15%.

The tax relief that is associated with profits that are not taxed or are taxed at reduced rates primarily emanates from the profits derived from the Greek activities of the *Helesi PLC Group*. In Greece, the taxation of certain forms of income may be deferred indefinitely, provided that the said income is transferred to reserves and its distribution is, likewise, deferred. In 2006, the validity of one of the Greek laws providing such relief was challenged and the issue has not been finally resolved as yet. However, given that the provisions of this piece of legislation have not been utilised by *Helesi AE*, it is not anticipated that the issue will have any impact on the *Helesi Group*.

The tax returns of the entities forming part of the *Helesi PLC Group*, for the years noted below, have not been examined by the tax authorities as yet. As a consequence, it is possible that additional taxes may be assessed at the time of such an examination. These financial statements reflect a provision in respect of this contingent liability, based on management's best estimate of the amount that is likely to be assessed.

Entity	Tax returns not examined as yet by the tax authorities
<i>Helesi PLC</i>	Up to 2007
<i>Helesi AE</i>	2007
<i>Perivallontiki Environmental Services AE</i>	2006 & 2007
<i>Helesi UK Ltd</i>	2004 to 2007

9 Segmental analysis

As from 2007, the *Helesi PLC Group* recognises two business segments: the environmental products segment and the environmental services segment. The financial results and the financial position of these two business segments are set out below.

The Group	2007		Helesi PLC Group €000
	Environmental products €000	Environmental services €000	
Third-party sales	43,838	6,195	50,033
Other third-party revenues	608	52	660
	<hr/>	<hr/>	<hr/>
Total revenues	44,446	6,247	50,693
Cost of materials used	(27,481)	(-)	(27,481)
Personnel-related costs	(2,743)	(1,794)	(4,537)
Directors' emoluments	(346)	(-)	(346)
Depreciation charges	(1,443)	(209)	(1,652)
Other operating expenses	(6,791)	(1,177)	(7,968)
Intersegment expenses	620	(620)	-
	<hr/>	<hr/>	<hr/>
Segmental profit, before finance charges	6,262	2,447	8,709
Cost of financing	(1,520)	(175)	(1,695)
	<hr/>	<hr/>	<hr/>
Segmental profit, before taxes	4,742	2,272	7,014
Elimination of intersegmental profits	124	(124)	-
	<hr/>	<hr/>	<hr/>
Profit, before taxes	4,866	2,148	7,014
Income taxes	(547)	(242)	(789)
	<hr/>	<hr/>	<hr/>
Net profit, after taxes	4,319	1,906	6,225
	<hr/>	<hr/>	<hr/>

The Group	2006		Helesi PLC Group €000
	Environmental products €000	Environmental services €000	
Third-party sales	33,542	1,680	35,222
Other third-party revenues	791	1	792
	<hr/>	<hr/>	<hr/>
Total revenues	34,333	1,681	36,014
Cost of materials used	(20,050)	(-)	(20,050)
Personnel-related costs	(2,190)	(629)	(2,819)
Directors' emoluments	(62)	(-)	(62)
Depreciation charges	(1,147)	(12)	(1,159)
Other operating expenses	(5,288)	(372)	(5,660)
	<hr/>	<hr/>	<hr/>
Segmental profit, before finance charges	5,596	668	6,264
Cost of financing	(1,102)	(98)	(1,200)
	<hr/>	<hr/>	<hr/>
Profit, before taxes	4,494	570	5,064
Income taxes	(692)	(88)	(780)
	<hr/>	<hr/>	<hr/>
Net profit, after taxes	3,802	482	4,284
	<hr/>	<hr/>	<hr/>

<i>The Group</i>	31 December 2007		
	Environmental products €000	Environmental services €000	Helesi PLC Group €000
Total assets	115,172	4,863	120,035
Total liabilities to third parties	(77,530)	(521)	(78,051)
Net assets	<u>37,642</u>	<u>4,342</u>	<u>41,984</u>

<i>The Group</i>	31 December 2006		
	Environmental products €000	Environmental services €000	Helesi PLC Group €000
Total assets	63,306	2,512	65,818
Total liabilities to third parties	(29,068)	(460)	(29,528)
Net assets	<u>34,238</u>	<u>2,052</u>	<u>36,290</u>

The *Helesi PLC Group* operates two production units – one in Greece and one in the United Kingdom, under the corporate umbrellas of *Helesi AE* and *Helesi UK Ltd*, respectively. The financial results and the financial position of these two operations are set out below.

<i>The Group</i>	2007			Helesi PLC Group €000
	Greece €000	UK €000	Elimination of intersegment transactions €000	
Third-party sales	42,242	7,791	-	50,033
Intersegment sales	5,181	615	(5,796)	-
Total sales	<u>47,423</u>	<u>8,406</u>	<u>(5,796)</u>	<u>50,033</u>
Other third-party revenues	660	-	-	660
Total revenues	<u>48,083</u>	<u>8,406</u>	<u>(5,796)</u>	<u>50,693</u>
Cost of materials and accessories used	(21,371)	(6,110)	-	(27,481)
Cost of intersegment use of materials	(4,663)	(553)	5,216	-
Personnel-related costs	(4,120)	(417)	-	(4,537)
Directors' emoluments	(346)	-	-	(346)
Depreciation charges	(1,515)	(137)	-	(1,652)
Other operating expenses	(6,647)	(1,321)	-	(7,968)
Segmental profit (loss), before finance charges	<u>9,421</u>	<u>(132)</u>	<u>(580)</u>	<u>8,709</u>
Cost of financing	(1,716)	21	-	(1,695)
Segmental profit (loss), before taxes	<u>7,705</u>	<u>(111)</u>	<u>(580)</u>	<u>7,014</u>
Elimination of intersegmental profits	(518)	(62)	580	-
Profit (loss), before taxes	<u>7,187</u>	<u>(173)</u>	<u>-</u>	<u>7,014</u>
Income taxes	(789)	(-)	-	(789)
Net profit (loss), after taxes	<u>6,398</u>	<u>(173)</u>	<u>-</u>	<u>6,225</u>

<i>The Group</i>	2006			Helesi PLC Group €000
	Greece €000	UK €000	Elimination of intersegment transactions €000	
Third-party sales	26,952	8,270	-	35,222
Intersegment sales	5,391	1,039	(6,430)	-
Total sales	32,343	9,309	(6,430)	35,222
Other third-party revenues	792	-	-	792
Total revenues	33,135	9,309	(6,430)	36,014
Cost of materials used	(13,790)	(6,260)	-	(20,050)
Cost of intersegment use of materials	(4,852)	(935)	5,787	-
Personnel-related costs	(2,341)	(478)	-	(2,819)
Directors' emoluments	(62)	-	-	(62)
Depreciation charges	(1,026)	(133)	-	(1,159)
Other operating expenses	(4,283)	(1,377)	-	(5,660)
Intersegment expenses	-	(15)	15	-
Segmental profit, before finance charges	6,781	111	(628)	6,264
Cost of financing	(1,250)	50	-	(1,200)
Segmental profit, before taxes	5,531	161	(628)	5,064
Elimination of intersegmental profits	(539)	(104)	643	-
Profit, before taxes	4,992	57	15	5,064
Income taxes	(766)	(14)	(-)	(780)
Net profit, after taxes	4,226	43	15	4,284

<i>The Group</i>	31 December 2007			Helesi PLC Group €000
	Greece €000	UK €000	Elimination of intersegment balances €000	
Intersegment investments	46	-	(46)	-
Intersegment receivables/payables	6,728	(6,728)	-	-
Unrealised intersegment profits	-	50	(50)	-
Total other assets	112,476	7,559	-	120,035
Total liabilities to third parties	(76,697)	(1,354)	-	(78,051)
Net assets	42,553	(473)	(96)	41,984

<i>The Group</i>	31 December 2006			Helesi PLC Group €000
	Greece €000	UK €000	Elimination of intersegment balances €000	
Intersegment investments	46	-	(46)	-
Intersegment receivables/payables	5,496	(5,496)	-	-
Unrealised intersegment profits	-	50	(50)	-
Total other assets	58,407	7,411	-	65,818
Total liabilities to third parties	(27,579)	(1,961)	12	(29,528)
Net assets	36,370	4	(84)	36,290

The third-party sales and the value of the related trade receivables outstanding at each year end, on the basis of the location at which the customers operate (inclusive of the balances that are doubtful of collection and have been provided for), is analysed as follows:

<i>The Group</i>	Greece €000	United Kingdom €000	Other	Other	Helesi PLC Group €000
			European Union states €000	(non-EU) states €000	
2007					
Value of sales	22,430	6,019	17,774	3,810	50,033
Trade receivables, at year end	12,820	1,436	8,820	827	23,903
2006					
Value of sales	9,860	6,868	12,152	6,342	35,222
Trade receivables, at year end	6,112	2,554	6,416	3,066	18,148

10 Interest in joints ventures

In the course of 2004, *Helesi AE* established a joint venture with *Perivallontiki AE* and *Urbaser Hellas AE*, for the purposes of providing waste management services to a municipality adjacent to the city of Athens. The aggregate "capital" contributed by the three participants to the venture amounted to €10 thousand and their respective participation interests are 10%, 40% and 50%. Furthermore, *Helesi AE* has, through the absorption of the *Vehicles Division* of *Perivallontiki AE* acquired an interest of 70% and 50%, in two other joint ventures, namely the *Messoghios Joint Venture* and the *Perivantollogiki AZ Joint Venture*, respectively. These joint ventures have their own assets and liabilities, which, however, are not material in the context of these financial statements. The *Perivantollogiki AZ Joint Venture* has neither assets nor liabilities. The profits and the losses realised by the joint ventures are allocated to the participants, on the basis of their participation interest, who remain, however, jointly and severally liable for the liabilities of the joint ventures. The aggregate amount of net profits (losses) that were allocated to *Helesi AE*, amounted to a loss of €41 thousand in 2007 and a profit of €1 thousand in 2006.

11 Tangible fixed assets

<i>The Group</i>	Assets under construction or installation						Total €000
	Land €000	Buildings and building installations €000	Plant and machinery €000	Vehicles €000	Furniture and other equipment €000	€000	
At cost or valuation							
As at 31 December 2005				757	1054	8,145	25,181
Effect of currency translation	-	-	(23)	-	-	-	(23)
Assets assumed, at cost	52	-	48	913	2	15	1,030
Additions 2006	1,772	3,229	5,763	931	127	(3,308)	8,514
Disposals 2006	-	-	-	(20)	-	-	(20)
As at 31 December 2006	2,908	6,591	17,516	2,581	234	4,852	34,682
Effect of currency translation	-	-	(31)	-	-	-	(31)
Additions 2007	132	2,276	6,342	203	200	18,470	27,623
Capitalised interest charges	-	-	-	-	-	153	153
Disposals 2007	(53)	-	(7)	(173)	-	(13)	(246)
As at 31 December 2007	2,987	8,867	23,820	2,611	434	23,462	62,181
Accumulated depreciation							
As at 31 December 2005	-	(450)	(1,798)	(254)	(75)	-	(2,577)
Depreciation assumed	-	-	(9)	(303)	-	-	(312)
Depreciation charge 2006	-	(180)	(770)	(172)	(27)	-	(1,149)
Depreciation on disposals	-	-	-	4	-	-	4
As at 31 December 2006	-	(630)	(2,577)	(725)	(102)	-	(4,034)
Depreciation charge 2007	-	(215)	(1,162)	(346)	(59)	-	(1,782)
Recapitalised depreciation	-	-	72	-	-	-	72
Disposals 2007	-	-	-	51	-	-	51
As at 31 December 2007	-	(845)	(3,667)	(1,020)	(161)	-	(5,693)
Net book values							
As at 31 December 2007	2,987	8,022	20,153	1,591	273	23,462	56,488
As at 31 December 2006	2,908	5,961	14,939	1,856	132	4,852	30,648

The assets under construction or installation are inclusive of advance payments effected in favour of suppliers of fixed assets. These assets, as at 31 December 2007, are analysed, by major project, as follows:

<i>The Group</i>	Partially constructed €000	Advance payments €000	Grants already received * €000	Amount reported €000	Anticipated completion date
Extension of Komotini factory	10,806	2,702	(2,358)	11,150	First quarter of 2009
Italian factory	17,822	-	(5,663)	12,159	Fourth quarter of 2008
	<u>28,628</u>	<u>2,702</u>	<u>(8,021)</u>	<u>23,309</u>	

(*) The grant advances collected relate to investments in fixed assets that may have been partly initiated, as at 31 December 2007.

The cost of the acquisition of tangible fixed assets is reported net of the grants received for partly financing their purchase. The full purchase cost of these assets and the related grants that have been utilised to partially finance their acquisition is reflected in the following table:

<i>The Group</i>	Full purchase cost €000	Investment grants received €000	Reported acquisition costs €000
2006			
Land	2,908	-	2,908
Buildings and building installations	9,363	(2,772)	6,591
Plant and machinery	29,063	(11,547)	17,516
Vehicles	3,397	(816)	2,581
Furniture and other equipment	308	(74)	234
Assets under construction	5,962	(1,110)	4,852
	<u>51,001</u>	<u>(16,319)</u>	<u>34,682</u>
2007			
Land	2,987	-	2,987
Buildings and building installations	11,641	(2,774)	8,867
Plant and machinery	38,993	(15,173)	23,820
Vehicles	3,672	(1,061)	2,611
Furniture and other equipment	556	(122)	434
Assets under construction	30,939	(7,477)	23,462
	<u>88,788</u>	<u>(26,607)</u>	<u>62,181</u>

The assets under construction are inclusive of capitalised interest charges, amounting to €153 thousand while the depreciation charges have been reduced by the amount of €72 thousand, which has been recapitalised in the development of new products.

In accordance with the relevant provisions of the International Financial Reporting Standards, finance leases are reported in the financial information as a form of borrowing and the related leased assets are included in tangible fixed assets and accordingly depreciated.

As at 31 December 2007 and 2006, there were mortgages and other charges on the property of the *Helesi PLC Group*, as a form of security for the financing facilities placed at the disposal of

the *Helesi PLC Group* and for guarantees given in favour of the *Helesi PLC Group*, which amounted, in aggregate, to €18.5 million and €20 million, respectively. In the course of 2007, mortgages and charges of €1.5 million were removed.

12 Intangible fixed assets

Other than goodwill, the intangible fixed assets of the *Helesi PLC Group* entirely comprise computer software.

13 Other long-term assets

Other long-term assets primarily comprise guarantee deposits given in relation to operating leases.

14 Inventories

	<i>The Group</i>	
	31	31
	December	December
	2007	2006
	€000	€000
Manufactured goods	3,619	2,910
Raw and packaging materials	6,348	2,484
Consumables	196	254
Traded goods	1,147	523
	<u>11,310</u>	<u>6,171</u>

15 Receivables

	<i>The Group</i>	
	31	31
	December	December
	2007	2006
	€000	€000
Trade receivables	23,903	18,148
Expense-related grants receivable and prepaid expenses	540	506
Receivables doubtful of collection	(855)	(855)
	<u>23,588</u>	<u>17,799</u>
Advances to suppliers	443	149
State receivables (including grants)	3,060	1,534
Blocked deposit accounts	358	27
Other receivables	1,658	160
	<u>29,107</u>	<u>19,669</u>

The trade and other receivables reported by *Helesi PLC* are due from other Group entities.

16 Cash and cash equivalents

Cash and cash equivalents comprise notes held by the *Helesi PLC Group* as well as bank deposits available on demand.

17 Loans

The loans contracted by the *Helesi PLC Group* have been advanced by Greek banks and are denominated in Euros. The amounts that are repayable within one year of the balance sheet date are reported as short-term obligations while the amounts that are repayable at a subsequent stage, are reported as long-term obligations. The loans of the *Helesi PLC Group* are analysed as follows:

	The Group	
	31	31
	December	December
	2007	2006
	€000	€000
Short-term borrowings		
Bank loans	(29,575)	(3,101)
Short-term portion of long-term loans	(1,229)	(1,540)
Finance lease obligations	(96)	(121)
	<u>(30,900)</u>	<u>(4,762)</u>
Long-term borrowings		
Debenture loan	(8,778)	(5,951)
Bank loans	(3,679)	(1,715)
Finance lease obligations	(-)	(96)
	<u>(12,457)</u>	<u>(7,762)</u>

Depending on the date of expiry, long-term borrowings are analysed as follows:

	The Group	
	31	31
	December	December
	2007	2006
	€000	€000
Long-term borrowing repayable in:		
1 to 2 years	(7,471)	(1,291)
2 to 5 years	(4,986)	(3,474)
Over 5 years	(-)	(2,997)
	<u>(12,457)</u>	<u>(7,762)</u>

The bank loans and other bank financing facilities (including the debenture loan referred to below) contracted by the *Helesi PLC Group* are analysed as follows:

	Short-term liabilities	Long-term liabilities	Scheduled repayment	Applicable effective interest rate
	€000	€000	(to year)	
Debenture loan	(1,229)	(8,778)	2012	Euribor+1.6%
Other long term loans	(-)	(3,679)	2008-2009	Euribor+1.5% - +1.65%
Short term loans	(29,575)	-	2008	Euribor+1.1% - +1.65%
	<u>(30,804)</u>	<u>(12,457)</u>		

A debenture loan of €7 million was contracted in December 2005. The first part of the loan was received and loan debentures of a nominal value of €5.85 million were issued on 30 December 2005. These funds were partly utilised for refinancing pre-existing loan facilities and partly for financing the further development of the *Helesi PLC Group* sales network and the purchase of production optimisation equipment. The second part of the loan debentures, having a nominal value of €1.15 million, was issued in June 2006. The funds thus generated have been utilised for financing the purchase of land.

The debenture loan agreement entered into imposes restrictions on the sale of fixed assets and on the subjection of such assets to further mortgages and/or charges. Restrictions are, likewise, imposed with respect to a possible corporate restructuring (mergers, acquisitions, disposals of segments etc.). Under the same agreement, the following financial covenants must be respected: (a) indebtedness to banks over EBITDA must be less than 4.5, (b) EBITDA over finance costs must be greater than 4.0 and (c) indebtedness to banks over net assets must be less than 1.3.

The debenture loan is secured by a mortgage/charge, amounting to €10 million, over the land, buildings and the machinery of *Helesi AE*, as well as by personal guarantees given by two directors and major shareholders of the Company.

The bank loans advanced are secured by mortgages and charges on the property of the *Helesi AE*, which are quantified in the note on tangible fixed assets.

The present value of finance lease obligations and the lease charges payable under the related leasing contracts in force, as at 31 December 2007, and 2006, were as follows:

	The Group	
	31 December	31
	2007	December
	€000	2006
		€000
Payable in:		
Not later than 1 year	(100)	(135)
1 to 5 years	(-)	(100)
	(100)	(235)
Future lease charges	4	18
Present value of obligations under finance lease contracts	(96)	(217)

18 Financing instruments

Exchange risks

The consideration for most of the sales effected by the *Helesi PLC Group* and, by extension, the receivables of the *Helesi PLC Group* are denominated in Euros. A notable exception is the sales and the receivables of *Helesi UK Ltd*, which are denominated in Pound Sterling. The cost of raw materials and the operating costs of the *Helesi PLC Group* are, likewise, denominated in Euros, except for the operating costs and the payables of *Helesi UK Ltd*, which are denominated in Pound Sterling. The loans contracted by the *Helesi PLC Group* are also denominated in Euros. As a consequence, the exchange risk, which the *Helesi PLC Group* is exposed to, is not believed to be material.

Credit risks

The *Helesi PLC Group* has a clearly defined policy, which is followed consistently. The exposure to credit risks is monitored and assessed on a regular basis, thus ensuring that the credit given does not exceed the authorised credit limits of each customer. As at 31 December 2007 and 2006, receivables, amounting to €0.3 million and €2.31 million, respectively, were secured by

letters of credit, letters of guarantee, state guarantees and distributor guarantees.

The maximum exposure of the *Helesi PLC Group* to credit risk, assuming that all customers will fail to honour their obligations, is the amount reported under receivables, less the aforementioned amounts of the guarantees secured.

Interest rate risks

Most of the interest-bearing receivables and payables of the *Helesi PLC Group* are linked to floating interest rates that are adjusted in line with interest-rate market fluctuations. The *Helesi PLC Group* does not use financial derivatives.

19. Payables

	The Group	
	31	31
	December	December
	2007	2006
	€000	€000
Trade creditors	(26,863)	(15,413)
Accrued expenses	(296)	(149)
Social security contributions payable	(239)	(194)
Taxes (other than income tax) payable	(205)	(181)
Customer advances	(-)	(2)
Other payables	(5,438)	(136)
	<u>(33,041)</u>	<u>(16,075)</u>

The other payables reported, as at 31 December 2007, primarily represent the liabilities towards *Perivallontiki AE* that have arisen as a result of the acquisition of its *Vehicles Division*.

20 Employee benefits

The obligation of the *Helesi PLC Group* towards its employees based in Greece, to provide them with certain future benefits depending on their length of service is quantified and reported on the basis of the accrued entitlement, as at the date of the balance sheet, that is anticipated to be paid, discounted to its present value by reference to the anticipated time of payment. The discount rate used is broadly equal to the yield of Greek Government bonds.

The movement of the account of employee benefits, in the years 2006 and 2007 was as follows:

	The Group
	€000
Provision as at 31 December 2005	(18)
Obligations assumed through acquisitions	(8)
Charge for the year	(8)
Amounts actually disbursed	10
	<u>(24)</u>
Provision as at 31 December 2006	(24)
Charge for the year in respect of employment termination benefits	(20)
Charge for the year in respect of employee share options	(28)
Amounts actually disbursed	14
	<u>(58)</u>
Provision as at 31 December 2007	<u>(58)</u>

21 Government grants

Government grants relate to *Helesi AE* and *Helesi Italia srl* and have been granted in relation to investments in fixed tangible assets, effected in the period from 2000 to 2007 or currently under construction. The reported value of the acquired fixed tangible assets has been reduced by the grants received for the purposes of partially financing their acquisition cost. Depending on the provisions of the law, under which the grants were advanced, certain restrictions apply as to the transfer of the ownership of the subsidised assets and to changes of the legal status of the entity to which the grants were advanced. The inspections carried out by the supervisory authorities, to date, have not disclosed cases of non-compliance with these restrictions that had not been approved, in advance.

The amount of government grants received, for the purposes of financing the purchase of fixed assets, is reported under the note covering fixed tangible assets. The resultant reduction of the depreciation charges that would have, otherwise, burdened the operations of the *Helesi PLC Group* is quantified in the following table:

The Group	€000
Effective reduction of the value of tangible fixed assets, as at 31 December 2005	(10,000)
New grants secured in 2006	(4,638)
Effective reduction of the depreciation charges, in 2006	632
	<hr/>
Effective reduction of the value of tangible fixed assets, as at 31 December 2006	(14,006)
New grants secured in 2007	(10,288)
Effective reduction of the depreciation charges, in 2007	879
	<hr/>
Effective reduction of the value of tangible fixed assets, as at 31 December 2007	(23,415)

22 Share capital and share premium

In the past, the ultimate holding company of the *Helesi Group* was *Perivallontiki AE*, a company registered in Greece. As part of its admission to trading on the AIM market operated by the London Stock Exchange, the *Helesi Group* was restructured, by the shareholders of *Helesi AE* exchanging their shares in *Helesi AE* for shares in *Helesi PLC*, a then newly incorporated company in Cyprus, whose shares were listed on AIM in the latter part of 2006. The ratio on the basis of which the *Helesi AE* shares were exchanged was 1 share in *Helesi AE* for 120.32 shares in *Helesi PLC*. This exchange of shares was approved and implemented on 23 October 2006. The total number of *Helesi PLC* shares, which were thus issued, was 22,505,000, which were added to the 300,000 shares of *Helesi PLC* that had been issued for cash on the incorporation of the Company, in May 2006. Thus, *Helesi AE* became a wholly-owned subsidiary of *Helesi PLC*.

On the basis of the net assets of *Helesi AE*, as at 30 June 2006, amounting, in total, to €18,004 thousand, the 22,505,000 shares thus issued were deemed to have been issued at a premium of €0.70 per share, yielding a total premium of €15,753 thousand.

On the admission to AIM, 9,969,505 new shares were issued at a price of 116 pence (€1.71) per share, thus raising approximately €17.1 million, before expenses, of new capital.

As a result of the above transactions, the total number of issued and outstanding shares of *Helesi PLC*, as at 31 December 2006 and 2007, was 32,774,505 of a nominal value of €0.10 each.

The share premium generated on the exchange of the *Helesi AE* shares for *Helesi PLC* shares of €15,753 thousand plus the share premium raised on the admission to AIM of €16,093 thousand has been reduced by the AIM admission costs of €2,301 thousand less the tax relief generated by these costs of €405 thousand, i.e. by a net amount of €1,896 thousand.

The corporate restructuring process has, in effect, rendered “non-distributable” all the pre-restructuring reserves and retained earnings of the Group. A substantial part of the pre-restructuring reserves of *Helesi AE* were, in any event, non-distributable either because they had, by law, been taken to capital reserves or because they had been allocated to untaxed reserves for the purposes of deferring the payment of the taxes (that would have been, otherwise, payable) on the profits so transferred.

23 Reserves

As stated in the preceding note, the corporate restructuring process has, in effect, rendered “non-distributable” all the pre-restructuring reserves and retained earnings of the Group. A substantial part of the pre-restructuring reserves of *Helesi AE* were, in any event, non-distributable either because they had, by law, been taken to capital reserves or because they had been allocated to untaxed reserves for the purposes of deferring the payment of the taxes (that would have been, otherwise, payable) on the profits so transferred.

The post-restructuring profits that have been taken to reserves, mainly by the Greek entities forming part of the *Helesi Group*, either by the operation of law or on the basis of provisions of Greek tax legislation, which permit the indefinite deferral of the incidence of taxation on otherwise taxable profits (as a form of an investment incentive, on condition that the said profits are re-invested in the business) are reported under “capital reserves”. The tax thus deferred is precipitated by the disposal of the assets acquired, within a period of 5 years of their acquisition, or whenever the untaxed reserves are distributed. The tax liability that will precipitate on the distribution of these reserves, estimated, as at 31 December 2007, at €1.4 million, shall be recognised as and when a decision to distribute these reserves, or part thereof, is taken.

The currency translation adjustments that arise in the consolidation process, on the conversion of the financial statements of *Helesi UK Ltd* from Pounds Sterling into Euro, are reflected directly in shareholders’ equity and are reported under the caption “currency translation adjustments”.

24. Earnings per share and proposed dividends

Earnings per share are calculated by dividing the profit attributable to the shareholders of *Helesi PLC* by the weighted average number of issued and outstanding shares in the accounting period covered by the financial statements.

<i>The Group</i>	Basic EPS		Diluted EPS	
	2007	2006	2007	2006
	€000	€000	€000	€000
Net profit attributable to the shareholders (in Euro thousand)	6,225	4,284	6,225	4,284
Weighted average number of issued shares (in thousand pieces)	32,775	23,719	32,775	23,719
Earnings per share (in €)	0.19	0.18	0.19	0.18

In the autumn of 2007, an interim dividend of €0.006 per share was declared and paid shortly thereafter. The Board of Directors of *Helesi PLC* has resolved to propose the distribution of a dividend of €0.012 per share, or a total of €393,294 to the shareholders of *Helesi PLC*. The distribution of the dividend is subject to the approval of the shareholders, at their forthcoming annual general meeting. The dividend will be recognised as a liability of *Helesi AE* at the time of the approval of the proposed distribution. In the event that the proposed dividend is approved, the total dividend for the year will amount to €0.018 per share.

24 Deferred tax assets and liabilities

Deferred tax assets and liabilities are quantified at the level of each separate entity forming part of the *Helesi PLC Group* and, to the extent that deferred tax assets and deferred tax liabilities arise, they are off set against each other. The deferred tax assets and liabilities emanate from the following causes:

	The Group	
	31 December	31 December
	2007	2006
	€000	€000
Tax impact of the differentiation of the accounting and the tax depreciation rates	(1,727)	(1,305)
Anticipated tax burden on the disposal of revalued land	(27)	(27)
Writing-off of expenses, which yield tax relief over five years	138	37
Tax impact of capitalised interest charges in fixed assets	(38)	(-)
Providing for doubtful receivables, while tax relief entails a write-off	214	214
Reducing the value of stocks to eliminate the effect of tax depreciation	54	37
Deferred tax asset associated with a loss carry forward right	5	18
Miscellaneous timing differences between accounting profits and taxable income	17	(6)
	<hr/>	<hr/>
Income taxes, which will relieve (burden) future accounting periods	(1,364)	(1,032)
Deferred tax asset on share capital increase costs (posted directly to shareholders' equity)	-	235
	<hr/>	<hr/>
Income taxes, which will burden future accounting periods	(1,364)	(797)
	<hr/>	<hr/>

25 Commitments and contingent liabilities

The two major investment projects that were in progress, as at 31 December 2007, were the tyre disposal plant and the upgrading of the Komotini production facilities.

Investment project	Total capital expenditure €000	Approved grants €000	Net investment €000	Expenditure already incurred €000	Grants already collected €000	Commitment as at 31 December 2007 €000
Upgrading of Komotini plant - A	13,357	(7,331)	6,026	13,357	(3,592)	0
Upgrading of Komotini plant - B	3,846	(2,109)	1,737	1,492	(632)	2,354
Expansion of Komotini plant	20,818	(11,436)	9,382	5,507	(3,431)	15,311
Italian production facilities	25,365	(16,990)	8,375	20,717	(5,663)	4,648
	<u>63,386</u>	<u>(37,866)</u>	<u>25,520</u>	<u>41,073</u>	<u>(13,318)</u>	<u>22,313*</u>

* of which €19,182 thousand is likely to be expended in 2008 and €3,311 thousand in 2009. The timing of the collection of grants varies depending on the type of the grant and the terms under which it has been approved. The collection of the grants may precede or follow the expending of the funds.

As at 31 December 2007, the *Helesi PLC Group* was planning to acquire the shares of *Perivallontiki AZ Ltd* and *Helesi Trans Ltd* for a total consideration of €952 thousand. This transaction was completed shortly after the year-end.

The *Helesi PLC Group* is contractually committed under operating leases for the leasing of office space and warehouses and of certain production facilities in the UK, as follows:

	Within 1 year €000	Within 2-5 years €000
Office premises	57	22
Production facilities	145	290
	<u>202</u>	<u>312</u>

The *Helesi PLC Group* has not provided any guarantees in favour of third parties

26 Business combinations

On 23 November 2007, the shareholders of *Helesi AE* formally resolved, in general meeting, to absorb the *Vehicles Division* of *Perivallontiki AE*, an entity under the management and control of the principal shareholders of *Helesi PLC*, with effect from 31 August 2007. The objective of this acquisition was to attain a higher level of transparency in the operations of the *Helesi Group* but also to benefit from the anticipated synergistic effects of this combination. The activity of the absorbed *Vehicles Division* is focused on the trading of special purpose vehicles that are used within the waste management industry. The activities of the absorbed *Vehicles Division* also include the participation in two Cyprus-based joint ventures that provide waste management services on the island. The transaction included the right of use of the readily recognised (in Greece as well as in Cyprus) brand name of "*Perivallontiki*", ad infinitum.

The cost of the acquisition, amounting to €10,708,000, was covered to the extent of €9,868,000 through the assumption of net liabilities of an equal value and to the extent of €840,000 through the issuance of new shares of *Helesi AE* that were, shortly thereafter, acquired by *Helesi PLC*. The assets and the liabilities that were acquired in the context of this acquisition were valued by *PricewaterhouseCoopers*, at the values reflected below:

	€'000
Inventories	2 276
Receivables	7 562
<i>Total assets</i>	<u>9 838</u>
Payables	(5 811)
Short term interest bearing loans	<u>(13 895)</u>
<i>Total liabilities</i>	<u>(19 706)</u>
<i>Total net liabilities</i>	<u><u>(9 868)</u></u>

The financial result of the *Vehicles Division* activity, in the period from 1 September to 31 December 2007, amounted to a loss, before taxes, of €177 thousand, which has been incorporated in the reported results for the year ended 31 December 2007.

Had the absorption of the *Vehicles Division of Perivallontiki AE* been effected at the beginning of the year, the incremental impact on the revenue of the Company, in the year 2007, would have been an increase of €7,352,000, while the corresponding incremental impact on the profits, before taxes, reported by the Company would have been an increase of €843,000 after allowing for the cost of effecting this investment under the same terms and conditions, including the cost of financing.

27 Post balance sheet events

On 3 January 2008, the shareholders of *Helesi PLC* formally resolved, in general meeting, to acquire the shares of *Perivallontiki AZ Ltd* and *Helesi Trans Ltd*, then wholly-owned subsidiaries of *Perivallontiki AE*. *Perivallontiki AZ Ltd* is a Company incorporated in Cyprus, engaged in the distribution of the *Helesi Group's* products in Cyprus. *Helesi Trans Ltd* is also a Company incorporated in Cyprus, engaged in the provision of international transportation services. The consideration paid for acquiring the shares of these two entities amounted, in total, to €952,000.